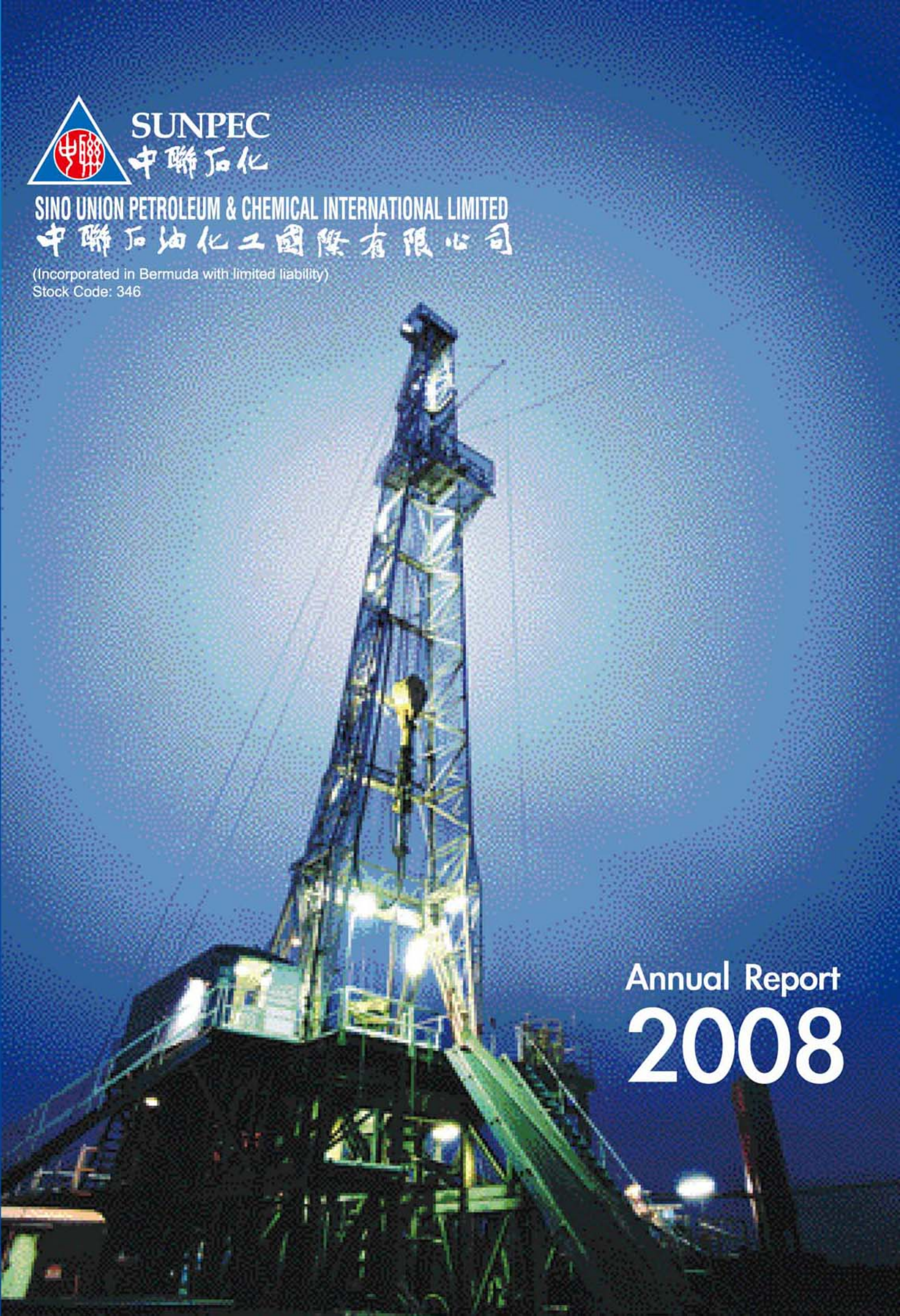
SINO UNION PETROLEUM & CHEMICAL INTERNATIONAL LIMITED

SUNPEC
中聯石化

SINO UNION PETROLEUM & CHEMICAL INTERNATIONAL LIMITED
中聯石油化工國際有限公司

(Incorporated in Bermuda with limited liability)
Stock Code: 346



Annual Report 2008

CONTENTS

CORPORATE INFORMATION

EXECUTIVE DIRECTORS

Dr. Wang Tao *(Honorary Chairman)*
Dr. Hui Chi Ming, *G.B.S., PhD, J.P.* *(Chairman)*
Mr. Cheung Shing *(Deputy Chairman)*
Dr. Chui Say Hoe
Dr. Ching Men Ky, Carl
(appointed on 25 October 2007)
Mr. Tsang Kwok Man
Mr. Cui Yeng Xu

NON-EXECUTIVE DIRECTORS

Dr. Fok Chun Wan, Ian
(appointed on 25 October 2007)
Mr. Chow Charn Ki, Kenneth

INDEPENDENT NON-EXECUTIVE DIRECTORS

Dr. Yu Sun Say, *S.B.S., J.P.*
Mr. Ng Wing Ka
Mr. Edmund Siu (appointed on 14 December 2007)
Mr. Chan Wai Dune (resigned on 25 October 2007)

COMPANY SECRETARY AND QUALIFIED ACCOUNTANTS

Mr. Fu Wing Kwok, Ewing

REGISTERED OFFICE

vClarendon House
2 Church Street
Hamilton HM11
Bermuda

HEAD OFFICE AND PRINCIPAL PLACE OF BUSINESS

Units 10-12, 19/F
China Merchants Tower
Shun Tak Centre
168-200 Connaught Road Central
Sheung Wan
Hong Kong

AUTHORISED REPRESENTATIVE

Mr. Fu Wing Kwok, Ewing

PRINCIPAL BANKERS

Shenzhen Ping An Bank
The Hongkong and Shanghai Banking Corporation Limited
DBS Bank (Hong Kong) Limited

LEGAL ADVISER — HONG KONG

Robertsons
57/F, The Center
99 Queen's Road Central
Hong Kong

AUDITORS

HLB Hodgson Impey Cheng
Chartered Accountants
Certified Public Accountants
31/F, Gloucester Tower
The Landmark, 11 Pedder Street
Central
Hong Kong

BERMUDA PRINCIPAL SHARE REGISTRAR AND TRANSFER OFFICE

The Bank of Bermuda Limited
Bank of Bermuda Building
6 Front Street
Hamilton HM 11
Bermuda

HONG KONG BRANCH SHARE REGISTRAR AND TRANSFER OFFICE

Tricor Tengis Limited
26/F Tesbury Centre
28 Queen's Road East
Hong Kong

STOCK CODE

346

CHAIRMAN'S STATEMENT

For and on behalf of the Board of Directors (the "Board") of Sino Union Petroleum & Chemical International Limited (the "Company"), I am pleased to present the annual results of the Company and its subsidiaries (the "Group") for the year ended 31 March 2008.

PERFORMANCE

The Group recorded a turnover of approximately HK$400,060,000 (2007: HK$554,686,000) and HK$1,312,902,000 (2007: Nil) from trading of PU materials and trading of fuel oil respectively for the year ended 31 March 2008, which was decreased by 28% and increased by 100% respectively comparing to previous year. Profit attributable to shareholders was HK$1,929,369,000 (2007: HK$8,063,000), the profits included excess of acquirer's interest in fair value of acquiree's identifiable net assets over costs of approximately HK$1,910,182,000. Basic earnings per share is HK49.64 cents (2007: HK0.63 cents).

BUSINESS REVIEW

This year was an exciting year for the Group which had gone through a series of expansions successfully.

On 25 May 2007, the Group has successfully acquired 100% shareholding in Madagascar Energy International Limited ("MEIL"). MEIL was vested with the rights to engage in oil & gas exploration for an 8-year period, oilfield development for a 5-year period and exploitation and operation of oil and gas for 25 years (renewable for another 5 years) and 35 years (renewable for another 10 years) respectively at Madagascar Oilfield Block 3113, an onshore site with total area of 8,320 kilometers in the Republic of Madagascar. The Group has appointed Netherland, Sewell & Associates, Inc. ("NSAI"), an international renowned oil evaluation institution based in Texas, U.S.A., as its independent technical advisor of the Group. NSAI has issued a technical and oil reserve evaluation report which concluded that Oilfield Block 3113 has ample reserves of light crude oil. After its professional evaluation, NSAI also concluded that, in conservative estimation, Madagascar Oilfield Block 3113 has not less than 270 million tonnes (equivalent to 2.03 billion barrels) of unrisked original oil-in-place. Pursuant to a valuation report issued by BMI Appraisals Limited, the market value of MEIL is approximately HK$10.5 billion as at 31 May 2008. The valuation of the MEIL has increased significantly due to the sky-rocketing global crude oil price.

On 5 September 2007, the Company entered into a sale and purchase agreement with the Good Progess Group Limited to acquire the entire equity interest in Madagascar Energy International Gas Station Group Ltd. ("Madagascar Energy"). Madagascar Energy has been granted with the license to carry on the business of import, transportation and distribution of petroleum in Madagascar for a period of seven years since 25 January 2007. The obtaining of the license will enable the Group to tap into the potential lucrative oil distribution and gas station businesses in Madagascar, where the economy is experiencing a steady growth and there is ever increasing demand in petroleum products.

On 3 November 2007, the Company entered into a sale and purchase agreement to acquire 54% equity interest in Madagascar Petroleum International Limited ("MPIL"), which holds the oil and gas exploration, exploitation and operation rights at an onshore site in the Republic of Madagascar ("Oilfield Block 2104") pursuant to the Production Sharing Agreement dated 7 October 2005 made between MPIL and Office Des mines Nationales Et Des Industries Strategiques, a government office of Republic of Madagascar under which MPIL was granted certain oil and gas exploration, exploitation and operation rights at Oilfield Block 2104 in Madagascar. On 17 April 2008, the Group further acquired 36% equity interest of MPIL. At the time of completion of the acquisition, the Group will hold 90% of MPIL. In other words, the Group will hold 90% interest in Oilfield Block 2104.

CHAIRMAN'S STATEMENT

As announced by the Company on 11 April 2008, MEIL entered into a legally-binding agreement with Yanchang Petroleum on 3 April 2008. Pursuant to the agreement, MEIL and Yanchang Petroleum shall jointly invest and manage the exploration, exploitation and operations of Oilfield Block 3113 and each party shall contribute 50% of the required capital investment for the development of Oilfield Block 3113. According to the Agreement, Yanchang Petroleum shall be entitled to 41% of the Attributable Oil and Gas. The Group shall be entitled to an aggregate of 59% of the Attributable Oil and Gas. Attributable Oil and Gas is the oil or gas produced after the deductions of production costs and shares of oil with Madagascar government at an agreed ratio.

LOOKING FORWARD

Having gone through all of the above business expansions, the Group has successfully redirect its principle business to oil & gas industry. Going forward, the Board sees the Group's newly diversified oil & gas exploration, exploitation and operation business as the turbo engine to the Group's growth momentum in the future. Capitalising on the soaring global crude oil prices, the Board sees the business development potential of this new business as very promising. The Group is determined to establish a strong foothold in oil & gas industry. The Group will actively seek out suitable oil & gas projects with growth potential in order to further expand our oil & gas business and develop related businesses.

APPRECIATION

I would like to thank our management team and all our staff for their untiring efforts and significant contribution during the past year. I would also like to take this opportunity to express my sincere gratitude and appreciation to all our fellow shareholders and institutional investors for their continuous support and confidence in our Group.

Dr. Hui Chi Ming
Chairman

Hong Kong, 20 June 2008

MANAGEMENT DISCUSSION AND ANALYSIS

FINANCIAL REVIEW

For the financial year ended 31 March 2008, the Group recorded a turnover of approximately HK$400,060,000 (2007: HK$554,686,000) and HK$1,312,902,000 (2007: Nil) from trading of PU materials and trading of fuel oil respectively, which was decreased by 28% and increased 100% respectively comparing to previous year. Profit attributable to shareholders was approximately HK$1,929,369,000 (2007: HK$8,063,000), the profits included excess of acquirer's interest in fair value of acquiree's identifiable net assets over costs. Basic earnings per share is HK49.64 cents (2007: HK0.63 cents).

OPERATIONAL REVIEW

During the year under review, more than 90% of the Group's profits derived from the excess of acquirer's interest in fair value of acquiree's identifiable net assets over costs. Turnover derived from distribution of PU materials and fuel oil and the principal market of the Group was the PRC. No revenue was derived from Hong Kong (2007: Nil).

Distribution of PU materials

During the year, revenue from the distribution of PU materials was approximately HK$400,060,000 (2007: HK$554,686,000), representing decrease of approximately 28% compared to previous year. The distribution of PU materials contributed approximately HK$14 million (2007: HK$11 million) to the Group's profit from operating activities for the year, representing an increase in 32% compared to previous year. The market of the PU materials became increasingly competitive and the demand of PU materials showed a decreasing trend during the financial year. The Group had scale down the revenue in order to deal with the risks coupling with such a competitive environment.

Distribution of petroleum products

On 3 April 2007, the Group entered into a supply and purchases agreement with Foshan Huan Heng Petroleum and Chemical Limited ("Foshan Hua Heng") and Foshan Electricity Fuel Company (佛山市區電力燃料), pursuant to which the Group has agreed to supply 360,000 tons of fuels oil (which model no. 180CST) at the prevailing market price to Foshan Hua Heng for its resale to Foshan Electricity Fuel Company during the contract period of 23 April 2007 to 23 April 2008. Fushan Hua Heng has undertaken and guaranteed that the profit margin of the Group for the sale of 360,000 tons fuel shall not less than RMB25.2 million, Fushan Hua Heng shall at least RMB2.1 million per months to the Group for its profit margin of the monthly sale of 30,000 tons fuel oil Fushan Hua Heng.

During the year, the Group has commenced the distribution business of fuels products, which contribute approximately HK$1,312,902,000 to the Group's turnover, which account for 77% of the Group's turnover for the year. The distribution business of fuel products contributed approximately HK$36,611,000 to the Group's net profit from operating activities for the year.

RECTIFICATION ON THE UNAUDITED INTERIM RESULTS FOR THE SIX MONTHS ENDED 30 SEPTEMBER 2007 ("2007 INTERIM RESULTS") OF THE GROUP

The Board regrets to report that during the preparation of the Group's annual audit for the financial year ended 31 March 2008, the auditors of the Company found that a material error had been made in 2007 Interim Results with respect to the calculation of the cost of acquisition of a subsidiary acquired during the year. The fair value of consideration shares issued by the Company for the acquisition was inadvertently calculated based on the issue price of the shares of the Company ("Shares") of HK$0.24 instead of the market price of the Shares quoted on The Stock Exchange of Hong Kong Limited of HK$2.26 at the completion date as required under Hong Kong Financial Reporting Standard 3. As a result, the cost of acquisition was understated by approximately HK$2,525,000,000 and the excess of acquirer's interest in fair value of acquiree's identifiable net assets over cost and the net profit from ordinary activities attributable to shareholders of the Company should have been adjusted from approximately HK$4,429,858,000 to approximately HK$1,904,858,000 and from approximately HK$4,440,491,000 to approximately HK$1,915,491,000 respectively for the 2007 Interim Results.

The auditors of the Company, have confirmed that, in their opinion, the incorrect booking of the cost of acquisition has no material impact on the cash position and assets and liabilities of the Group as at 30 September 2007.

At the Board's direction, the Company shall conduct a review on the Group's internal control procedures and implement additional procedures, if necessary, with a view to ensure that similar errors would not occur in the future.

DIVIDEND

The Directors do not recommend the payment of final dividend for the year ended 31 March 2008 (2007: Nil).

LIQUIDITY AND FINANCIAL RESOURCES

As at 31 March 2008, the Group did not have any outstanding bank borrowings (2007: Nil) and had cash and bank balances approximately HK$228,457,000 (2007: HK$90,062,000).

With the available resources and the proceeds from the allotment and issue of shares of the Company ordinary shares subsequent to the balance sheet date, the Group has adequate working capital to finance its business operations.

As at 31 March 2008, the current ratio (current assets divided by current liabilities) was 2.26 times (2007: 3.65 times) and the gearing ratio, calculated on the basis of bank borrowing and convertible bond divided by shareholders' equity, was undefined due to the fact that the Group did not have bank borrowings and convertible bond at 31 March 2008 (2007: undefined).

CHARGE ON ASSETS

As at 31 March 2008, none of the Group's asset was pledged (2007: Nil).

EXPOSURE TO FLUCTUATION IN EXCHANGE RATES AND RELATED HEDGES

As the Group's transactions are mostly settled by Hong Kong dollars, Renminbi or Hong Kong dollars pegged currencies, the exposure to foreign exchange fluctuation is minimal, therefore no use of financial instruments for hedging purpose is considered necessary.

As at 31 March 2008 the Group did not have any foreign currency investments which has been hedged by currency borrowings and other hedging instruments (2007: Nil).

CAPITAL COMMITMENT AND CONTINGENT LIABILITIES

Details of capital commitment of the Group as at 31 March 2008 are set out in Note 34 to financial statement.

As at 31 March 2008, the Group did not have any contingent liabilities (2007: Nil).

MATERIAL ACQUISITIONS AND DISPOSALS

Details of acquisitions of subsidiaries of the Group for the year ended 31 March 2008 are set out in Note 23 to financial statement.

During the year, the Group does not have any material disposals of subsidiaries.

EMPLOYEES AND REMUNERATION POLICIES

As at 31 March 2008, the Group's total number of staff was 48 (2007: 26). Salaries of employees are maintained at a competitive level. The Group has not encountered any problem with the recruitment of its employees. None of the companies in the Group has experienced any labour disputes during the year and the Directors of the Company consider that the Group has maintained an excellent employment relationship. The Group remunerates its employees largely based on industry practice. Remuneration packages comprised salaries, commissions and bonuses based on individual performance.

DIRECTORS' AND SENIOR MANAGEMENT'S BIOGRAPHIES

DIRECTORS

Executive Directors

Dr. WANG Tao, aged 76 is a professor at Nanjing University and China University of Petroleum and a Foreign Academician of the Russian Academy of Natural Sciences. He has over 40 years of experience in geological research and oilfields exploration and development. He has been acting as a vice-chairman of the World Petroleum Congress since 1994 and now serves as the head of the National Committee for the PRC under the World Petroleum Congress, the vice-chairman of the China-Arabia Friendship Association and chairman of the China Saudi Friendship Association. He acted as the chief geologist in the research institute of the Ministry of Petroleum Industry in China, managing director of China National Petroleum Corporation and minister at the Ministry of Petroleum Industry in China and subsequently took part in the exploration and development of oilfields, such as Daqing Oilfield, Shengli Oilfield, Liao River Oilfield and Xinjiang Oilfield. In recognition of his outstanding contribution towards the development of the World Petroleum Congress, he was awarded the "Outstanding Contribution Award" by the World Petroleum Congress on 25 September 2005.

Dr. HUI Chi Ming, *G.B.S., PhD, J.P.*, aged 43 was appointed as the Chairman and an executive Director on 2 November 2004. Dr. Hui is the founder of Gahood group of companies and Join Wisdom group of companies which are principally engaged in property development, and golf club, resort and hotel development and management in the PRC. Dr. Hui graduated from Shenzhen University with a professional diploma in Administrative Management in 1989 and was a visiting scholar of the John F. Kennedy Government School of Harvard University in the United States of America from 2002 to 2003. Dr. Hui has received Doctorates in Philosophy and Sciences from the Open International University for Complementary Medicines and Medicina Alternativa Institute in 2000 and a Doctor Honoris Causa in Economics and IFES Doctoris Honoris Causa from Institute of Far Eastern Studies, The Russian Academy of Sciences in 2002. The Russian Academy of Sciences also conferred the Honorary Doctorate and "Lo Mo" Medal to Dr. Hui in 2005. Dr. Hui serves as a member of the National Committee of the Chinese People's Political Consultative Conference, and is currently the vice president of China Society for Promotion of the Guangcai Program, standing member of All China Federation of Industry & Commence, honourable president of Beijing Federation, president of Hong Kong Association of International Investment and president of Hong Kong Guangdong Community Organisation. Dr. Hui is also a keen supporter of community service and charity organisations. He has been awarded the 推動人類和平進步獎 (Humanity & Peace Promotion Award) by the United Nations and accredited as 全國十大扶貧狀元 (Top Ten Poverty Alleviation Contributor) by the government of the PRC. In honor of Dr. Hui's contributions to humanity, the International Minor Planet Nomenclature Committee permanently named the minor planet no. 5390 as "Hui, Chi-Ming Planet".

Mr. CHEUNG Shing, aged 54 was appointed as an executive Director on 23 February 2005. He has been the deputy executive officer of the Company since February 2004. He has been the chairman of 河南省盛華石油化工有限公司 during the period between 1998 and 2003 and the chairman of Liaoning Xinmin Petrochemical Company Limited during the period between May 2004 and September 2004. Mr. Cheung is now a petrochemical management economist (石油化工管理經濟師).

Dr. CHUI Say Hoe, aged 58 was appointed as an executive Director on 2 November 2004. He has been the executive director and general manager of Sun Hoe Company Limited, a company engaged in medicine distribution and trading business, since 1978 up to present. Before joining Sun Hoe Company Limited, Dr. Chui worked in a commercial bank in Hong Kong for about 5 years. Dr. Chui has more than 20 years of experience in commerce and general business management. Dr. Chui obtained a Diploma from Technologie, Universite de Paris XIII, Paris, France in 1990. He was granted Honorary Doctorate of Management from Morrison University, Nevada, U.S.A. on 8 January 2005. He is now a member of Post-Release Supervision Board, HKSAR, and adjudicator of the Registration of Persons Tribunal.

DIRECTORS *(Continued)*

Executive Directors *(Continued)*

Mr. TSANG Kwok Man, aged 62 was appointed as an executive Director on 23 February 2005. He has been the deputy general manager of the Company since November 2004. He is also the finance manager of Gahood Holding Co. Ltd. and Join Wisdom Group International Ltd. Since September 2004. Mr. Tsang has about 28 years of experiences in the banking industry and was the manager in commercial and corporate banking for the last few years of his career in the banking industry.

Mr. CUI Yeng Xu, aged 44 obtained a bachelor's degree from the Faculty of Chinese in Liaoning University. He has worked for various Chinese enterprises and several government departments and has over 20 years of experience in the management of enterprises and government departments.

Dr. CHING Men Ky, Carl, aged 63, graduated from Tak Ming College with a Bachelor Degree in Business and was awarded with an Honorable Doctorate Degree from Beijing International Business School in the PRC. Dr. Ching has years of experience in business management. He has also been participating in various social activities and has been acting as the executive director of United World Chinese Association and the President of Asian Basketball Association. In recognition of the contributions to the community of Dr. Ching, he was awarded the Peace Messenger from the United Nation of International Week of Science and Peace in 2000.

Non-Executive Directors

Mr. CHOW Charn Ki, Kenneth, aged 53 LL.B. (Honours) (London), LL.M. (London) in 1976, was appointed as a non-executive Director on 2 November 2004. Mr. Chow is a professional in the legal field. He was a Honorary Lecturer in law of University of Hong Kong, a member of the Basic Law Consultative Committee of the Special Administrative Region of Hong Kong, an Advisor to All China Law Association (Institute for Research on Hong Kong Law), a Convenor to Research Group on Trans-1997 Hong Kong Laws. Mr. Chow is a member of the National Committee of the Chinese People's Political Consultative Conference.

Dr. FOK Chun Wan, Ian, *SBS, JP,* aged 59, is the Managing Director of Henry Y T Fok Group, Henry Fok Estates Ltd, Yau Wing Co Ltd and National Investment Ltd. Dr. Fok obtained Bachelor of Science and MBA from the University of British Columbia in Canada and was awarded with an Honorable Doctorate Degree from Western Alabama University. He is the Chairman of The Chinese General Chamber of Commerce, Deputy, the 11th National People's Congress of the People's Republic of China, the Member of Standing Committee of the 10th Guangdong Provincial Committee of the Chinese People's Political Consultative Conference and the Vice Chairman of All-China Federation of Industry and Commerce. He is also the Member of The Greater Pearl River Delta Business Council, the Vice Chairman of China Overseas Friendship Association, the Council Member of Hong Kong Trade Development Council, and the Councilor of China Council for The Promotion of Peaceful National Reunification.

In recognition of the contributions to the community of Dr. Fok, he was awarded the Silver Bauhinia Star in 2005 and was appointed as a Justice of Peace by the Hong Kong Special Administrative Region Government on 1 July 2003.

DIRECTORS' AND SENIOR MANAGEMENT'S BIOGRAPHIES

DIRECTORS *(Continued)*

Independent Non-Executive Directors

Dr. YU Sun Say, *S.B.S., J.P.*, aged 68 was appointed as an independent non-executive Director on 7 January 2005. He is the chairman of H.K.I. Group of Companies. Dr. Yu is also now the President of The Chinese Manufacturers' Association of Hong Kong, the standing committee member of The Chinese General Chamber of Commerce, the council member of the Hong Kong Trade Development Council and the honorary chairman of The Mirror Post Cultural Enterprises Co. Ltd. Dr. Yu is also a standing committee member of the National Committee of the Chinese People's Political Consultative Conference. Dr. Yu holds a honorary doctoral degree in Economics from Charles Darwin University of Australia.

Mr. NG Wing Ka, aged 37 was appointed as an independent non-executive Director on 7 January 2005. He is the partner of George Tung, Jimmy Ng & Valent Tse, Solicitors. He is now the legal adviser as to Hong Kong laws of the Foreign Economics and Trade Committee of the People's Government of Chongqing City (重慶市對外經濟貿易委員會) and 中豪律師事務所 in Chongqing City, the PRC. Mr. Ng is also the general committee member of The Chinese Manufacturers' Association of Hong Kong and Hong Kong Chinese Importers' & Exporters' Association and a member of the Chinese People's Political Consultative Conference of Chongqing City, the PRC. Mr. Ng graduated with a Bachelor of Laws degree and a Postgraduate Certified in Laws Degree from The University of Hong Kong.

Mr. Edmund Siu, age 36, was appointed as a non-executive Director on 14 December 2007. Mr Siu is a member of the Hong Kong Institute of Certified Public Accountants. He has over 10 years of experience in accounting and auditing.Mr. Siu had been Executive Director of Grandtop International Holdings Limited, which is listed on the main board of the Stock Exchange of Hong Kong Limited and has resigned on 12 July 2006.He also had been Independent Non-executive Director of China Rich Holdings Limited, which is listed on the main board of the Stock Exchange of Hong Kong Limited and has resigned on 13 July 2007.

Senior Management

The Directors are closely involved in and are directly responsible for all activities of the Group. The board of directors considers that only the above-mentioned seven executive Directors are regarded as members of the Group's senior management.

REPORT OF THE DIRECTORS

The directors have pleasure in submitting their report together with the audited financial statements of the Company and of the Group for the year ended 31 March 2008.

PRINCIPAL ACTIVITIES

The principal activity of the Company is investment holding. Details of the principal activities of the subsidiaries are set out in Note 12 to financial statements.

SEGMENT INFORMATION

As analysis of the Group's turnover and contribution to results by principal activity and geographical area of operations for the year ended 31 March 2008 is set out in Note 6 to financial statements.

RESULTS AND APPROPRIATIONS

The results of the Group for the year ended 31 March 2008 and the state of affairs of the Company and of the Group at that date are set out in the financial statements on pages 25 to 27.

The directors do not recommend the payment of any dividend in respect of the year (2007: Nil).

SUMMARY OF FINANCIAL INFORMATION

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

Results

	Year ended 31 March				
	2008	2007	2006	2005	2004
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
Turnover	**1,712,962**	554,686	577,729	884,347	453,344
Profit before tax	**1,935,739**	10,872	2,986	3,094	15,390
Taxation	**(6,370)**	(2,809)	(2,381)	(4,445)	(2,528)
Profit for the year from					
Continuing operation	**1,929,369**	8,063	605	(1,351)	12,862
Discontinued operation	**—**	—	14,962	—	—
Net profit/(loss) attributable to shareholders	**1,929,369**	8,063	15,567	(1,351)	12,862

SUMMARY FINANCIAL INFORMATION *(Continued)*

Assets and Liabilities

	At 31 March				
	2008	2007	2006	2005	2004
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
Non-Current assets	**5,880,792**	624	541	169,668	1,163
Current assets	**535,345**	291,151	231,301	263,579	258,419
Total assets	**6,416,137**	291,775	231,842	433,247	259,582
Current liabilities	**(236,453)**	(79,690)	(55,319)	(244,033)	(97,126)
Non-current liabilities	**(2,650)**	—	(83)	(26,324)	(232)
Total liabilities	**(239,103)**	(79,790)	(55,402)	(270,357)	(97,358)
Total equity	**6,177,034**	212,085	176,440	162,890	162,224

This summary does not form part of the audited financial statements.

PROPERTY, PLANT AND EQUIPMENT

Details of movements in the property, plant and equipment of the Group during the year are set out in Note 7 to financial statements.

SHARE CAPITAL AND SHARE OPTIONS

Details of movements in the Company's share capital during the year and details of the Company's share option scheme are set out in Note 15 to financial statements.

RESERVES

Details of movements in the reserves of the Company and of the Group during the year are set out in Note 16 to financial statements.

PRE-EMPTIVE RIGHTS

There are no provisions for pre-emptive rights under the Company's Bye-laws or the laws of Bermuda, being the jurisdiction in which the Company is incorporated, which would oblige the Company to offer new shares on a pro rata basis to existing shareholders.

PURCHASE, REDEMPTION OR SALE OF LISTED SECURITIES OF THE COMPANY

Neither the Company, nor any of its subsidiaries purchased, redeemed or sold any of the Company's listed securities during the year and up to the date of this report.

DISTRIBUTABLE RESERVES

At 31 March 2008, the Company's reserves available for distribution and/or distribution in specie, calculated in accordance with the Companies Act 1981 of Bermuda, amounted to approximately HK$3,618,598,000. This amount included the Company's contributed surplus in the amount of approximately HK$54,045,000 at 31 March 2008, which may only be distributed in certain circumstances. In addition, the Company's share premium account, in the amount of approximately HK$1,127,318,000 at 31 March 2008, may be distributed in the form of fully paid bonus shares.

MAJOR CUSTOMERS AND SUPPLIERS

In the year under review, the percentages of sales and purchases attributable to the Group's major customers and suppliers were as follows:

(1) The aggregate amount of sales attributable to the Group's five largest customers represented 97% of the Group's total sales for the year. The amount of sales to the Group's largest customer included therein represented approximately 77%.

(2) The aggregate amount of purchases attributable to the Group's five largest suppliers represented 87% of the Group's total purchases for the year. The amount of purchases from the Group's largest supplier included therein represented approximately 77%.

As far as the directors are aware, neither the directors, their associates nor shareholders (which, to the best knowledge of the directors, own more than 5% of the Company's issued share capital) had any beneficial interests in the Group's five largest customers or five largest suppliers during the year.

MATERIAL RELATED PARTY AND CONNECTED TRANSACTIONS

Details of the related party and connected transactions of the Group are set out in Notes 36 and 37 to financial statements.

PENSION SCHEMES AND COSTS

Details of the Group's pension schemes and costs charged to the consolidated income statement for the year are set out in Note 3(k) to financial statements, respectively.

At 31 March 2008, the Group did not have any significant obligations for long service payments to its employees pursuant to the requirements under the Employment Ordinance, Chapter 57 of the Laws of Hong Kong.

REPORT OF THE DIRECTORS

DIRECTORS

The directors of the Company during the year and at the date of this report were as follows:

Executive Directors

Dr. Wang Tao *(Honorary Chairman)*
Dr. Hui Chi Ming, *G.B.S., PhD, J.P.* *(Chairman)*
Mr. Cheung Shing *(Deputy Chairman)*
Dr. Chui Say Hoe
Dr. Ching Men Ky, Carl (appointed on 25 October 2007)
Mr. Tsang Kwok Man
Mr. Cui Yeng Xu

Non-Executive Directors

Dr. Fok Chun Wan, Ian (appointed on 25 October 2007)
Mr. Chow Charn Ki, Kenneth

Independent Non-Executive Directors

Dr. Yu Sun Say, *S.B.S., J.P.*
Mr. Ng Wing Ka
Mr. Edmund Siu (appointed on 14 December 2007)
Mr. Chan Wai Dune (resigned on 25 October 2007)

In accordance with the Company's bye-laws, Mr. Fok Chun Wan, Ian, Mr. Ching Men Ky, Carl, Mr. Edmund Siu and Mr. Tsang Kwok Man will retire by rotation and, being eligible, will offer themselves for re-election at the forthcoming annual general meeting.

The Company has received, from each of the independent non-executive directors, an annual confirmation of his independence pursuant to Rule 3.13 of the Rules Governing the Listing of Securities on the Stock Exchange of Hong Kong Limited. The Company considers all of the independent non-executive directors are independent.

DIRECTORS' BIOGRAPHIES

Biographical details of the directors of the Company are set out on pages 7 to 9 of the annual report.

DIRECTORS' SERVICE CONTRACTS

Each of the executive directors has entered into a service contract with the Company for, which can be terminated by either party giving three months' notice in writing to the other party.

Save as disclosed above, no director proposed for re-election at the forthcoming annual general meeting has a service contract with the Company which is not determinable by the Company within one year without payment of compensation, other than statutory compensation.

DIRECTORS' INTERESTS IN CONTRACTS

Save as disclosed in Notes 36 and 37 to financial statements, no director had a material interest, whether directly or indirectly, in any contract of significance to the business of the Group to which the Company or any of its subsidiaries was a party during the year.

DIRECTORS' INTERESTS IN SHARE CAPITAL

At 31 March 2008, the interests and short positions of the directors and chief executives in the share capital of the Company and its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance (the "SFO")) as recorded in the register required to be kept by the Company under Section 352 of the SFO or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Companies ("the Model Code") were as follows:

Ordinary share of the Company

Name of director	Nature of interest	Number of ordinary shares held	Percentage of issued shares
Dr. Hui Chi Ming *(note)*	Corporate	2,854,095,555	61.49%
Ching Men Ky, Carl	Personnel	64,530,000	1.39%
Fok Chun Wan, Ian	Personnel	107,550,000	2.32%

Note: These shares are beneficially owned by Golden Nova Holdings Limited, Wisdom On Holdings Limited, Barta Holdings Limited and Good Progress Group Limited, the entire issued share capital of which is wholly-owned by Dr. Hui Chi Ming.

Share options of the Company

Name of director	Number of share options held	Percentage of issued shares
Mr. Tsang Kwok Man	11,000,000	0.84%

Save as disclosed above, none of the directors or chief executives of the Company or their respective associates had any personal, family, corporate or other interests in the share capital of the Company or any of its associated corporations as defined in the SFO.

DIRECTORS' RIGHTS TO ACQUIRE SHARES OR DEBENTURES

Apart from as disclosed under the heading "Share Option Scheme" below, at no time during the year and up to the date of this report was the Company or any of its subsidiaries a party to any arrangement to enable the Company's directors, their respective spouse or children under 18 years of age to acquire benefits by means of the acquisition of shares in or debentures of the Company or any other body corporate.

SHARE OPTION SCHEME

The Company operates a share option scheme (the "Scheme"), further details of which are set out in Note 15 to financial statements.

SUBSTANTIAL SHAREHOLDERS

As at 31 March 2008, the interests of persons, other than a director or chief executive of the Company, in the shares of the Company as recorded in the register maintained pursuant to Section 336 of the SFO were as follows:

Ordinary share of the Company

Name of shareholder	Number of ordinary shares held	Percentage of issued shares
Golden Nova Holdings Limited *(note)*	2,436,316,666	52.49%

Note: The entire issued share capital of Golden Nova Holdings Limited is wholly-owned by Dr. Hui Chi Ming.

Save as disclosed above, the Company had not been notified of any other interests or short positions in the shares and underlying shares of the Company representing 5% or more of the issued share capital of the Company as at 31 March 2008.

SUBSEQUENT EVENTS

Details of the significant subsequent events of the Group are set out in Note 38 to financial statements.

COMPLIANCE WITH THE CODE OF BEST PRACTICE

In the opinion of the current directors, the Company which was in force prior to 1 January 2005 complied with the Code of Best Practice (the "Code"), as set out in Appendix 14 of the Listing Rules during the year ended 31 March 2008, except that the independent non-executive directors of the Company are not appointed for a specific term as required by paragraph 7 of the Code, but are subject to retirement by rotation and re-election at the annual general meeting in accordance with the Company's Bye-laws.

MODEL CODE FOR SECURITIES TRANSACTIONS

The Company has adopted the Model Code as set out in Appendix 10 to the Listing Rules as its Code of Ethics and Securities Transactions by directors of the Company.

Having made specific enquiry of all directors of the Company, they have complied with the required standards set out in the Model Code for the year ended 31 March 2008.

REPORT OF THE DIRECTORS

CORPORATE GOVERNANCE

The Company is committed to maintaining a high standard of corporate governance practices. Information on the corporate governance practices adopted by the Company is set out in the "Corporate Governance Report" on pages 17 to 22.

SUFFICIENCY OF PUBLIC FLOAT

As at the date of this Annual Report, based on information that is publicly available to the Company, the Directors of acknowledge that more than 25% of the issued capital of the Company are held by the public.

AUDITORS

Messrs. HLB Hodgson Impey Cheng retire and being eligible, offer themselves for re-appointment.

On Behalf of the Board

Dr. Chui Say Hoe
Executive Director

Hong Kong, 20 June 2008

CORPORATE GOVERNANCE REPORT

CORPORATE GOVERNANCE PRACTICE

The Board is committed to achieving a high standard of corporate governance with a view to enhance the management of the Company as well as to safeguard the interests of the shareholders as a whole in terms of transparency, independence, accountability, responsibility and fairness. In the opinion of the Board, the Company had complied with the Code of Corporate Governance Practices ("CG Code") as set out in Appendix 14 of the Rules Governing the listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules") during the year 31 March 2008 with the following derivation:

(i) The relationships among the members of the Board are disclosed under the section "Directors' and Senior Management's Biographies". During the period from 25 October 2007 to 13 December 2007, the Board did not fulfill the requirements of the Listing Rules 3.10 (1) and 3.10(2) which require the Board should at least include three independent non-executive directors. Save for the aforesaid period, during the year ended 31 March 2008, the Board at all times met the requirements of the Listing rules relating to the appointment of at least three independent non-executive directors with at least one independent non-executive director processing appropriate professional qualification, or accounting or related financial management expertise.

(ii) Code Provision A.4.1 stipulates that non-executive directors should be appointed for a specific term, subject to re-election.

All non-executive directors of the Company, were not appointed for a specific term but are subject to retirement by rotation and re-election at the annual general meeting of the Company in accordance with the Company's Bye-laws.

The Company considers that sufficient measures have been taken to ensure that the Company's corporate governance practices are no less exacting than those in the Code Provision A.4.1.

DIRECTORS' SECURITIES TRANSACTIONS

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers as set out in Appendix 10 to the Listing Rules (the "Model Code"). Having made specific enquiry of all directors, the directors of the Company confirmed that they had complied with the required standard set out in the Model Code throughout the year ended 31 March 2008.

AUDITORS' REMUNERATION

Auditors' remuneration for the year amounted to a total of HK$1,558,000, of which HK$400,000 was incurred for audit service and HK$1,158,000 for non-audit services.

BOARD OF DIRECTORS

The Board serving the important function of guiding the management, currently comprises:

(a) seven executive directors, namely Dr. Wang Tao, Dr. Hui Chi Ming, Mr. Cheung Shing, Dr. Chui Say Hoe, Dr. Ching Men Ky, Carl, Mr. Tsang Kwok Man and Mr. Cui Yeng Xu;

(b) two non-executive directors, namely Dr. Fok Chun Wan, Ian and Mr. Chow Charn Ki, Kenneth; and

(c) three independent non-executive directors ("INED") required under Rule 3.10 (1) of the Listing Rules, namely Mr. Edumund Siu, Dr. Yu Sun Say and Mr. Ng Wing Ka which represent approximately 25% of the Board. One INEDs have appropriate professional qualifications and accounting and related financial expertise required under Rule 3.10(2) of the Listing Rules.

The Company considers that the Board has the necessary skills and experience appropriate for discharging their duties as Directors in the best interest of the Company and that the current board size as adequate for its present operations.

Each of the Directors keeps abreast of his/her responsibilities as a Director of the Company and of the conduct, business activities and development of the Company. All Directors are updated from time to time with development in the laws and regulations applicable to the Company and each of the INEDs has made annual confirmation that he complied with the independence criteria set out in Rule 3.3 of the Listing Rules. The Directors consider that all the three INEDs are independent under these independence criteria and are capable to effectively exercise independent judgement.

The Directors as aforesaid, accompanied by their respective biographical details, are listed in the section of "Biographies of Directors", in this annual report and that the INEDs are expressly identified in all of the Company's publication such as circulars, announcements or relevant corporate communications in which the names of Directors of the Company are disclosed.

The principal functions of the Board are to make decision on the objectives, strategic plans, budgets and management structure of the Company; to oversee the management of the business and affairs of the Group; to supervise the management of the business and affairs with the objective of enhancing the Company and shareholders' value with the proper delegation of the power to the management for its day-to-day operation of the Company, implementation of the budgets and strategic plans and development of the organization of the Company for implementing the Board's decision. During the year under review, the Board has reviewed, inter alia, the performance of the Group and formulated business strategy of the Group; reviewed and approved the interim and annual results of the Group for the year ended 31 March 2008; reviewed the operations of the Group and reviewed internal controls taken by the Group.

The Board conducts meeting on a regular basis and on an ad hoc basis, as required by business needs. The Bye-laws of the Company allows board meetings to be conducted by way of telephone or video conference and any resolutions to be passed by way of written resolutions circulated to and signed by all Directors from time to time when necessary unless any matters in which a substantial shareholder or a Director or their respective associates has conflict of interest.

BOARD OF DIRECTORS *(Continued)*

In the said Board meetings, sufficient notices for regular board meetings and reasonable days for non-regular Board meetings were given to all directors so as to ensure that each of the them had an opportunity to attend the meetings, and agendas and accompanying board papers were given to all Directors in a timely manner before the appointed date of the Board meetings. Sufficient information was also supplied by the management to the Board to enable it to make decisions, which are made in the best interests of the Company.

In considering the nomination of a new director, the Board will take into account the qualification, in particular as required in the Listing Rules, ability, working experience, leadership and professional ethics of the candidates. The Board considers that the existing human resource policy in recruitment of new senior staff is also applicable to new director.

Details of the attendance of the Board for the year ended 31 March 2008 and up to the date of this report were as follows:

Directors	**Attendance**
Dr. Wang Tao *(Honorary Chairman)*	0/15
Dr. Hui Chi Ming, *G.B.S., PhD, J.P.* *(Chairman)*	3/15
Mr. Cheung Shing *(Deputy Chairman)*	7/15
Dr. Chui Say Hoe	15/15
Dr. Ching Men Ky, Carl (appointed on 25 October 2007)	2/15
Mr. Tsang Kwok Man	15/15
Mr. Cui Yeng Xu	0/15
Dr. Fok Chun Wan, Ian (appointed on 25 October 2007)	1/15
Mr. Chow Charn Ki, Kenneth	0/15
Dr. Yu Sun Say, *S.B.S., J.P.*	10/15
Mr. Ng Wing Ka	10/15
Mr. Edmund Siu (appointed on 14 December 2007)	1/15
Mr. Chan Wai Dune (resigned on 25 October 2007)	5/15

CHAIRMAN AND CHIEF EXECUTIVE OFFICER

The Group adopts a leadership structure in which the role of the Chairman and the Chief Executive Officer ("CEO") are exercised by the same director. The Chairman is responsible for overseeing all Board functions, while the executive directors and senior management under the leadership of the Chairman to oversee the day-to-day operations of the Group and implementing the strategies and policies approved by the Board.

NON-EXECUTIVE DIRECTOR

Each of the non-executive directors is appointed for a term of twelve-month period. The term will be automatically renewed for successive twelve-month periods unless terminated by either party in writing prior to expiry of the term. All non-executive directors are subject to re-election by shareholders of the Company at the next general meeting. Details of change in the Board during the year are set out on the "Report of the Directors".

DIRECTOR'S RESPONSIBILITY FOR THE FINANCIAL STATEMENTS

The financial statements of the Company for the year ended have been reviewed by the Audit Committee and audited by the external auditors, HLB Hodgson Impey Cheng. The Directors acknowledge their responsibility for preparing the financial statements of the Group which give a true and fair view. The Directors' responsibilities for the accounts are set out in the Independent Auditors' Report on pages 23 and 24.

BOARD COMMITTEE

Audit Committee

The Company has an Audit Committee which comprises three independent non-executive directors, namely Mr. Edmund Siu, Dr. Yu Sun Say and Mr. Ng Wing Ka. The terms of reference which describes the authority and duties of the Audit Committee was prepared and adopted with reference to "A Guide for Effective Audit Committees" published by the Hong Kong Institute of Certified Public Accountants. Given below are the main duties of the Audit Committee:

(a) Reviewing and providing supervision over the Group's financial reporting process and internal control;

(b) Reviewing any changes in accounting policies and practices adopted by the Group;

(c) Reviewing the audited financial statements and the annual report of the Company for the year ended 31 March 2008.

There were two meetings held during the year ended 31 March 2008. Dr. Yu Sun Say and Mr. Ng Wing Ka have attended all meetings while Mr. Edmund Siu has attended one meeting.

Remuneration Committee

The Remuneration Committee established for the purpose of making recommendations to the Board on the Company's policy and structure for all remuneration of directors and senior management. The term of reference which describes the authority and duties of the Remuneration Committee was prepared and adopted.

The Remuneration Committee comprises two independent non-executive directors, namely Dr. Yu Sun Say and Mr. Ng Wing Ka, and an executive director, Dr. Hui Chi Ming.

No Remuneration Committee Meeting was held during the year ended 31 March 2008.

Nomination Committee

The Nomination Committee was responsible for reviewing the structure, size and composition of the board as well as identifying individuals suitable and qualified to become board members. The term of reference which describes the authority and duties of the Nomination Committee was prepared and adopted.

The Nomination Committee comprises two independent non-executive directors, namely Dr. Yu Sun Say and Mr. Edmund Siu, and an executive director, Dr. Chui Say Hoe.

No Nomination Committee Meeting was held during the year.

Finance Committee

The Company has set up a Finance Committee consisting of two independent non-executive directors, namely Mr. Edmund Siu and Mr. Ng Wing Ka, and an executive director, Mr. Chui Say Hoe.

The term of reference which describes the authority and duties of the Finance Committee was prepared and adopted. The Finance Committee was established for the purpose of reviewing and approval banking facilities and financial instruments to be granted or issued by the Company for the Group's needs, the financial assistance of the Company and the provision of financing to third parties.

No Finance Committee Meeting was held during the year.

INTERNAL CONTROL

The Board has overall responsibilities for maintaining sound and effective internal control system of the Group through the Audit Committee. The Board has delegated to the management the implementation of such systems of internal controls as well as the review of relevant financial, operational and compliance controls and risk management procedures.

The Board has established the on-going process for safeguard of assets. The key control procedures of the Group's internal control system are as follows:

— Segregation of duties and functions of the respective operational departments of the Group

— Monitoring the strategic plan and performance

— Designing an effective accounting and information system

The Board has conducted an annual review of the effectiveness of its internal control system covering all material controls, including financial, operational and compliance as well as risk management. Moreover, the Board has also engaged M.C. Ng & Co. to conduct the review and make recommendations to strengthen the internal control system. Based on the assessments, the Board considered that the internal control system and procedures of the Group were effective and adequate.

COMMUNICATION WITH SHAREHOLDERS

During the year under review, the Group has proactively enhanced its corporate transparency and communications with its shareholders and the investment community through its annual and interim reports. Constantly being updated in a timely manner, the Company maintains its website at www.sunpec.com on which press releases, announcements and financial and other information relating to the Company and its business are disclosed.

The annual general meeting provides a useful forum for shareholders to exchange views with the Board. The Chairman is pleased to answer shareholder's questions.

Separate resolutions are proposed at general meetings on each substantially separate issue.

Details of poll voting procedures and the rights of shareholders to demand a poll are included in the circular to shareholders dispatched together with the annual report. The circular also includes relevant details of proposed resolutions, including biographies of each candidates standing for re-election.

HLB 國衛會計師事務所
Hodgson Impey Cheng

Chartered Accountants
Certified Public Accountants

31/F, Gloucester Tower
The Landmark
11 Pedder Street
Central
Hong Kong

INDEPENDENT AUDITORS' REPORT
TO THE SHAREHOLDERS OF
SINO UNION PETROLEUM & CHEMICAL INTERNATIONAL LIMITED
(Incorporated in Bermuda with limited liability)

We have audited the consolidated financial statements of Sino Union Petroleum & Chemical International Limited (the "Company") and its subsidiaries (collectively referred to as the "Group") set out on pages 25 to 86, which comprise the consolidated and company balance sheets as at 31 March 2008, and the consolidated income statement, consolidated statement of changes in equity and consolidated cash flow statement for the year then ended, and a summary of significant accounting policies and other explanatory notes.

DIRECTORS' RESPONSIBILITY FOR THE FINANCIAL STATEMENTS

The directors of the Company are responsible for the preparation and the true and fair presentation of these consolidated financial statements 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. This responsibility includes designing, implementing and maintaining internal control relevant to the preparation and the true and fair presentation of consolidated financial statements that are free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

AUDITORS' 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, in accordance with Section 90 of the Bermuda Company Act 1981, and for no other purposes. 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 as to whether the consolidated financial statements are free from material misstatement.

AUDITORS' RESPONSIBILITY *(Continued)*

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditors' 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 auditors consider internal control relevant to the entity's preparation and true and fair presentation of the consolidated financial statements 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 audit opinion.

OPINION

In our opinion, the financial statements give a true and fair view of the state of affairs of the Company and of the Group as at 31 March 2008 and of the profit and cash flows of the Group 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.

HLB Hodgson Impey Cheng
Chartered Accountants
Certified Public Accountants

Hong Kong, 20 June 2008

CONSOLIDATED BALANCE SHEET

At 31 March 2008

	Notes	2008 HK$'000	2007 HK$'000
ASSETS			
Non-Current Assets			
Property, plant and equipment	7	1,175	624
Investment property	8	12,285	—
Intangible asset	9	249,842	—
Exploration and evaluation assets	10	5,615,126	—
Goodwill	11	2,364	—
		5,880,792	624
Current Assets			
Trade receivables	13	144,121	136,797
Prepayments, deposits and other receivables	14	162,767	57,877
Bank deposit		—	6,415
Cash and bank balances		228,457	90,062
		535,345	291,151
Total Assets		6,416,137	291,775
EQUITY			
Capital and reserves attributable to the Company's equity holders			
Share capital	15	92,835	26,334
Reserves	16	6,084,199	185,751
Total Equity		6,177,034	212,085
LIABILITIES			
Current Liabilities			
Trade payables	17	145,573	41,212
Tax payable		37,619	31,249
Other payables and accruals		28,036	4,878
Amount due to a holding company	18	2,911	2,351
Amounts due to related companies	19	22,314	—
		236,453	79,690
Non-Current Liabilities			
Deferred taxation	22	2,650	—
Total Liabilities		239,103	79,690
Total Equity and Liabilities		6,416,137	291,775
Net Current Assets		298,892	211,461
Total Assets Less Current Liabilities		6,179,684	212,085

Approved by the board of directors on 20 June 2008 and signed on its behalf by:

Dr. Chui Say Hoe
Director

Mr. Cheung Shing
Director

The accompanying notes form an integral part of these financial statements.

BALANCE SHEET

At 31 March 2008

	Notes	2008 HK$'000	2007 HK$'000
ASSETS			
Non-Current Assets			
Interests in subsidiaries	12	3,627,760	118,875
Current Assets			
Prepayment	14	120,000	—
Bank deposit		—	6,415
Cash and bank balances		2,596	18
		122,596	6,433
Total Assets		3,750,356	125,308
EQUITY			
Capital and reserves attributable to the Company's equity holders			
Share capital	15	92,835	26,334
Reserves	16	3,618,598	78,734
Total Equity		3,711,433	105,068
LIABILITIES			
Current Liabilities			
Amounts due to subsidiaries	19	19,785	19,785
Amount due to related companies	19	18,733	—
Other payables and accruals		405	455
		38,923	20,240
Total Liabilities		38,923	20,240
Total Equity and Liabilities		3,750,356	125,308
Net Current Assets/(Liabilities)		83,673	(13,807)
Total Assets Less Current Liabilities		3,711,433	105,068

Approved by the board of directors on 20 June 2008 and signed on its behalf by:

Dr. Chui Say Hoe
Director

Mr. Cheung Shing
Director

The accompanying notes form an integral part of these financial statements.

CONSOLIDATED INCOME STATEMENT

For the year ended 31 March 2008

	Notes	2008 HK$'000	2007 HK$'000
Turnover	24	**1,712,962**	554,686
Cost of sales		**(1,646,520)**	(527,244)
Gross profit		**66,442**	27,442
Other revenue	24	**520**	685
Other income	25	**—**	967
Excess of acquirer's interest in fair value of acquiree's identifiable net assets over costs	23	**1,910,182**	—
Selling and distribution costs		**(13,041)**	(1,437)
Administrative expenses		**(24,320)**	(16,785)
Profit from operating activities	25	**1,939,783**	10,872
Finance costs	28	**(4,044)**	—
Profit before taxation		**1,935,739**	10,872
Taxation	29	**(6,370)**	(2,809)
Profit for the year		**1,929,369**	8,063
Attributable to equity holders of the Company		**1,929,369**	8,063
Earnings per share	32		
Basic		**HK49.64 cents**	HK0.63 cents
Diluted		**HK49.06 cents**	HK0.62 cents

All of the Group's operation are closed as Continuing.

The accompanying notes form an integral part of these financial statements.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended 31 March 2008

	Attributable to equity holders of the Company									
		Reserves								
	Share capital HK$'000	Share premium HK$'000 (note i)	Special reserve HK$'000 (note ii)	Contributed surplus HK$'000 (note iii)	Convertible note reserve HK$'000 (note iv)	Exchange reserve HK$'000	Revaluation reserve HK$'000 (note v)	Retained profits HK$'000	Subtotal HK$'000	Total HK$'000
At 1 April 2006	23,940	53,127	–	3,156	–	–	–	96,217	152,500	176,440
Net profit for the year	–	–	–	–	–	–	–	8,063	8,063	8,063
Total recognised Income and expenses for the year	–	–	–	–	–	–	–	8,063	8,063	8,063
Issue of shares	2,394	25,137	–	–	–	–	–	–	25,137	27,531
Exchange difference arising on translation of foreign operations	–	–	–	–	–	51	–	–	51	51
At 31 March 2007 and 1 April 2007	26,334	78,264	–	3,156	–	51	–	104,280	185,751	212,085
Net profit for the year	–	–	–	–	–	–	–	1,929,369	1,929,369	1,929,369
Total recognised income and expenses for the year	–	–	–	–	–	–	–	1,929,369	1,929,369	1,929,369
Equity component of convertible notes	–	–	–	–	3,598,748	–	–	–	3,598,748	3,598,748
Deferred tax liabilities of convertible notes	–	–	–	–	(18,284)	–	–	–	(18,284)	(18,284)
Conversion of convertible notes	33,334	256,118	–	–	(3,580,464)	–	–	–	(3,324,346)	(3,291,012)
Consideration shares	27,777	472,223	2,520,833	–	–	–	–	–	2,993,056	3,020,833
Placing of shares	5,390	334,690	–	–	–	–	–	–	334,690	340,080
Issue shares expenses	–	(13,977)	–	–	–	–	–	–	(13,977)	(13,977)
Exchange difference arising on translation of foreign operations	–	–	–	–	–	14,192	–	–	14,192	14,192
Fair value changes recognised from further acquisition	–	–	–	–	–	–	385,000	–	385,000	385,000
At 31 March 2008	**92,835**	**1,127,318**	**2,520,833**	**3,156**	**–**	**14,243**	**385,000**	**2,033,649**	**6,084,199**	**6,177,034**

Note:

(i) The share premium account of the Group includes shares issued at premium.

(ii) The special reserve amounting to approximately HK$2,520,833,000 of the Group represents the difference between the consideration share price of the shares issued by the Company and the quoted market price of the consideration share on acquisition of subsidiaries during the year. For further details of the acquisitions, please refer to Note 23 to the financial statement.

(iii) The contributed surplus of the Group represents the difference between the nominal value of the share capital of the subsidiaries acquired pursuant to a reorganisation scheme ("the Group Reorganisation") to rationalise the structure of the Group in preparation for the public listing of the Company's shares on The Stock Exchange of Hong Kong Limited set out in the Company's prospectus dated 30 March 2001, over the nominal value of the shares of the Company issued in exchange therefore.

(iv) The convertible note reserve represents the equity components of convertible note. Convertible note issued are split into their liability and equity components at initial recognition. The fair value of the liability component was calculated using a market interest rate for an equivalent non-convertible note. The value of the equity conversion component, calculated with reference to valuation carried out by an independent valuer not connected to the Group. For further details, please refer to Note 20 to the financial statements.

(v) Included in the revaluation reserves, amount of approximately of HK$385,000,000 represents the adjustment on change in fair values of Madagascar Energy International Limited for the initial acqusition of 7% equity interest on 20 June 2006 and further acquisition of 93% equity interest on 4 June 2007. For further details of the acquisition, please refer to Note 23 to the financial statement.

The accompanying notes form an integral part of these financial statements.

CONSOLIDATED CASH FLOW STATEMENT

For the year ended 31 March 2008

	2008 *HK$'000*	2007 *HK$'000*
Cash flows from operating activities		
Profit before taxation	1,935,739	10,872
Adjustments for:		
Interest income	(510)	(685)
Depreciation	334	269
Impairment loss recognised in respect of goodwill	—	25
Excess of acquirer's interest in fair value of acquiree's identifiable net assets over costs	(1,910,182)	—
Gain on disposal of subsidiaries	—	(571)
Loss on disposal of property, plant and equipment	177	—
Finance costs	4,044	—
Operating profit before working capital changes	29,602	9,910
Decrease in inventories	—	9,121
(Increase)/decrease in trade receivables	(7,324)	21,887
Increase in prepayments, deposits and other receivables	(104,872)	(418)
Increase in trade payables	104,361	25,469
Increase in amount due to related companies	1,023	—
Decrease in amount due to a holding company	(617)	(4,111)
Increase/(decrease) in other payables and accruals	21,060	(259)
Cash generated from operations	43,233	61,599
Interest received	510	685
Net cash inflow from operating activities	43,743	62,284
Cash flows from investing activities		
Purchases of property, plant and equipment	(451)	(390)
Net cash (outflow)/inflow from acquisition of subsidiaries, net	(53,962)	1,203
Net cash outflow from disposal of subsidiaries, net	—	(268)
Capital expenditure in relation to exploration and evaluation assets	(107,551)	—
Net cash (outflow)/inflow from investing activities	(161,964)	545
Cash flows from financing activities		
Issue of shares	340,080	27,531
Issue share expense	(13,977)	—
Repayment of bond	(90,000)	—
Net cash inflow from financing activities	236,103	27,531
Net increase in cash and cash equivalents	117,882	90,360
Cash and cash equivalents at beginning of year	96,477	6,028
Effect of exchange rate changes on the balance of cash held in foreign currencies	14,098	89
Cash and cash equivalent at end of year	228,457	96,477
Analysis of balances of cash and cash equivalents		
Bank deposit	—	6,415
Cash and bank balances	228,457	90,062
Cash and cash equivalent at end of year	228,457	96,477

The accompanying notes form an integral part of these financial statements.

1. CORPORATE INFORMATION

The Company was incorporated in Bermuda on 5 January 2001 as an exempted Company with limited liability under the Companies Act 1981 of Bermuda and its shares are listed on The Stock Exchange of Hong Kong Limited. The registered office and the principal place of business of the Company are disclosed in the corporate information section of the annual report.

The consolidated financial statements are presented in Hong Kong dollars, which is the same as the functional currency of the Company.

The Company acts as an investment holding company while its subsidiaries are engaged in the trading of polyurethane materials, fuel oil and oil gas exploration and exploitation and operation.

The directors consider the ultimate holding company to be Golden Nova Holdings Limited ("Golden Nova"), a company incorporated in the British Virgin Islands.

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

In the current year, the Group has applied, for the first time, a number of new standards, amendments and interpretations (the "new HKFRSs") issued by the Hong Kong Institute of Certified Public Accountants (the "HKICPA"), which are effective for the Group's accounting periods beginning on 1 April 2007. The new HKFRSs adopted by the Group in the financial statements are set out as follows:

HKAS 1 (Amendment)	Capital Disclosures
HKFRS 7	Financial Instruments: Disclosures
HK(IFRIC) — Int 8	Scope of HKFRS 2
HK(IFRIC) — Int 9	Reassessment of Embedded Derivatives
HK(IFRIC) — Int 10	Interim Financial Reporting and Impairment
HK(IFRIC) — Int 11	HKFRS 2 — Group and Treasury Share Transactions

The adoption of the new HKFRSs had no material effect on how the results and financial position for the current or prior accounting periods have been prepared and presented. Accordingly, no prior period adjustment has been required.

The Group has applied the disclosure requirements under HKAS 1 (Amendment) and HKFRS 7 retrospectively. Certain information presented in prior year under the requirements of HKAS 32 has been removed and the relevant comparative information based on the requirements of HKAS 1 (Amendment) and HKFRS 7 has been presented for the first time in the current year.

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

The Company and Group have not early applied the following new standards, amendments or interpretations that have been issued but are not yet effective. The Group is not yet in a position to determine whether these standards and interpretations will have significant impact on how the results of operations and financial position are prepared and presented. These standards and interpretations may result in changes in the future as to how the results and financial position are prepared and presented.

HKAS 1 (Revised)	Presentation of Financial Statements[1]
HKAS 23 (Revised)	Borrowing Cost[1]
HKAS 27 (Revised)	Consolidated and Separate Financial Statements[2]
HKFRS 2 (Amendment)	Share-based Payment — Vesting Conditions and Cancellations[1]
HKFRS 3 (Revised)	Business Combinations[2]
HKFRS 8	Operating Segments[1]
HK(IFRIC) — Int 12	Service Concession Arrangements[3]
HK(IFRIC) — Int 13	Customer Loyalty Programmes[4]
HK(IFRIC) — Int 14	HKAS 19 — The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction[3]

[1] Effective for annual periods beginning on or after 1 January 2009.
[2] Effective for annual periods beginning on or after 1 July 2009.
[3] Effective for annual periods beginning on or after 1 January 2008.
[4] Effective for annual periods beginning on or after 1 July 2008.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The measurement basis used in preparation of the financial statements is historical cost convention except for certain investment property, financial assets and liabilities, exploration and evaluation assets, intangible asset have been carried at fair value, as explained in the accounting policies set out below.

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

These consolidated financial statements are presented in thousands of units of HK dollars (HK$'000), unless otherwise stated.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(a) Basis of consolidation

The consolidated financial statements incorporate the financial statements of the Company and entities (including special purpose entities) controlled by the Company (its subsidiaries). Control is achieved where the Company has the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities.

The results of subsidiaries acquired or disposed of during the year are included in the consolidated income statement from the effective date of acquisition or up to the effective date of disposal, as appropriate.

Where necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies into line with those used by other members of the Group.

All intra-group transactions, balances, income and expenses are eliminated on consolidation.

(b) Business combination

The acquisition of subsidiaries is accounted for using the purchase method. The cost of the acquisition is measured at the aggregate of the fair values, at the date of exchange, of assets given, liabilities incurred or assumed, and equity instruments issued by the Group in exchange for control of the acquiree, plus any costs directly attributable to the business combination. The acquiree's identifiable assets, liabilities and contingent liabilities that meet the conditions for recognition under HKFRS 3 Business Combinations are recognised at their fair values at the acquisition date, except for non-current assets (or disposal groups) that are classified as held for sale in accordance with HKFRS 5 Non-current Assets Held for Sale and Discontinued Operations, which are recognised and measured at fair value less costs to sell.

Goodwill arising on acquisition is recognised as an asset and initially measured at cost, being the excess of the cost of the business combination over the Group's interest in the net fair value of the identifiable assets, liabilities and contingent liabilities recognised. If, after reassessment, the Group's interest in the net fair value of the acquiree's identifiable assets, liabilities and contingent liabilities exceed the cost of the business combination, the excess is recognised immediately in profit or loss.

The interest of minority shareholders in the acquiree is initially measured at the minority's proportion of the net fair value of the assets, liabilities and contingent liabilities recognised.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(c) Goodwill

Goodwill arising on an acquisition of a subsidiary or a jointly controlled entity (which is accounted for using proportionate consolidation) for which the agreement date is on or after 1 January 2005 represents the excess of the cost of acquisition over the Group's interest in the fair value of the identifiable assets, liabilities and contingent liabilities of the relevant subsidiary or jointly controlled entity at the date of acquisition. Such goodwill is carried at cost less any accumulated impairment losses.

Capitalised goodwill arising on an acquisition of a subsidiary or a jointly controlled entity is presented separately in the consolidated balance sheet.

For the purposes of impairment testing, goodwill arising from an acquisition is allocated to each of the relevant cash-generating units, or groups of cash-generating units, that are expected to benefit from the synergies of the acquisition. A cash-generating unit to which goodwill has been allocated is tested for impairment annually, and whenever there is an indication that the unit may be impaired. For goodwill arising on an acquisition in a financial year, the cash-generating unit to which goodwill has been allocated is tested for impairment before the end of that financial year. When the recoverable amount of the cash-generating unit is less than the carrying amount of the unit, the impairment loss is allocated to reduce the carrying amount of any goodwill allocated to the unit first, and then to the other assets of the unit pro rata on the basis of the carrying amount of each asset in the unit. Any impairment loss for goodwill is recognised directly in the consolidated income statement. An impairment loss for goodwill is not reversed in subsequent periods.

On subsequent disposal of a subsidiary or a jointly controlled entity, the attributable amount of goodwill capitalised is included in the determination of the amount of profit or loss on disposal.

(d) Impairment of assets

At each balance sheet date, the Group reviews the carrying amounts of its tangible and intangible asset to determine whether there is any indication that those assets have suffered an impairment loss. If the recoverable amount of an asset is estimated to be less than its carrying amount, the carrying amount of the asset is reduced to its recoverable amount. An impairment loss is recognised as an expense immediately.

Where an impairment loss subsequently reverses, the carrying amount of the asset is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset in prior years. A reversal of an impairment loss is recognised as income immediately.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(e) Revenue recognition

Revenue is measured at the fair value of the consideration received or receivable and represents amounts receivable for goods provided in the normal course of business, net of discounts and sales related taxes.

Sales of goods are recognised when goods are delivered and title has passed.

Interest income from a financial asset is accrued on a time basis, by reference to the principal outstanding and at the effective interest rate applicable, which is the rate that exactly discounts the estimated future cash receipts through the expected life of the financial asset to that asset's net carrying amount.

(f) Property, plant and equipment

Property, plant and equipment are stated at cost less accumulated depreciation and impairment losses.

Depreciation is provided on the reducing balance method so as to write down the cost of property, plant and equipment to their realisable value over their anticipated useful lives at the following annual rates:

Furniture, fixtures and equipment	: 20% — 30% on the reducing balance method
Motor vehicles	: 30% on the reducing balance method

An item of property, plant and equipment is derecognised upon disposal or when no future economic benefits are expected to arise from the continued use of the asset. Any gain or loss arising on derecognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the item) is included in the consolidated income statement in the year in which the item is derecognised.

(g) Investment properties

Investment properties are properties held to earn rentals and/or for capital appreciation. On initial recognition, investment properties are measured at cost, including any directly attributable expenditure. Subsequent to initial recognition, investment properties are measured at their fair values using the fair value model. Gains or losses arising from changes in the fair value of investment property are included in profit or loss for the period in which they arise.

An investment property is derecognised upon disposal or when the investment property is permanently withdrawn from use and no future economic benefits are expected from its disposals. Any gain or loss arising on derecognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is included in the consolidated income statement in the year in which the item is derecognised.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(h) Exploration and evaluation assets

Exploration and evaluation assets are recognised at cost on initial recognition. Subsequent to initial recognition, exploration and evaluation assets are stated at cost less any accumulated impairment losses.

Exploration and evaluation assets include the expenditures incurred in the search for oil resources as well as the determination of the technical feasibility and commercial viability of extracting those resources.

When the technical feasibility and commercial viability of extracting oil resource become demonstrable, any previously recognised exploration and evaluation assets would be reclassified as intangible asset or property, plant and equipment. These assets are assessed for impairment, and any impairment loss recognised, before reclassification when events or changes in circumstances indicate that the carrying amount may not be recoverable.

(i) Leasing

Leases are classified as finance leases whenever the terms of the lease transfer substantially all the risks and rewards of ownership to the lessee. All other leases are classified as operating leases.

The Group as lessee

Rentals payable under operating leases are charged to profit or loss on a straight-line basis over the term of the relevant lease. Benefits received and receivable as an incentive to enter into an operating lease are recognised as a reduction of rental expense over the lease term on a straight line basis.

(j) Foreign currencies translation

In preparing the financial statements of each individual group entity, transactions in currencies other than the functional currency of that entity (foreign currencies) are recorded in the respective functional currency (i.e. the currency of the primary economic environment in which the entity operates) at the rates of exchanges prevailing on the dates of the transactions. At each balance sheet date, monetary items denominated in foreign currencies are retranslated at the rates prevailing on the balance sheet date. Non-monetary items carried at fair value that are denominated in foreign currencies are retranslated at the rates prevailing on the date when the fair value was determined. Non-monetary items that are measured in terms of historical cost in a foreign currency are not retranslated.

Exchange differences arising on the settlement of monetary items, and on the translation of monetary items, are recognised in profit or loss in the period in which they arise, except for exchange differences arising on a monetary item that forms part of the Company's net investment in a foreign operation, in which case, such exchange differences are recognised in equity in the consolidated financials statements. Exchange differences arising on the retranslation of nonmonetary items carried at fair value are included in profit or loss for the period except for differences arising on the retranslation of non-monetary items in respect of which gains and losses are recognised directly in equity, in which cases, the exchange differences are also recognised directly in equity.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(j) Foreign currencies translation *(Continued)*

For the purposes of presenting the consolidated financial statements, the assets and liabilities of the Group's foreign operations are translated into the presentation currency of the Group (i.e. Hong Kong dollars) at the rate of exchange prevailing at the balance sheet date, and their income and expenses are translated at the average exchange rates for the year, unless exchange rates fluctuate significantly during the period, in which case, the exchange rates prevailing at the dates of transactions are used. Exchange differences arising, if any, are recognised as a separate component of equity (the translation reserve). Such exchange differences are recognised in profit or loss in the period in which the foreign operation is disposed of.

Goodwill and fair value adjustments on identifiable assets acquired arising on an acquisition of a foreign operation are treated as assets and liabilities of that foreign operation and translated at the rate of exchange prevailing at the balance sheet date. Exchange differences arising are recognised in the translation reserve.

(k) Retirement benefits schemes

(i) Salaries, annual bonuses, paid annual leave, leave passage and the cost to the Group of non-monetary benefits are accrued in the year in which the associated services are rendered by employees of the Group. Where payment or settlement is deferred and the effect would be material, these amounts are stated at their present values.

(ii) The Group operates a defined contribution Mandatory Provident Fund retirement benefits scheme (the "MPF Scheme") under the Mandatory Provident Fund Schemes Ordinance for those employees who are eligible to participate in the MPF Scheme. The MPF Scheme has operated since 1 December 2000. Contributions are made based on a percentage of the employees' basic salaries and are charged to the consolidated income statement as they become payable in accordance with the rules of the MPF Scheme. The assets of the MPF Scheme are held separately from those of the Group in an independently administered fund. The Group's employer contributions vest fully with the employees when contributed into the MPF Scheme, except for the Group's employer voluntary contributions, which are refunded to the Group when the employee leaves employment prior to the contributions vesting fully, in accordance with the rules of the MPF Scheme.

(iii) The Group operates a share option scheme for the purpose of providing incentives and rewards to eligible participants who contribute to the success of the Group's operations. The financial impact of share options granted under the share option scheme is not recorded in the Group's balance sheet until such time as the options are exercised, and no charge is recorded in the consolidated income statement or consolidated balance sheet for their cost. Upon the exercise of 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 per share over the nominal value of the shares is recorded by the Company in the share premium account. Options which are cancelled prior to their exercise date, or which lapse, are deleted from the register of outstanding options.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(k) Retirement benefits schemes *(Continued)*

(iv) Share-based payment expenses

The fair value of the employee services received in exchange for the grant of the share options and restricted share awards is recognised as an expense in the income statement.

The total amount to be expensed over the vesting period is determined with reference to the fair value of the share options and restricted share awards granted. At each balance sheet date, the Company revises its estimates of the number of share options that are excepted to become exercisable and the number of restricted share awards that become vested. It recognised the impact of the revision of original estimates, if any, in the income statement, and a corresponding adjustment to equity in the balance sheet will be mode over the remaining vesting periods.

The proceeds received, net of any directly attributable transaction costs, are credited to share capital and share premium accounts when the share options are exercised and when the restricted share awards are vested.

(l) Taxation

Income tax expense represents the sum of the tax currently payable and deferred tax.

The tax currently payable is based on taxable profit for the year. Taxable profit is the profit for the year, determined in accordance with the rules established by the taxation authorities, upon which income taxes are payable.

Deferred tax is the tax expected to be payable or recoverable on differences between the carrying amount of assets and liabilities in the financial statements and the corresponding tax bases used in the computation of taxable profit, and is accounted for using the balance sheet liability method. Deferred tax liabilities are generally recognised for all taxable temporary differences and deferred tax assets are recognised to the extent that it is probable that taxable profits will be available against which deductible temporary difference can be utilised. Such assets and liabilities are not recognised if the temporary difference arises from goodwill (or negative goodwill) or from the initial recognition (other than a business combination) of other assets and liabilities in a transaction that affects neither the taxable profit nor the accounting profit.

Deferred tax liabilities are recognised for taxable temporary differences arising on investment in subsidiaries and associates, except where the Company is able to control the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future.

The carrying amount of deferred tax assets is reviewed at each balance sheet date and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(l) Taxation *(Continued)*

Deferred tax is calculated at the tax rates that are expected to apply in the year when the liability is settled or the asset realised. Deferred tax is charged or credited in the income statement, except when it related to items charged or credited directly to equity, in which case the deferred tax is also dealt with in equity.

(m) Intangible asset

Intangible asset acquired in a business combination

Intangible asset acquired in a business combination are identified and recognised separately from goodwill where they satisfy the definition of an intangible asset and their fair values can be measured reliably. The cost of such intangible asset is their fair value at the acquisition date.

Subsequent to initial recognition, intangible asset with finite useful lives are carried at costs less accumulated amortisation and any accumulated impairment losses. Amortisation for intangible asset with finite useful lives is provided on a straight-line basis over their estimated useful lives. Alternatively, intangible asset with indefinite useful lives are carried at cost less any subsequent accumulated impairment losses.

(n) Financial instruments

Financial assets and financial liabilities are recognised on the balance sheet when the Group becomes a party to the contractual provisions of the instruments. Financial assets and financial liabilities are initially measured at fair value. Transaction costs that are directly attributable to the acquisition or issue of financial assets and financial liabilities (other than financial assets and financial liabilities at fair value through profit or loss) are added to or deducted from the fair value of the financial assets or financial liabilities, as appropriate, on initial recognition. Transaction costs directly attributable to the acquisition of financial assets or financial liabilities at fair value through profit or loss are recognised immediately in the income statement.

Financial assets

The Group's financial assets are classified into loans and receivables. All regular way purchases or sales of financial assets are recognised and derecognised on a trade basis. Regular way purchases or sale of financial assets that required delivery of assets within the time frame established by regulation or convention in the marketplace. The accounting policies adopted in respect of each category of financial assets are set out below.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(n) Financial instruments *(Continued)*

Effective interest method

The effective interest method is a method of calculating the amortised cost of a financial asset and of allocating interest income over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash receipts (including all fees on points paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) through the expected life of the financial asset, or, where appropriate, a shorter period.

Income is recognised on an effective interest basis for debt instruments other than those financial assets designated as at FVTPL, of which interest income is included in net gains or losses.

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. At each balance sheet date subsequent to initial recognition, loans and receivables (including trade receivables, loan receivables, pledged bank deposits and bank balances) are carried at amortised cost using the effective interest method, less any identified impairment losses. (see accounting policy in respect of impairment loss of financial assets below).

Impairment of financial assets

Financial assets are assessed for indicators of impairment at each balance sheet date. Financial assets are impaired where there is objective evidence that, as a result of one or more events that occurred after the initial recognition of the financial asset, the estimated future cash flows of the financial assets have been impacted.

Objective evidence of impairment could include:

- significant financial difficulty of the issuer or counterparty; or
- default or delinquency in interest or principal payments; or
- it becoming probable that the borrower will enter bankruptcy or financial re-organisation.

For certain categories of financial asset, such as trade receivables, assets that are assessed not to be impaired individually are subsequently assessed for impairment on a collective basis. Objective evidence of impairment for a portfolio of receivables could include the Group's past experience of collecting payments, an increase in the number of delayed payments in the portfolio past the average credit period of 60 days, observable changes in national or local economic conditions that correlate with default on receivables.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(n) Financial instruments *(Continued)*

Impairment of financial assets *(Continued)*

For financial assets carried at amortised cost, an impairment loss is recognised in profit or loss when there is objective evidence that the asset is impaired, and is measured as the difference between the asset's carrying amount and the present value of the estimated future cash flows discounted at the original effective interest rate.

For financial assets carried at cost, the amount of the impairment loss is measured as the difference between the asset's carrying amount and the present value of the estimated future cash flows discounted at the current market rate of return for a similar financial asset. Such impairment loss will not be reversed in subsequent periods.

The carrying amount of the financial asset is reduced by the impairment loss directly for all financial assets with the exception of trade receivables, where the carrying amount is reduced through the use of an allowance account. Changes in the carrying amount of the allowance account are recognised in profit or loss. When a trade receivable is considered uncollectible, it is written off against the allowance account. Subsequent recoveries of amounts previously written off are credited to profit or loss.

For financial assets measured at amortised cost, if, in a subsequent period, the amount of impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment losses was recognised, the previously recognised impairment loss is reversed through profit or loss to the extent that the carrying amount of the asset at the date the impairment is reversed does not exceed what the amortised cost would have been had the impairment not been recognised.

Financial liabilities and equity

Financial liabilities and equity instruments issued by a group entity are classified according to the substance of the contractual arrangements entered into and the definitions of a financial liability and an equity instrument.

An equity instrument is any contract that evidences a residual interest in the asset of the Group after deducting all of its liabilities. The Group's financial liabilities are classified into other financial liabilities. The accounting policies adopted in respect of financial liabilities and equity instruments are set out below.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(n) Financial instruments *(Continued)*

Effective interest method

The effective interest method is a method of calculating the amortised cost of a financial liability and of allocating interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments through the expected life of the financial liability, or, where appropriate, a shorter period.

Interest expense is recognised on an effective interest basis other than those financial liabilities designated as at FVTPL, of which the interest expense is included in net gains or losses.

Other financial liabilities

Other financial liabilities including accounts payables, other payables and accruals are subsequently measured at amortised cost, using the effective interest rate method.

Convertible notes

Convertible notes issued by the Company that contain both the liability and conversion option components 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 an equity instrument.

On initial recognition, the fair value of the liability component is determined using the prevailing market interest rate of similar non-convertible debts. The difference between the gross proceeds of the issue of the convertible notes and the fair value assigned to the liability component, representing the conversion option for the holder to convert the loan notes into equity, is included in equity (convertible loan notes equity reserve).

In subsequent periods, the liability component of the convertible notes is carried at amortised cost using the effective interest method. The equity component, representing the option to convert the liability component into ordinary shares of the Company, will remain in convertible notes equity reserve until the conversion option is exercised (in which case the balance stated in convertible notes equity reserve will be transferred to share premium). Where the option remains unexercised at the expiry date, the balance stated in convertible notes equity reserve will be released to retained profits. No gain or loss is recognised in profit or loss upon conversion or expiration of the option.

Transaction costs that relate to the issue of the convertible notes are allocated to the liability and 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 notes using the effective interest method.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(n) Financial instruments *(Continued)*

Equity instruments

Equity instruments issued by the Company are recorded at the proceeds received, net of direct issue costs.

Derecognition

Financial assets are derecognised when the rights to receive cash flows from the assets expire or, the financial assets are transferred and the Group has transferred substantially all the risks and rewards of ownership of the financial assets. On derecognition of a financial asset, the difference between the asset's carrying amount and the sum of the consideration received and the cumulative gain or loss that had been recognised directly in equity is recognised in the income statement.

Financial liabilities are derecognised from the Group's balance sheet when the obligation specified in the relevant contract is discharged, cancelled or expired. The difference between the carrying amount of the financial liability derecognised and the consideration paid or payable is recognised in the income statement.

(o) 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 directors' best estimate of the expenditure required to settle the obligation at the balance sheet date, and are discounted to present value where the effect is material.

(p) Cash and cash equivalents

For the purpose of the consolidated cash flow statement, cash and cash equivalents comprises of cash in hand and demand deposits, and short term highly liquid investments which are readily convertible into known amounts of cash and which 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.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(q) Related party transactions

Parties are 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; (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, joint-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, of any entity that is related party of the Group.

A transaction is considered to be a related party transaction when there is a transfer of resources or obligations between related parties.

(r) Contingent liabilities and contingent assets

A contingent liability is a possible obligation that arises from past events and whose existence will only be confirmed by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the Group. It can also be a present obligation arising from past events that is not recognised because it is not probable that outflow of economic resources will be required or the amount of obligation cannot be measured reliably. A contingent liability is not recognised but is disclosed in the notes to the financial statements. When a change in the probability of an outflow occurs so that outflow is probable, they will then be recognised as a provision.

A contingent asset is a possible asset that arises from past events and whose existence will be confirmed only by the occurrence or non-occurrence of one or more uncertain events not wholly within the control of the Group. Contingent assets are not recognised but are disclosed in the notes to the financial statements when an inflow of economic benefits is probable. When inflow is virtually certain, an asset is recognised.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(s) Segment reporting

A segment is a distinguishable component of the Group that is engaged either in providing products or services (business segment), or in providing products or services within a particular economic environment (geographical segment), which is subject to risks and rewards that are different from those of other segments.

In accordance with the Group's internal financial reporting system, the Group has determined that business segments as the primary reporting format and geographical segment information as secondary reporting format.

Segment revenue, expenses, results, assets and liabilities include items directly attributable to a segment as well as those that can be allocated on a reasonable basis to that segment. For example, segment assets may include inventories, trade receivables and fixed assets. Segment revenue, expenses, assets and liabilities are determined before intra-group balances and transactions are eliminated as part of the consolidation process, except to the extent that such intra-group balances and transactions are between group enterprises within a single segment. Intra-segment pricing is based on similar terms as those available to other external parties.

Segment capital expenditure is the total cost incurred during the year to segment assets (both tangible and intangible) that are expected to be used for more than one year.

Unallocated items mainly comprise financial and corporate assets, interest-bearing loans, borrowings, corporate and financing expenses and minority interests.

4. KEY SOURCES OF ESTIMATION UNCERTAINTY

In the process of applying the Group's accounting policies which are described in Note 3 to financial statement, management has made certain key assumptions concerning the future, and other key sources of estimation uncertainty at the balance sheet date, that may have a significant risk in causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year, are discussed below:

(a) Income taxes

Significant judgement is required in determining the provision for income tax. There are many transactions and calculations for which the ultimate tax determination is uncertain during the ordinary course of business. Where the final tax outcome of these matters is different from the amounts that were initially recorded, such differences will impact the income tax and deferred tax provisions in the period in which such determinations are made.

4. KEY SOURCES OF ESTIMATION UNCERTAINTY *(Continued)*

(b) Impairment of exploration and evaluation assets

Exploration and evaluation assets are reviewed for possible impairment when events or changes in circumstances indicate that the carrying amount may not be recoverable. Determination as to whether and how much an asset is impaired involve management estimates and judgements such as future prices of oil and production profile. The impairment reviews and calculations are based on assumptions that are consistent with the Group's business plans. Favourable changes to some assumptions may allow the Group to avoid the need to impair any assets, whereas unfavourable changes may cause the assets to become impaired. The recoverable amount of exploration and evaluation assets has been determined based on market approach, comparable transactions. (Note 10)

(c) Fair value of investment property

The best evidence of fair value is current prices in an active market for similar lease and other contracts. In the absence of such information, the Group determines the amount within a range of reasonable fair value estimates. In making its judgement, the Group considers information from a variety of sources including:

(i) current prices in an active market for properties of different nature, condition or location (or subject to different lease or other contracts), adjusted to reflect those differences;

(ii) recent prices of similar properties in less active markets, with adjustments to reflect any changes in economic conditions since the date of the transactions that occurred at those prices; and

(iii) discounted cash flow projections based on reliable estimates of future cash flows, derived from the terms of any existing lease and other contracts, and (where possible) from external evidence such as current market rents for similar properties in the same location and condition, and using discount rates that reflect current market assessments of the uncertainly in the amount and timing of the cash flows.

If information on current or recent prices of investment properties is not available, the fair values of investment properties are determined using discounted cash flow valuation techniques. The Group uses assumptions that are mainly based on market conditions existing at each balance sheet date.

4. KEY SOURCES OF ESTIMATION UNCERTAINTY *(Continued)*

(c) Fair value of investment property *(Continued)*

The principal assumptions underlying management's estimation of fair value are those related to: the receipt of contractual rentals; expected future market rentals; void periods; maintenance requirements; and appropriate discount rates. These valuations are regularly compared to actual market yield data, and actual transactions by the Group and those reported by the market.

The expected future market rentals are determined on the basis of current market rentals for similar properties in the same location and condition.

The Group assesses the fair value of its investment properties based on valuation determined by qualified independent professional surveyors.

(d) Impairment of property, plant and equipment

In accordance with HKAS 16, the Group estimates the useful lives of property, plant and equipment in order to determine the amount of depreciation expenses to be recorded. The useful lives are estimated at the time the asset is acquired based on historical experience, the expected usage, wear and tear of the assets, as well as technical obsolescence arising from changes in the market demands or service output of the assets. The Group also performs annual reviews on whether the assumptions made on useful lives continue to be valid. The Group tests annually whether the assets have suffered any impairment. The recoverable amount of an asset or a cash generating unit is determined based on value-in-use calculations which require the use of assumptions and estimates.

(e) Impairment of intangible asset

The Group tests annually whether intangible asset has suffered any impairment in accordance with the accounting policy stated above. The recoverable amount of intangible asset has been determined based on discounted cash flow method (Note 9).

The carrying amount of intangible asset at the balance sheet date was approximately HK$249,842,000 (2007: Nil).

(f) Measurement of convertible bonds

On issue of convertible bonds, the fair value of the liability component is determined using a market rate for an equivalent non-convertible bond; and this amount is carried as a long term liability on the amortised cost basis until extinguished on conversion or redemption. The remainder of the proceeds is allocated to the conversion option that is recognised and included in the convertible bonds reserve, net of transactions cost. The splitting of the liability and equity components requires an estimation of the market interest rate.

(g) Impairment of goodwill

The Group tests annually whether goodwill has suffered any impairment. The recoverable amounts of cash-generating units have been determined based on value-in-use calculations. Theses calculations require the use of estimates (Note 11).

The carrying amount of goodwill at the balance sheet date was approximately HK$2,364,000 (2007: Nil). No impairment loss was recognised during the year (2007: HK$25,000).

5. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

(a) Categories of financial instruments

	2008 *HK$'000*	2007 *HK$'000*
Financial assets		
Loan and receivables (including cash and bank balances)		
Trade receivables	**144,121**	136,797
Deposits and other receivables	**42,767**	57,877
Bank deposit	**—**	6,415
Cash and bank balances	**228,457**	90,062
	415,345	291,151
Financial liabilities		
Amortised costs		
Trade payables	**145,573**	41,212
Other payables and accruals	**28,036**	4,878
Amount due to a holding company	**2,911**	2,351
Amounts due to related companies	**22,314**	—
	198,834	48,441

5. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES *(Continued)*

(b) Financial risk management objectives and policies

The Group's major financial instruments include trade receivable, deposits and other receivables, cash and bank balances, trade payables, other payables and accruals, amount due to a holding company and amounts due to related companies. Details of these financial instruments are disclosed in respective notes. The risks associated with these financial instruments and the policies on how to mitigate these risks are set out below. The management manages and monitors these exposures to ensure appropriate measures are implemented on a timely and effective manner.

Market risks

(i) Foreign exchange risk

The Group is exposed to foreign exchange risk arising from various currency exposures, primarily with respect to Renminbi ("RMB"). Foreign exchange risk arises from future commercial transactions and recognised assets and liabilities and net investments in foreign operations. The Group currently does not have a foreign currency hedging policy. However, management will monitor foreign exchange exposure and will consider hedging significant foreign currency exposure should the need arises.

The carrying amounts of the Group's foreign currency denominated monetary assets and monetary liabilities at the reporting date are as follows:

	2008 *HK$'000*	2007 *HK$'000*
Assets		
USD	127,203	—
RMB	213,687	81,789
Ariary (Madagascar)	253	—
Liabilities		
USD	145,573	41,212

5. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES *(Continued)*

(b) Financial risk management objectives and policies *(Continued)*

Market risks *(Continued)*

(i) Foreign exchange risk (Continued)

Sensitivity analysis

The Group is mainly exposed to the effects of fluctuation in RMB.

The following table details the Group's sensitivity to a 5% increase and decrease in the Hong Kong dollars against the relevant foreign currencies. 5% is the sensitivity rate used when reporting foreign currency risk internally to key management personnel and represents management's assessment of the reasonably possible change in foreign exchange rates. The sensitivity analysis includes outstanding foreign currency denominated monetary items and adjusts their translation at the period end for a 5% change in foreign currency rates. The sensitivity analysis includes loans to foreign operations within the Group where the denomination of the loan is in a currency other than the currency of the lender or the borrower. A positive number below indicates an increase in profit and other equity where the Hong Kong dollars strengthen 5% against the relevant currency. For a 5% weakening of the Hong Kong dollars against the relevant currency, there would be an equal and opposite impact on the profit and other equity, and the balances below would be negative.

Impact of RMB

	2008 *HK$'000*	2007 *HK$'000*
Profit or loss	–	–
Other equity	(10,684)	(4,089)

The Group's sensitivity to foreign currency has increased during the year mainly due to the increase in cash and balance held in RMB as at the balance sheet date.

In management's opinion, the sensitivity analysis is unrepresentative of the inherent foreign exchange risk as the year end exposure does not reflect the exposure during the year. This is because the sensitivity analysis only consider the impact of assets and liabilities held as at the balance sheet date while the balance of the assets and liabilities does not always the same during the year.

5. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES *(Continued)*

(b) Financial risk management objectives and policies *(Continued)*

***Market risks** (Continued)*

(ii) Interest rate risk

The Group and the Company have no interest rate risk arises from bank borrowings. As at the balance date, the Group and the Company have no significant interest-bearing assets.

The Group analyses its interest rate exposure on a dynamic basis. The impact of the increase or decrease in prime rate have no effect on interest income or interest expenses of the Group. As a result, the Group's result and operating cash flows are substantially independent of changes in market interest rates.

Credit risk

As at 31 December 2007, the Group's maximum exposure to credit risk which will cause a financial loss to the Group due to failure to discharge an obligation by the counterparties is arising from the carrying amount of the respective recognised financial assets as stated in the consolidated balance sheet.

In order to minimise the credit risk, the management of the Group has delegated a team responsible for determination of credit limits, credit approvals and other monitoring procedures to ensure that follow-up action is taken to recover overdue debts. In addition, the Group reviews the recoverable amount of each individual trade debt and debt investments at each balance sheet date to ensure that adequate impairment losses are made for irrecoverable amounts. In this regard, the directors of the Company consider that the Group's credit risk is significantly reduced.

Other than concentration of credit risk on liquid funds which are deposited with several banks with high credit ratings, the Group does not have any other significant concentration of credit risk. Trade receivables consist of a large number of customers, spread across diverse industries and geographical areas.

The credit risk on cash and cash equivalents is limited because the Group mainly places the deposits in bank with high credit rating and management does not expect any losses from non-performance by banks.

5. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES *(Continued)*

(b) Financial risk management objectives and policies *(Continued)*

Liquidity risk

The Group manages its liquidity risk by regularly monitoring current and excepted liquidity requirements and ensuring sufficient liquid cash and intended lines of funding from major financial institutions to meet the Group's liquidity requirements in the short and long term. As at the balance sheet date, all do the Group's financial liabilities are expected to be matured with one year

Fair value of financial instruments

The fair value of financial assets and financial liabilities are determined as follows:

(i) the fair value of financial assets and liabilities with standard terms and conditions and traded on active liquid markets are determined with reference to quoted market prices; and

(ii) the fair value of other financial liabilities (excluding derivative instruments) are determined in accordance with generally accepted pricing models based on discounted cash flow analysis or using prices from observable current market transactions.

The directors of the Company consider that the carrying amounts of financial assets and financial liabilities recorded at amortised cost in the consolidated financial statements approximate their fair value.

(c) Capital risk management

The Group's objectives when managing capital to ensure that entities in the Group will be able to continue as a going concern while maximising the returns to stakeholders through the optimisation of the debt and equity balance.

The capital structure of the Group mainly consists of equity attributable to equity holders of the Group, comprising issued share capital and reserves.

The directors of the Group review the capital structure on an annual basis. As a part of this review, the directors of the Group consider the cost of capital and other sources of funds other than issuance of shares, including issue of convertible notes.

5. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES *(Continued)*

(c) Capital risk management *(Continued)*

Consistent with others in the industry, the Group monitors capital on the basis of the gearing ratio. The gearing ratio is calculated as total debts divided by total equity. During the year, the Group's strategy was to maintain a reasonable gearing ratio. The gearing ratio at the balance sheet dates were as follows:

	As at 31 March 2008 *HK$'000*	As at 31 March 2007 *HK$'000*
Total debts	**—**	—
Total equity	**6,177,034**	212,085
Gearing ratio	**N/A**	N/A

The gearing ratio is not applicable because the Group did not have any debts as at the balance sheet dates.

6. SEGMENT INFORMATION

Segment information is presented by way of two segment formats: (i) on a primary segment reporting basis, by business segment; and (ii) on a secondary segment reporting basis, by geographical segment.

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. Summary details of the business segments are as follows:

(a) the polyurethane ("PU") materials segment involves the trading of PU materials, such as isocyanate, polyols and various kinds of PU catalysts;

(b) the fuel oil segment involves trading of fuel oil products with model no. 180CST; and

(c) oil, gas exploration and exploitation and operation segment involves oil, gas exploration and exploitation and operation in Madagascar. During the year, this segment did not generate any revenue or profit to the Group.

In determining the Group's geographical segments, revenue and results are attributed to the segments based on the location of the customers, and assets are attributed to the segments based on the location of the assets.

6. SEGMENT INFORMATION *(Continued)*

(a) Business segments

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

The Group

	PU materials		Fuel oil		Oil, gas exploration, exploitation and operation		Consolidated	
	2008	2007	2008	2007	2008	2007	2008	2007
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
Segment revenue:								
Sales to external customers	400,060	554,686	1,312,902	–	–	–	1,712,962	554,686
Total revenue	400,060	554,686	1,312,902	–	–	–	1,712,962	554,686
Segment results	19,716	22,407	46,726	–	–	–	66,442	22,407
Interest income							510	685
Unallocated income							10	–
Excess of acquirer's interest in fair value of acquiree's identifiable net assets over costs							1,910,182	–
Gain on disposal of subsidiaries	–	571	–	–	–	–	–	571
Unallocated expenses							(37,361)	(12,791)
Profit from operating activities							1,939,783	10,872
Finance costs							(4,044)	–
Profit before taxation							1,935,739	10,872
Taxation							(6,370)	(2,809)
Profit for the year							1,929,369	8,063
Balance Sheet								
Segment assets	271,458	276,645	137,202	15,130	5,616,208	–	6,024,868	291,775
Intangible asset							249,842	–
Unallocated assets							141,427	–
Total assets							6,416,137	291,775
Segment liabilities	59,014	66,673	106,950	–	24,014	–	189,978	66,673
Unallocated liabilities							49,125	13,017
Total liabilities							239,103	79,690
Other segment information:								
Depreciation	151	269	–	–	183	–	334	269
Capital expenditure	143	390	–	–	308	–	451	390
Impairment loss recognised in respect of goodwill	–	25	–	–	–	–	–	25

6. SEGMENT INFORMATION *(Continued)*

(b) Geographical segments

During the year ended 31 March 2008 and 2007, the Group's entire turnover was derived from sales in the PRC, no geographical segmental information on turnover were presented.

At 31 March 2008, more than 90% of the Group's assets were located at Madagascar and at 31 March 2007, more than 90% of the Group's assets were located at the PRC, no geographical segmental information on assets is presented.

7. PROPERTY, PLANT AND EQUIPMENT

The Group	**Furniture, fixtures and equipment**	**Motor vehicles**	**Total**
	HK$'000	*HK$'000*	*HK$'000*
Cost:			
At 1 April 2006	2,292	—	2,292
Additions	390	—	390
Disposal of subsidiaries	(472)	—	(472)
At 31 March 2007 and 1 April 2007	2,210	—	2,210
Additions	154	297	451
Acquisition of a subsidiary *(Note 23)*	244	364	608
Disposals	(515)	—	(515)
Exchange difference	4	—	4
At 31 March 2008	2,097	661	2,758
Accumulated depreciation:			
At 1 April 2006	1,751	—	1,751
Charge for the year	269	—	269
Exchange difference	1	—	1
Disposal of subsidiaries	(435)	—	(435)
At 31 March 2007 and 1 April 2007	1,586	—	1,586
Charge for the year	202	132	334
Exchange difference	1	—	1
Eliminated on disposals	(338)	—	(338)
At 31 March 2008	1,451	132	1,583
Net book value:			
At 31 March 2008	**646**	**529**	**1,175**
At 31 March 2007	624	—	624

As at 31 March 2008, the Group did not have any property, plant and equipment held under finance leases or pledged to secure banking facilities (2007: Nil).

8. INVESTMENT PROPERTY

The Group	HK$'000
Fair value	
At 1 April 2007	–
Acquisition of a subsidiary *(Note 23)*	12,285
At 31 March 2008	**12,285**

The fair value of the Group's investment property at 31 March 2008 has been arrived at on the basis of a valuation carried out on that date by G. SADDUL B.Sc. F.R.I.C.S, an independent qualified professional valuers not connected with the Group. G. SADDUL B.Sc. F.R.I.C.S is a fellow member of the Royal Institution of Chartered Surveyors and has appropriate qualifications and recent experiences in the valuation of similar properties in the relevant locations. The valuation was arrived at by reference to Comparable Sales approach.

The property interest is held under operating leases to earn rentals purposes and measured using the fair value model and are classified and accounted for as an investment property.

The investment property has not been pledged to secure any general banking facilities granted to the Group.

The carrying amount of investment properties shown above comprises:

	2008	2007
	HK$'000	*HK$'000*
Land outside Hong Kong:		
Long lease	**12,285**	–
	12,285	–

9. INTANGIBLE ASSET

The Group	**Petroleum related business license**
	HK$'000
Cost	
At 1 April 2007	—
Acquisition of a subsidiary *(Note 23)*	249,842
At 31 March 2008	**249,842**

The intangible asset represents a petroleum related business license which allow the Group to carry on the business of import, transportation and distribution of petroleum in Madagascar. The business license has a remaining legal life of three to five years but is renewable every five to seven years by paying a fee of approximately HK$2,028,000. The directors of the Company are not aware of any expected impediment with respect to the renewal of the license and consider that the possibility of failing in license renewal is remote and the license will generate net cash inflows for the acquiring entity for an indefinite period. Therefore, the license is treated as having an indefinite useful life.

10. EXPLORATION AND EVALUATION ASSETS

The Group	**Exploration rights**	**Evaluation costs**	**Total**
	HK$'000	*HK$'000*	*HK$'000*
	(note i)	*(note ii)*	
Cost			
At 1 April 2007	—	—	—
Acquisition of a subsidiary *(Note 23)*	5,507,575	—	5,507,575
Additions	—	107,551	107,551
At 31 March 2008	**5,507,575**	**107,551**	**5,615,126**

Note:

i. The exploration rights were obtained by the Group through acquisition of a subsidiary. For further details of the acquisition, please refer to Note 23 to the financial statement.

The rights represent the oil, gas exploration, exploitation and operations rights and profit sharing rights at Madagascar Oilfield Block 3113, an onshore site for oil and gas exploration, exploitation and operation in Madagascar ("Oilfield Block 3113"). Depending on the rate of crude oil production, the Group will share the profit on a pre-agreed ratio in the range of 45% to 73% with the Office Des mines Natinales Et Des Industries Strategiques, a government office of the Republic of Madagascar ("OMNIS").

ii. The evaluation costs represents expenditure paid for provision of services on activities relating to evaluation of the technical feasibility and commercial viability of extracting oil and gas in Oilfield Block 3113.

11. GOODWILL

The Group	HK$'000
Cost	
At 1 April 2006	–
Acquisition of subsidiaries	25
At 31 March 2007	25
Acquisition of a subsidiary *(Note 23)*	2,364
At 31 March 2008	2,389
Amortisation and impairment	
At 1 April 2006	–
Impairment loss recognised during the year	25
At 31 March 2007, 1 April 2007 and 31 March 2008	25
Carrying value	
At 31 March 2008	**2,364**
At 31 March 2007	–

For the purpose of impairment testing, goodwill with indefinite useful lives have been allocated to one individual cash generating units (CGUs) determined based on the related segment. The carrying amount of goodwill (net of impairment losses) at 31 March 2008 allocated to this unit is as follow:

	2008 HK$'000	2007 HK$'000
PU materials	–	–
Property holding *(note i)*	2,364	–

During the year ended 31 March 2008, management of the Group determines that no impairment loss should be provided in respect of any CGUs containing goodwill (2007: HK$25,000).

The recoverable amounts of the above CGUs have been determined on the basis of value in use calculations. Their recoverable amounts are based on certain similar key assumptions. All value in use calculations use cash flow projections based on the financial budgets approved by the management covering a five-year period. Cash flows beyond five-year period is extrapolated using a zero growth rate for an indefinite period.

Note:

i. During the year ended 31 March 2008, property holding does not constitute a separate segment to the Group's business.

12. INTERESTS IN SUBSIDIARIES

The Company

	2008 *HK$'000*	2007 *HK$'000*
Unlisted shares, at cost	**3,520,883**	54,245
Amounts due from subsidiaries	**155,210**	100,163
	3,676,093	154,408
Less: Impairment loss on amounts due from subsidiaries *(note)*	**(48,333)**	(35,533)
	3,627,760	118,875

The amounts due from subsidiaries are unsecured, interest-free and had no fixed term of repayment.

Note:

The directors of the Company estimate the interests in subsidiaries by discounting their future cash flow at the prevailing market borrowing rate and considered impairment loss should be provided as at the balance sheet date at the amount below:

	2008 *HK$'000*	2007 *HK$'000*
At 1 April	**35,533**	30,448
Impairment loss recognised during the year	**12,800**	5,085
As at 31 March	**48,333**	35,533

12. INTERESTS IN SUBSIDIARIES *(Continued)*

Particulars of the subsidiaries of the Company as at 31 March 2008 were as follows:

Name of company	Place of incorporation/ establishment	Issued and fully paid-up share/ registered capital	Percentage of equity attributable to the Company		Principal activities
			Direct	*Indirect*	
Market Reach Group Limited	British Virgin Islands ("BVI")	Ordinary US$10,000	100	–	Investment holding
Wah Tat Industrial Trading Limited	BVI	Ordinary US$10	–	100	Trading of polyurethane materials
Kurow Agents Limited	BVI	Ordinary US$10	–	100	Provision of transportation services in the PRC
Revolving Maze Trading Limited	BVI	Ordinary US$10	–	100	Provision of marketing and technical support services in the PRC
Harvest Star Investment Limited	BVI	Ordinary US$1	100	–	Investment holding
Prime Rose Investment Limited	BVI	Ordinary US$10	–	100	Trading of polyurethane materials
Minglun Industrial Limited	Hong Kong	Ordinary HK$2	–	100	Provision of administrative services to fellow subsidiaries in Hong Kong
Minglun Industrial (H.K.) Limited	Hong Kong	Ordinary HK$2	–	100	Trading of polyurethane materials
Glory Hill Group Limited	BVI	Ordinary US$1	100	–	Investment holding
Amistar Enterprises Limited	BVI	Ordinary US$1	100	–	Investment holding
Metro City Group Limited	BVI	Ordinary US$1	100	–	Investment holding
Sliverise Group Limited	BVI	Ordinary US$1	–	100	Investment holding
Pilot Wisdom Limited	Hong Kong	Ordinary HK$100	–	100	Investment holding
Panaview Trading Limited	Macau	Ordinary US$1	–	100	Provision of administrative services to fellow subsidiaries
Liaohe Energy Limited	BVI	Ordinary US$1	–	100	Investment holding
Deno Group Limited	BVI	Ordinary US$100	–	100	Investment holding

12. INTERESTS IN SUBSIDIARIES *(Continued)*

Name of company	Place of incorporation/ establishment	Issued and fully paid-up share/ registered capital	Percentage of equity attributable to the Company *Direct*	*Indirect*	Principal activities
深圳中聯石油化工有限公司*	The PRC	Paid-up capital US$150,000/ Registered capital US$100,000,000	–	100	Provision of marketing and technical support services in the PRC
Reachasia Group Limited	BVI	Ordinary US$100	–	100	Investment holding
Madagascar Energy International Limited	BVI	Ordinary US$1,000	93	7	Oil and gas exploration, exploitation and operation
Dolaway Group Limited	BVI	Ordinary US$100	100	–	Investment holding
Madagascar Energy International Gas Station Group Ltd	BVI	Ordinary US$1,000	100	–	Import, transportation and distribution of petroleum
Sino Union Petroleum and Chemical Import & Export Group Limited (formerly known as Perfect Quality Group Limited)	BVI	Ordinary US$1,000	100	–	Trading of fuel oil

* 深圳中聯石油化工有限公司 is a wholly foreign owned enterprise established in the PRC.

13. TRADE RECEIVABLES

The Group

Trade receivables, which generally have credit terms of 90 days, are recognised and carried at the original invoiced amount less provision for accumulated impairment loss. It is the Group's policy to provide full impairment loss for all receivables over 1 year because historical experience is such that receivables that are past due beyond 1 year are generally not recoverable.

An aged analysis of the trade receivables at the balance sheet date, based on invoiced date, is as follows:

	2008 *HK$'000*	2007 *HK$'000*
Current to 30 days	**120,139**	100,702
31 days to 90 days	**23,982**	32,725
Over 90 days	**—**	3,370
	144,121	136,797

Included in the Group's trade receivables balance, trade receivables with a carrying amount of HK$1,451,000 (2007: HK$36,095,000) which are past due at the reporting date for which the Group has not provided for impairment loss. The Group does not hold any collateral over these balances.

Ageing of trade receivables which are past due but not impaired

	2008 *HK$'000*	2007 *HK$'000*
31 days to 90 days	**1,451**	36,095

14. PREPAYMENTS, DEPOSITS AND OTHER RECEIVABLES

The Group

	2008 *HK$'000*	2007 *HK$'000*
Trade deposits	**41,700**	56,909
Refundable deposit *(note i)*	**120,000**	—
Other deposits	**354**	443
Other receivables	**713**	525
	162,767	57,877

The Company

	2008 *HK$'000*	2007 *HK$'000*
Refundable deposit *(note i)*	**120,000**	—

Note:

i. The refundable deposit of HK$120,000,000 was paid to Sukapeak Holdings Limited ("Sukapeak") for acquisition of the entire share capital of Better Step Group Limited. For further details, please refer to Note 34, 36, 37 and 38(a) to the financial statements and also the circular issued by the Company dated 12 March 2008.

15. SHARE CAPITAL

The Group and the Company

Shares

	Number of shares		Share capital	
	2008	2007	**2008**	2007
	'000	*'000*	***HK$'000***	*HK$'000*
Authorised:				
Ordinary shares of HK$0.02 each	**10,000,000**	10,000,000	**200,000**	200,000
Issued and fully paid:				
At beginning of year	**1,316,700**	1,197,000	**26,334**	23,940
Issue of shares *(note a & b)*	**269,500**	119,700	**5,390**	2,394
Consideration shares *(note c)*	**1,388,889**	—	**27,777**	—
Conversion of convertible note *(note d)*	**1,666,667**	—	**33,334**	—
At end of year	**4,641,756**	1,316,700	**92,835**	26,334

Note:

(a) During the year ended 31 March 2007, the Company placed 119,700,000 ordinary shares of HK$0.02 each at a placing price of HK$0.23 per share with High Rich International Investment Company Limited for the purpose of increasing general working capital of the Group. The new shares rank pari passu with the existing shares in all respects.

(b) During the year ended 31 March 2008, as a result of subscription of shares, a total of 269,500,000 ordinary shares of HK$0.02 were issued as follow:

(i) On 3 April 2007, the Company entered into a subscription agreement with an independent third party, pursuant to which the independent third party has conditionally agreed to subscribe for and the Company has conditionally agreed to allot and issue 69,500,000 shares in cash HK$1.44 per share. For further details, please refer to the Company's announcement dated 4 April 2007.

(ii) On 29 October 2007, the Company placed 200,000,000 ordinary shares of HK$0.02 each at a placing price of HK$1.20 per share with Golden Nova for the purpose of development of the Group's oil exploration and exploitation business in Madagascar and supplement the Group's funding of capital expenditure and general working capital. The new shares rank pari passu with the existing shares in all respects. For futher details, please refer to the Company's announcement dated 30 October 2007.

15. SHARE CAPITAL *(Continued)*

***Shares** (Continued)*

Note: (Continued)

(c) During the year ended 31 March 2008, a total of approximately 1,388,889,000 ordinary shares of HK$0.02 were issued as consideration shares as follow:

(i) The Company entered into a sales and purchases agreement to acquire from Golden Nova 93% of the issued share capital of Madagascar Energy International Limited (the "MEIL") for a total consideration of HK$800 million. HK$300 million of the consideration was settled by issue of 1,250,000,000 new shares at HK$0.24 per share. For further details, please refer to the Company's circular dated 10 May 2007.

(ii) The Company entered into a sales and purchases agreement to acquire from Good Progress Group Limited ("Good Progress") 100% of the issued share capital of Dolaway Group Limited ("Dolaway") and Madagascar Energy International Gas Station Group Limited (the "Madagascar Gas Station") for a total consideration of HK$260 million. HK$200 million of the consideration was settled by issue of 138,888,889 new shares at HK$1.44 per share. For further details, please refer to the Company's circular dated 6 December 2007.

(d) On 4 June 2007, Golden Nova, the holder of the Convertible Note as mentioned in note (c)(i) above, has converted HK$400 million of the principal of the Convertible Note, representing the whole principal amount of the Convertible Note, at conversion price of HK$0.24 per share. As a result of the conversion, a total of 1,666,666,666 ordinary shares have been allotted and duly issued and the aggregate outstanding principal of the Convertible Note has been reduced to Nil. For further details, please refer to the Note 20 of the financial statement and the Company's announcement dated 6 June 2007.

15. SHARE CAPITAL *(Continued)*

Share Option Scheme

The Company operates a share option scheme ("the Scheme") for the purpose of providing incentives and rewards to eligible participants who contribute to the success of the Group's operations. Eligible participants of the Scheme included the Company's directors and other employees of the Group. The Scheme was adopted on 1 November 2002 and, unless otherwise cancelled or amended, will remain in force for ten years from that date.

The maximum number of shares in respect of which share options may be granted under the Scheme shall not exceed 10% of the share capital of the Company in issue as at the date of approval of the Scheme. In addition, the maximum number of shares in respect of which share options may be granted to any eligible person within any 12 month period is limited to 1% of the shares of the Company in issue at any time. Any future grant of share options in excess of this limit is subject to shareholders' approval in a general meeting.

The exercise price of the share options is determinable by the directors, but may not be less than the highest of (i) the closing price of the Company's shares as stated in the Stock Exchange's daily quotation sheets on the date of grant, which must be a business day; (ii) the average closing price of the Company's shares as stated on the Stock Exchange's daily quotation sheets for the five business days immediately preceding the date of grant; and (iii) the nominal value of the Company's shares.

The offer of a grant of share options may be accepted within 28 days from the date of the offer with a consideration of HK$1 being payable by the grantee. An option may be exercised in accordance with the terms of the Scheme at any time during a period to be determined and notified by the Directors to each grantee, which period may commence on the date on which the offer is made but shall end in any event not later than 10 years from the date of grant of the option subject to the provisions for early termination thereof and to the minimum period for which the option has to be held before it can be exercise as the Directors may at their discretion determine.

15. SHARE CAPITAL *(Continued)*

Share Option Scheme *(Continued)*

The following table discloses movements in the Company's share options during the year ended 31 March 2008:

Name or category of participant	At 1 April 2007	Number of share options Granted during the year	Exercised during the year	Lapsed during the year	At 31 March 2008	Date of grant of share options* (dd/mm/yy)	Exercise period of share options (dd/mm/yy)	Exercise price of share options *HK$*	Price of Company's share at grant date of share options *HK$*
Directors									
Mr. Tsang Kwok Man	11,000,000	–	–	–	11,000,000	8/11/2004	8/11/2004 to 7/11/2014	0.1324	0.13
Employees other than directors									
In aggregate	40,000,000	–	–	–	40,000,000	8/11/2004	11/11/2004 to 7/11/2014	0.1324	0.13
	51,000,000	–	–	–	51,000,000				

* The vesting period of the share options is from the date of grant until the commencement of the exercise period.

(i) The Group recognises the fair value of share options granted as an expense in the income statement over the vesting period with a corresponding increase being recognised in employee share-based payment reserve. The employee share-based payment reserve is transferred to share capital and share premium, together with the exercise price, when the option holder exercise its rights. As a transitional provision, the cost of share option granted after 7 November 2002 and had not yet vested on 1 January 2005 were expensed retrospectively in the income statement of the respective periods.

(ii) All share option granted are not expensed as the options were all vested before 1 January 2005 and not subject to the requirements of HKFRS 2.

(iii) During the year ended 31 March 2008, no share options was granted nor exercised (2007: Nil).

16. RESERVES

The Group

The amounts of the Group's reserves and the movements therein for the current and prior years are presented in the consolidated statement of changes in equity on page 28 of the financial statements.

The Company

	Share premium	Special reserves	Contributed surplus	Convertible note reserve	Accumulated loss	Total
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
		(note i)	*(note ii)*	*(note iii)*		*(note iv)*
At 1 April 2006	53,127	–	54,045	–	(41,346)	65,826
Issue of ordinary shares	25,137	–	–	–	–	25,137
Net loss for the year	–	–	–	–	(12,229)	(12,229)
At 31 March 2007 and 1 April 2007	78,264	–	54,045	–	(53,575)	78,734
Equity component of convertible note	–	–	–	3,598,748	–	3,598,748
Deferred tax liabilities of Convertible Note	–	–	–	(18,284)	–	(18,284)
Conversion of Convertible Note	256,118	–	–	(3,580,464)	–	(3,324,346)
Consideration shares	472,223	2,520,833	–	–	–	2,993,056
Issue of ordinary shares	334,690	–	–	–	–	334,690
Issue share expenses	(13,977)	–	–	–	–	(13,977)
Net loss for the year	–	–	–	–	(30,023)	(30,023)
At 31 March 2008	**1,127,318**	**2,520,833**	**54,045**	**–**	**(83,598)**	**3,618,598**

Notes:

(i) The special reserve amounting to approximately HK$2,520,833,000 of the Company represent the difference between the consideration share price of the shares issued by the Company and the quoted market price of the consideration share on acquisition of subsidiaries during the year. For further details of the acquisitions, please refer to note 23 to the financial statement.

(ii) The contributed surplus of the Company represents the difference between the combined net assets value of the subsidiaries acquired pursuant to the Group Reorganisation over the nominal value of the shares of the Company issued in exchange therefore.

(iii) The convertible note reserve represents the equity components of convertible note. Convertible note issued are split into their liability and equity components at initial recognition. The fair value of the liability component was calculated using a market interest rate for an equivalent non-convertible note. The value of the equity conversion component, calculated with reference to valuation carried out by an independent valuer not connected to the Group. For further details, please refer to Note 20 to the financial statements.

(iv) The Company had distributable reserves of HK$3,618,598,000 (2007: HK$78,734,000) at 31 March 2008, which included the Company's contributed surplus in the amount of HK$54,045,000 (2007: HK$54,045,000). Under the Companies Act 1981 of Bermuda, the contributed surplus is distributable to shareholders of the Company in certain circumstances. In addition, the Company's share premium account, in the amount of approximately HK$1,127,318,000 (2007: HK$78,264,000) at 31 March 2008, may be distributed in the form of fully paid bonus shares.

17. TRADE PAYABLES

The Group

An aged analysis of the trade payables at the balance sheet date, based on invoice date, is as follows:

	2008 HK$'000	2007 HK$'000
Current to 30 days	100,889	41,212
31 days to 90 days	44,684	—
Over 90 days	—	—
	145,573	41,212

The average credit period on purchases is three months. The Group has financial risk management policies in place to ensure that all payables are paid within the credit timeframe.

18. AMOUNT DUE TO A HOLDING COMPANY

The Group

The amount due was unsecured, interest-free and repayable on demand.

19. AMOUNTS DUE TO RELATED COMPANIES/SUBSIDIARIES

The Group and the Company

The amounts due were unsecured, interest-free and repayable on demand.

20. CONVERTIBLE NOTE

The Group and the Company

Pursuant to the conditional sale and purchase agreement entered between the Company and Golden Nova in respect of acquisition of 93% equity interest in MEIL, the Company issued a convertible note in the principal of HK$400,000,000 (the "Convertible Note") to Golden Nova, the controlling shareholder of the Company. Golden Nova has the right to convert the whole or part of the principal amount of the Convertible Note into shares of HK$0.02 each in the share capital of the Company, at the conversion price of HK$0.24 per share. Golden Nova may at any time from the date of issue of the Convertible Note to the maturity date of the Convertible Note to redeem the principal amount outstanding under the Convertible Note. The Convertible Note may be assigned or transferred in whole or in part to third parties, subject to written approval of the Company and the conditions, approvals, requirements and any other provisions under the Listing Rules and all applicable laws and regulations.

On 4 June 2007, Golden Nova has converted the Convertible Note into ordinary shares of the Company. For further details, please refer to the Note 15 to the financial statements.

The Convertible Note contains two components, liability and equity elements. The equity element is presented in equity heading "convertible note reserve". The effective interest rate of the liability component is 6.824%.

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

	The Group and the Company	
	As at 31 March 2008	As at 31 March 2007
	HK$'000	*HK$'000*
Proceeds of issue	**–**	–
Fair value of Convertible Note issued on 4 June 2007	**289,186**	–
Equity component	**(3,598,748)**	–
Derivative financial instruments	**3,598,748**	–
Liability component on initial recognition on 4 June 2007	**289,186**	–
Conversion of Convertible Note	**(289,186)**	–
Amortised cost at 31 March	**–**	–

The fair value of the liability component was calculated using a market interest rate for an equivalent non-convertible note. The value of the equity conversion component, calculated with reference to valuation carried out by BMI Appraisals Limited, was included in shareholders' equity in convertible note reserve. The fair value of the liability component and the equity conversion component were determined at issuance of the Convertible Note.

21. BOND

The Group and the Company

Pursuant to the conditional sale and purchase agreement entered between the Company and Golden Nova in respect of acquisition of 93% equity interest in MEIL, the Company issued a Bond in the principal of HK$90,000,000 (the "Bond") to Golden Nova. The maturity of the Bond was three years and with fixed interest rate of 5% per annum.

The Group has made early repayment for the Bond on 20 February 2008.

The movement of the Bond for the year is set out below:

	The Group and the Company	
	As at 31 March 2008	As at 31 March 2007
	HK$'000	*HK$'000*
Fair value at the date of issue	**85,956**	—
Interest expenses charged	**4,044**	—
Early repayment of bond	**(90,000)**	—
At 31 March 2008/2007	**—**	—

The fair value of Bond was calculated using a market interest rate for an equivalent bond. The effective interest rate of the bond is 6.824%.

22. DEFERRED TAXATION

The Group

	Accelerated tax depreciation	Convertible notes	Investment property	Total
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
At 1 April 2006	83	—	—	83
Disposal of subsidiaries	(83)	—	—	(83)
At 31 March 2007 and 1 April 2007	—	—	—	—
Charged to equity for the year	—	18,284	—	18,284
Credited from equity for the year	—	(18,284)	—	(18,284)
Acquisition of a subsidiary *(Note 23)*	—	—	2,650	2,650
At 31 March 2008	**—**	**—**	**2,650**	**2,650**

22. DEFERRED TAXATION *(Continued)*

The Company

	Convertible note *HK$'000*
At 1 April 2007	—
Charged to equity for the year	18,284
Credited from equity for the year	(18,284)
At 31 March 2008	**—**

The Group and the Company did not have any significant unprovided deferred tax liabilities at 31 March 2008 (2007: Nil).

23. ACQUISITIONS OF SUBSIDIARIES

(a) Acquisition of Madagascar Energy International Limited ("MEIL")

On 3 January 2007, the Company entered into a sale and purchase agreement to acquire from Golden Nova 93% issued share capital of MEIL for a total provisional consideration of HK$800 million. The acquisition was completed on 4 June 2007. As at the date of completion of the acquisition, the fair value of the cost of the acquisition was approximately HK$3,210,142,000.

The net assets acquired in the transaction and the excess of acquirer's interest in fair value of acquiree's identifiable net assets over cost arising is as follows:

	Acquiree's carrying amount *HK$'000*	Fair value adjustment *HK$'000*	Fair value *HK$'000*
Net assets acquired:			
Property, plant and equipment	608	—	608
Deposits	18	—	18
Cash and bank balances	1,702	—	1,702
Amount due to related companies	(9,903)	—	(9,903)
Exploration rights	—	5,507,575	5,507,575
100% equity interest of MEIL	(7,575)	5,507,575	5,500,000
Acquisition of 93% equity interest in MEIL	(7,045)	5,122,045	5,115,000
Excess of acquirer's interest in fair value of acquiree's identifiable net assets over cost *(note i)*			(1,904,858)
			3,210,142

23. ACQUISITIONS OF SUBSIDIARIES *(Continued)*

(a) Acquisition of Madagascar Energy International Limited ("MEIL") *(Continued)*

	HK$'000
Total consideration satisfied by:	
Cash consideration paid	10,000
Issue of bond	85,956
Issue of shares *(note iii)*	2,825,000
Issue of Convertible Note *(note iv)*	289,186
Total consideration	3,210,142
Net cash outflow arising on acquisition:	
Cash and bank balances acquired	1,702
Cash consideration paid	(10,000)
	(8,298)

(b) Acquisition of Dolaway Group Limited ("Dolaway")

On 5 September 2007, the Company entered into a sale and purchase agreement to acquire from Good Progress 100% issued share capital of Dolaway for a consideration of HK$12 million. The acquisitions were completed on 10 January 2008.

	Acquiree's carrying amount *HK$'000*	Fair value adjustment *HK$'000*	Fair value *HK$'000*
Net assets acquired:			
Investment property	12,285	—	12,285
Other receivables	1	—	1
Deferred tax liabilities	(2,650)	—	(2,650)
	9,636	—	9,636
Goodwill *(note i)*			2,364
			12,000

	HK$'000
Total consideration satisfied by:	
Cash consideration paid	12,000
Net cash outflow arising on acquisition:	
Cash consideration paid	(12,000)

23. ACQUISITIONS OF SUBSIDIARIES *(Continued)*

(c) Acquisition of Madagascar Energy International Gas Station Group Limited ("MEIGSGL")

On 5 September 2007, the Company entered into a sale and purchase agreement to acquire from Good Progress 100% issued share capital of MEIGSGL for a consideration of HK$248 million. The acquisitions were completed on 10 January 2008. As at the date of completion, the fair value of the cost of acquisition was approximately HK$244,497,000.

	Acquiree's carrying amount	Fair value adjustment	Fair value
	HK$'000	*HK$'000*	*HK$'000*
Net assets acquired:			
Amount due to related companies	(21)	—	(21)
Intangible asset	—	249,842	249,842
	(21)	249,842	249,821
Excess of acquirer's interest in fair value of acquiree's identifiable net assets over cost *(note i)*			(5,324)
			244,497

	HK$'000
Total consideration satisfied by:	
Cash consideration paid	48,664
Issue of shares *(note iii)*	195,833
	244,497
Net cash outflow arising on acquisition:	
Cash consideration paid	(33,664)

23. ACQUISITIONS OF SUBSIDIARIES *(Continued)*

(d) Summary of the acquisitions of subsidiaries is set out as follow.

	MEIL *HK$'000*	Dolaway *HK$'000*	MEIGSGL *HK$'000*	Total *HK$'000*
Acquiree's carrying amount	(7,575)	9,636	(21)	2,040
Fair value adjustment	5,507,575	—	249,842	5,757,417
	5,500,000	9,636	249,821	5,759,457
Effective equity interest acquired	93%	100%	100%	N/A
Effective net assets acquired	5,115,000	9,636	249,821	5,374,457
Goodwill *(note i)*	—	2,364	—	2,364
Excess of acquirer's interest in fair value of acquiree's identifiable net assets over cost *(note i)*	(1,904,858)	—	(5,324)	(1,910,182)
	3,210,142	12,000	244,497	3,466,639
Total consideration satisfied by:				
Cash consideration paid	10,000	12,000	48,664	70,664
Issue of bond	85,956	—	—	85,956
Issue of shares *(note iii)*	2,825,000	—	195,833	3,020,833
Issue of Convertible Note *(note iv)*	289,186	—	—	289,186
Total consideration	3,210,142	12,000	244,497	3,466,639
Net cash outflow arising on acquisition:				
Cash and bank balances acquired	1,702	—	—	1,702
Cash consideration, paid	(10,000)	(12,000)	(33,664)	(55,664)
	(8,298)	(12,000)	(33,664)	(53,962)

23. ACQUISITIONS OF SUBSIDIARIES *(Continued)*

(d) Summary of the acquisition of the subsidiaries is set out as follow. *(Continued)*

Note:

i. In the opinion of the directors of the Company, the excess of acquirer's interest in fair value of acquiree's identifiable net assets over cost arose in the business combination is mainly attributable to the increase in the fair value of the right in exploration, exploitation and operation in the oilfield block 3113 in Madagascar and the right in import, transportation and distribution of petroleum in Madagascar. The excess were recognised in the consolidated income statement immediately. Besides, goodwill arose in business combination because the cost of the combination includes a control premium paid to acquire equity interests in Dolaway. In addition, the consideration paid for the combination effectively included amounts in relation to the benefits of expected synergies. These benefits are not recognised separately from goodwill as the future economic benefits arising from them cannot be reliably measured.

ii. MEIL, Dolaway and MEIGSGL acquired during the year ended 31 March 2008 attributed loss of approximately HK$1,909,000, HK$9,000 and HK$10,000 to the Group's profit after taxation respectively. None of these subsidiaries acquired during the year contribute any revenue to the Group.

iii. The share considerations for acquisition of MEIL and MEIGSGL were settled through issue of 1,250,000,000 shares and 138,888,889 respectively. The fair values of the share considerations were determined in accordance with the quoted market price of the Company's share as at the completion date of the acquisition.

iv. The fair value of the convertible notes issued has been arrived at on the basis of a valuation carried out on the completion date of the acquisition by BMI Appraisal Limited, an independent qualified professional valuers not connected with the Group. The valuation was arrived at by reference to discounted cash flow method and binomial method.

v. If the acquisitions had been completed on 1 April 2007, the Group's profit for the year would have been approximately HK$1,929,092,000. The pro forma information is for illustrative purposes only and is not necessarily an indication of results of the Group that actually would have been achieved had the acquisition been completed on 1 April 2007, nor is it intended to be a projection of future results.

24. TURNOVER AND OTHER REVENUE

Turnover represents the net invoiced value of good sold, after allowances for returns and trade discounts. All significant intercompany transactions have been eliminated on consolidation.

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

	The Group	
	2008	2007
	HK$'000	*HK$'000*
Turnover		
Sale of PU materials	**400,060**	554,686
Sale of fuel oil	**1,312,902**	—
	1,712,962	554,686
Other revenue		
Bank interest income	**510**	685
Others	**10**	—
	520	685

Other revenue analysed by category of asset is as follow:

	2008	2007
	HK$'000	*HK$'000*
Loan and receivables (including cash and bank balances)	**510**	685
Non-financial assets	**10**	—
	520	685

25. PROFIT FROM OPERATING ACTIVITIES

The Group's profit from operating activities is arrived at after charging:

	2008 *HK$'000*	2007 *HK$'000*
Cost of inventories sold	**1,646,520**	527,244
Auditors' remuneration	**400**	400
Depreciation	**334**	269
Impairment loss recognised in respect of goodwill	**—**	25
Minimum lease payments under operating leases in respect of rented premises	**1,448**	1,774
Staff costs (including Directors' remuneration — *Note 26*)		
Salaries and wages	**9,703**	5,597
Mandatory provident fund contributions	**131**	70
and after crediting:		
Other income:		
Gain on disposal of subsidiaries	**—**	571
Exchange gain, net	**—**	396
	—	967

26. DIRECTORS' REMUNERATION

The board of directors of the Company is currently composed of seven (2007: six) executive directors, two (2007: one) non-executive directors and three independent non-executive directors. Directors' remuneration disclosed pursuant to the Listing Rules and Section 161 of the Hong Kong Companies Ordinance, are as follows:

Name of directors

	Fee		Salaries and bonuses		Mandatory provident fund		Total	
	2008	2007	**2008**	2007	**2008**	2007	**2008**	2007
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*	***HK$'000***	*HK$'000*	***HK$'000***	*HK$'000*
Executive directors								
Dr. Wang Tao	**–**	–	**360**	180	**–**	–	**360**	180
Dr. Hui Chi Ming	**–**	–	**–**	–	**–**	–	**–**	–
Mr. Cheung Shing	**–**	–	**750**	650	**12**	12	**762**	662
Dr. Chui Say Hoe	**–**	–	**750**	600	**12**	12	**762**	612
Mr. Tsang Kwok Man	**–**	–	**750**	650	**12**	12	**762**	662
Mr. Cui Yeng Xu	**–**	–	**750**	450	**–**	–	**750**	450
Dr. Ching Men Ky, Carl (appointed on 25 Oct 2007)	**–**	–	**261**	–	**6**	–	**267**	–
Non-executive directors								
Mr. Chow Cham Ki, Kenneth	**120**	120	**–**	–	**–**	–	**120**	120
Dr. Fok Chun Wan, Ian (appointed on 25 October 2007)	**523**	–	**–**	–	**–**	–	**523**	–
Independent non-executive directors								
Mr. Chan Wai Dune (retired on 25 October 2007)	**166**	200	**–**	–	**–**	–	**166**	200
Dr. Yu Sun Say	**120**	120	**–**	–	**–**	–	**120**	120
Mr. Ng Wing Ka	**120**	120	**–**	–	**–**	–	**120**	120
Mr. Edmond Siu (appointed on 14 December 2007)	**6**	–	**–**	–	**–**	–	**6**	–
	1,055	560	**3,621**	2,530	**42**	36	**4,718**	3,126

Included in the directors' remuneration were fees of HK$1,055,000 (2007: HK$560,000) paid independent non-executive directors and non-executive directors. No fees were paid to executive directors during the year (2007: Nil).

26. DIRECTORS' REMUNERATION *(Continued)*

During the year, bonuses of HK$400,000 were paid the directors (2007: Nil). No directors waived or agreed to waive any remuneration during the year (2007: Nil). In addition, no emoluments were paid by the Group to the directors as an inducement to join, or upon joining the Group, or as compensation for loss of office (2007: Nil).

During the year, no share options to subscribe for ordinary shares of the Company were granted to directors under the Company's share option scheme (2007: Nil).

27. FIVE HIGHEST PAID INDIVIDUALS

The five highest paid individuals during the year included four (2007: three) directors, details of whose remuneration are set out in Note 26 above. The remuneration of the remaining one (2007: two) non-directors, highest paid individuals, which each fell within the nil to HK$1,000,000 band, are as follows:

	The Group	
	2008	2007
	HK$'000	*HK$'000*
Basic salaries, housing benefits, other allowances and benefits in kind	**888**	1,235
Mandatory provident fund contributions	**12**	24
	900	1,259

During the year, the five highest paid individuals of the Group were paid bonus of HK$520,000. (2007: Nil). No emoluments were paid by the Group to any of the five highest paid individuals as an inducement to join, or upon joining the Group, or as a compensation for loss of office (2007: Nil).

During the year, no share options to subscribe for ordinary shares of the Company were granted to employees under the Company's share option scheme (2007: Nil).

28. FINANCE COSTS

	2008	2007
	HK$'000	*HK$'000*
Interest expenses on bond — wholly repayable within 5 years	**4,044**	—

29. TAXATION

(a) Taxation in the consolidated income statement represents:

	The Group 2008 HK$'000	2007 HK$'000
Current year provision:		
Overseas	**6,370**	2,809

No provision for Hong Kong profits tax has been made as the Group did not have any assessable profits for the year (2007: Nil). Taxes on profits assessable elsewhere have been calculated at the rates of tax prevailing in the countries in which the Group operates, based on existing legislation, interpretations and practices in respect thereof.

The Company's subsidiaries in Madagascar is subject to corporate income tax at a rate of 30% on taxable profit and capital gain tax at rates ranged from 5% to 25%.

(b) Reconciliation between tax expenses and accounting profit at applicable tax rates:

The Group – for the year ended 31 March 2008

	Hong Kong		The PRC		Macau		Madagascar		Total	
	HK$'000	%	*HK$'000*	%	*HK$'000*	%	*HK$'000*	%	*HK$'000*	%
Profit/(loss) before taxation	1,884,893		87		53,046		(2,287)		1,935,739	
Tax at applicable income tax rate	329,856	17.5	29	33.0	6,366	12.0	(686)	30.0	335,565	17.3
Tax effect of expenses and income not deductible or taxable for tax purpose	(334,320)	(17.7)	(121)	(139.2)	4	0.1	–	–	(334,437)	(17.3)
Unrecognised temporary difference	(9)	0.0	20	23.5	–	–	55	(2.4)	66	0.0
Tax effect of tax loss not recognised	4,473	0.2	72	82.7	–	–	631	(27.6)	5,176	0.3
Tax charge for the year	–	–	–	–	6,370	12.1	–	–	6,370	0.3

29. TAXATION *(Continued)*

(b) Reconciliation between tax expenses and accounting profit at applicable tax rates: *(Continued)*

The Group – for the year ended 31 March 2007

	Hong Kong		The PRC		Macau		Total	
	HK$'000	*%*	*HK$'000*	*%*	*HK$'000*	*%*	*HK$'000*	*%*
(Loss)/profit before taxation	(12,435)		(460)		23,767		10,872	
Tax at applicable income tax rate	(2,176)	17.5	(152)	33.0	2,852	12.0	524	4.8
Tax effect of expenses and income not deductible or taxable for tax purposes	(133)	1.1	(86)	18.7	(66)	(0.3)	(285)	(2.6)
Tax effect of unrecognised temporary difference	(9)	0.1	–	–	–	–	(9)	(0.1)
Tax effect of tax losses not recognised	2,318	(18.7)	238	(51.7)	23	0.1	2,579	23.7
Tax charge for year	–	–	–	–	2,809	11.8	2,809	25.8

30. NET LOSS FROM ORDINARY ACTIVITIES ATTRIBUTABLE TO EQUITY HOLDERS OF THE COMPANY

The net loss from ordinary activities attributable to equity holders of the Company dealt with in the financial statements of the Company for the year ended 31 March 2008 was approximately HK$30,023,000 (2007: HK$12,229,000).

31. DIVIDENDS

The directors do not recommend the payment of any dividend in respect of the year ended 31 March 2008 (2007: Nil).

32. EARNINGS PER SHARE

The calculation of the basic and diluted earnings per share attributable to the equity holders of the Company is based on the following data:

	2008 *HK$'000*	2007 *HK$'000*
Earnings		
Earnings attributable to the equity holders of the Company for the purposes of basic and diluted earnings per share	**1,929,369**	8,063

	Number of shares 2008 *'000*	 2007 *'000*
Number of shares		
Weighted average number of ordinary shares for the purpose of basic earnings per share	**3,886,389**	1,271,772
Effect of dilutive potential ordinary shares: Share options	**46,577**	28,150
Weighted average number of ordinary shares for the purpose of diluted earnings per share	**3,932,966**	1,299,922

33. OPERATING LEASE ARRANGEMENTS

The Group leases certain of its office properties under operating lease arrangements. Leases for properties are negotiated for terms ranging between 2 and 3 years.

At 31 March 2008, the Group had total future minimum lease payments under non-cancellable operating failing due as follows:

	The Group 2008 *HK$'000*	 2007 *HK$'000*
Within one year	**539**	2,048
In the second to fifth years, inclusive	**117**	530
	656	2,578

34. COMMITMENTS

On 3 November 2007, the Company entered into a conditional sale and purchase agreement ("Proposed Acquisition") in relation to the acquisition of the 100% equity interest of Better Step Group Limited ("Better Step") from Sukapeak at a total consideration of HK$1,215,000,000. Upon signing of the agreement, HK$120,000,000 was paid in cash as a refundable deposit.

At 31 March 2008, the Group and the Company had a commitment in respect of the Proposed Acquisition, which will be financed by the Group's issues of Convertible Note and the Company's new shares. Please refer to Note 36, 37 and 38 to financial statement for further details.

35. CONTINGENT LIABILITIES

As at 31 March 2008, the Group and the Company had no significant contingent liabilities (2007: Nil).

36. MATERIAL RELATED PARTIES TRANSACTIONS

Remuneration for key personnel management, including amount paid to the Company's directors and certain of the highest paid employee, as disclosed in Notes 26 and 27 to financial statements, are as follows:

Key management personnel

	2008 *HK$'000*	2007 *HK$'000*
Salaries and allowance	4,676	3,090
Mandatory provident fund	42	36
	4,718	3,126

36. MATERIAL RELATED PARTIES TRANSACTIONS *(Continued)*

During the year, the Group had the following connect transactions with related parties:

Name of related parties	Relationship	Nature of transactions	2008 HK$'000	2007 HK$'000
Golden Nova	A director of the Company has beneficial interests	Consideration paid for acquisition of subsidiary *(note i)*	3,210,142	–
Good Progress	A director of the Company has beneficial interests	Acquisition of subsidiaries *(note i)*	256,497	–
Sukapeak	A director of the Company has beneficial interests	Refundable deposit paid for acquisition of subsidiaries *(note ii)*	120,000	–

Note:

i. For further details for the acquisitions of subsidiaries from Golden Nova and Good Progress, please refer to Note 23 to the financial statements.

ii. For further details for the acquisitions of subsidiaries from Sukapeak, please refer to Note 34, 37 and 38 to the financial statements.

37. CONNECTED TRANSACTIONS

During the year ended 31 March 2008, the Group and the Company had entered into the following transactions which constitute connected transactions under Listing Rules.

(i) On 3 January 2007, the Company entered into a sale and purchase agreement to acquire from Golden Nova 93% issued share capital of Madagascar Energy International Limited ("MEIL") for a total consideration of HK$800 million. The acquisition was completed on 4 June 2007. The consideration was satisfied by (i) HK$10 million in cash (ii) HK$90 million by the issue of a bond to the Golden Nova; (iii) HK$300 million by the issue of 1,250,000,000 new shares at HK$0.24 per consideration share; and (iii) HK$400 million by the issue of convertible note at a conversion price of HK$0.24 per share.

(ii) On 5 September 2007, the Company entered into a sale and purchase agreement to acquire from Good Progress 100% issued share capital of Dolaway Group Limited ("Dolaway") and Madagascar Energy International Gas Station Group Limited ("MEIGSGL"), companies principally engaged in property holding and carry on business of import, transportation and distribution of petroleum in Madagascar, for a consideration of HK$12 million and HK$248 million respectively. The acquisitions were completed on 10 January 2008.

37. CONNECTED TRANSACTIONS *(Continued)*

(iii) On 3 November 2007, the Company entered into a sale and purchase agreement to acquire from the Sukapeak the entire equity interest in Better Step Group Limited ("Better Step") at a total consideration of HK$1,215 million. The consideration will be satisfied by (i) HK$120 million in cash, payable upon signing of the agreement; (ii) HK$615 million by the issue of 427,083,333 new shares at HK$1.44 per consideration share; and (iii) HK$480 million by the issue of convertible note at a conversion price of HK$1.44 per conversion share. The acquisition was completed on 8 April 2008. For further details, please refer to the Company's circular dated 12 March 2008.

(iv) On 17 April 2008, the Group entered into a sale and purchase agreement with Smart Rich Energy Finance (Holdings) Limited ("Smart Rich Energy") and Dorson Group Limited ("Dorson") pursuant to which Dorson has conditionally agreed to acquire, and Smart Rich Energy has conditionally agreed to procure Dorson, and Dorson have agreed to sell 36% equity interest in Madagascar Petroleum International Limited at a total consideration of HK$810 million. The consideration will be satisfied by HK$100 million in cash and HK$710 million by the issue of 253,571,428 new shares at HK$2.8 per share. The acquisition was completed on 6 June 2008. For further details, please refer to the Company's announcement and circular dated 22 April 2007 and 16 May 2008 respectively.

As Dr. Hui Chi Ming, the beneficial owner of Golden Nova, Good Progress, Sukapeak and Dorson, is a connected person of the Company under the Listing Rules, the entering into of these agreements also constitutes a connected transaction for the Company under the Listing Rules.

38. SUBSEQUENT EVENTS

(a) On 3 November 2007, the Company entered into a sale and purchase agreement to acquire from the Sukapeak the entire equity interest in Better Step Group Limited ("Better Step") at a total consideration of HK$1,215 million. The consideration will be satisfied by (i) HK$120 million in cash, payable upon signing of the agreement; (ii) HK$615 million by the issue of 427,083,333 new shares at HK$1.44 per consideration share; and (iii) HK$480 million by the issue of convertible note at a conversion price of HK$1.44 per conversion share. The acquisition was completed on 8 April 2008, for which the fair value of the share consideration as mention in (ii) above at that date is approximately HK$636,354,000, which was determined in accordance with the quoted market price of the Company's share as at 8 April 2008.

On 8 April 2008, Better Step and its subsidiaries ("Better Step Group") possess property, plant and equipment of approximately HK$749,000, amount due from related companies of approximately HK$4,101,000, other deposits of HK$415,000, bank balance of approximately HK$86,000 and prepayment of approximately HK$2,000. And Better Step Group had liabilities assumed for amount due to related companies of approximately HK$19,597,000 and accruals of approximately HK$17,000.

It is estimated that the net cash flow from the acquisition of Better Step Group would be arising from the bank balances acquired from Better Step Group, the cash consideration to be paid and any transaction costs related to the acquisition.

38. SUBSEQUENT EVENTS *(Continued)*

(a) *(Continued)*

The fair value of the above assets and liabilities mentioned the costs of the business combination at 8 April 2008 have not been audited. As at the date of this report, the Company is still under progress in determining the fair value of convertible notes issued and any exploration rights obtained through the acquisition. It is therefore not practicable to determine the amount of any goodwill or excess acquirer's interest in fair value of acquiree's identifiable net assets over cost to be recognised.

For further details, please refer to the Company's announcement and circular dated 9 November 2007 and 12 March 2008 respectively.

(b) On 3 April 2008, the Group entered into a legally-binding Agreement with Shaanxi Yanchang Petroleum (Group) Limited ("Yanchang Petroleum"). Pursuant to the Agreement, the Group and Yanchang Petroleum shall jointly invest and manage the exploration, exploitation and operation of Oilfield Block 3113 and each party shall contribute 50% of the required capital investment for the development of Oilfield Block 3113. For further detail, please refer to the Company's announcement and circular dated 11 April 2008 and 28 May 2008 respectively.

(c) On 17 April 2008, the Group entered into a sale and purchase agreement with Smart Rich Energy and Dorson Group Limited ("Dorson") pursuant to which Dorson has conditionally agreed to acquire, and Smart Rich Energy has conditionally agreed to procure Dorson, and Dorson have agreed to sell 36% equity interest in Madagascar Petroleum International Limited ("MPIL") for a total consideration of HK$810 million. The consideration will be satisfied by HK$100 million in cash and HK$710 million by the issue of 253,571,428 new shares at HK$2.8 per share. The acquisition has not been completed up to the date of financial statements authorised for issue. For further details, please refer to the Company's announcement and circular dated 22 April 2007 and 16 May 2008 respectively.

(d) On 17 June 2008, MEIL entered into a legally-binding agreement with ECO Energy (International) Limited ("ECO"), a wholly-owned subsidiary of The Hong Kong and China Gas Company. Pursuant to the agreement, MEIL and ECO shall jointly invest and manage the exploration, exploitation and operations of Oilfield Block 3113 with Shaanxi Yanchang Petroleum (Group) Limited ("Yanchang Petroleum"). MEIL and ECO shall contribute 29% and 21% of the required capital investment for the development of Oilfield Block 3113 respectively. MEIL and ECO shall also share with Yanchang Petroleum all the obligations and rights entitled by MEIL in accordance with the Production Sharing Agreement, the Production Sharing Agreement entered into between MEIL and OMNIS, based on their respective investment proportion in Oilfield Block 3113. For further details, please refer to the Company's announcement dated 19 June 2008.

39. NON-CASH TRANSACTIONS

The considerations for the acquisition of the 93% issued share capital of MEIL and entire share capital of Dolaway and MEIGSGL during the year ended 31 March 2008 comprised consideration shares issued, convertible note and bond as disclosed in Note 20 and 21 to the financial statements.

40. COMPARATIVE FIGURES

Comparative figures have been reclassified to conform to the current year's presentation.

41. AUTHORISATION FOR ISSUE OF FINANCIAL STATEMENTS

The financial statements were approved and authorised for issue by the board of directors on 20 June 2008.