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 2009

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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
Mr. Tsang Kwok Man
(retired on 25 September 2008)
Mr. Cui Yeng Xu
Ms. Fibiolla Irianni Ohei
(appointed on 12 May 2009)

NON-EXECUTIVE DIRECTORS

Dr. Fok Chun Wan, Ian
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

COMPANY SECRETARY

Mr. Fu Wing Kwok, Ewing

REGISTERED OFFICE

Clarendon 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 REPRESENTATIVES

Mr. Fu Wing Kwok, Ewing

PRINCIPAL BANKERS

Shenzhen Ping An Bank
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 report of the Company and its subsidiaries (the "Group") for the year ended 31 March 2009.

PERFORMANCE

The Group recorded a turnover of approximately HK$58,008,000 (2008: HK$400,060,000) and HK$1,218,631,000 (2008: HK$1,312,902,000) from trading of PU materials and trading of fuel oil respectively for the year ended 31 March 2009, which was decreased by 85.50% and 7.18% respectively comparing to previous year. Loss attributable to shareholders was approximately HK$1,838,419,000 (2008: profit: HK$1,929,369,000). Basic loss per share is HK32.28 cents. The management is of the view that the loss is mainly due to the falling oil price in the international market leading to an impairment loss on the asset value of the oil field reserve in Madagascar when compared with the valuation in the previous year. The management is also of the view that the loss is non-operating in nature without cashflow impact to the Group.

BUSINESS REVIEW AND OUTLOOK

During the year, the Group has completed the acquisition of 100% shareholding of Madagascar Petroleum International Limited ("MPIL") which holds the 100% interest in the Oilfield Block 2104, an onshore site with total area of 20,100 kilometers square in Madagascar. MPIL had entered into the production sharing contract (the "PSC") with Office Des Mines Nationales Et Des Industries Strategiques in respect of Oilfield Block 2104. Pursuant to the PSC, MPIL is vested with all the relevant rights to engage in oil and gas exploration for 8 years, oilfield development for 5 years, and exploitation and operation for oil for 25 years (with 5 years possible extension) and gas for 35 years (with 10 years possible extension) at Oilfield Block 2104. Depending on the rate of crude oil production of Oilfield Block 2104, MPIL will share the remaining profit oil after government royalty according to the sharing ratios in the range of 45% to 73% as set out in the PSC. MPIL is responsible for the arrangement of the required capital commitment, human resources and equipment for the project development of oil and gas in Oilfield Block 2104. As at the date of this report, five wells with depth in the range of 67.5 meters to 2,153 meters have been drilled in Oilfield Block 2104, and oil and gas were discovered in three wells with depth in the range of 450 meters to 2,153 meters.

On 30 July 2008, the Group entered into an investment and cooperation agreement with Shaanxi Yanchang Petroleum (Group) Limited ("Yanchang Petroleum") and ECO Energy (International) Investments Limited ("ECO"), a wholly-owned subsidiary of The Hong Kong and China Gas Company Limited. Pursuant to this investment and cooperation agreement, the capital investment of Oilfield Block 3113, an onshore site with total area of 8,320 kilometers square in Madagascar, shall be contributed by Yanchang Petroleum, the Group and ECO in the proportion of 40%, 31% and 29% respectively. The Group, Yanchang Petroleum and ECO shall be entitled to 43.42%, 32.80% and 23.78% of the Attributable Oil and Gas. The definition of the Attributable Oil and Gas and details of the investment and cooperation agreement are set out in the Company's circular dated 28 May 2008 and 28 July 2008. The Oilfield Block 3113 at Madagascar has rich oil reserves with developable area of over 8,320 square kilometers at its petroleum plays.

Chairman's Statement

The Group created favorable conditions for the commencement of well drilling and oil exploration projects by building roads, laying pipes and carrying out a series of preliminary construction within the construction zone of Oilfield Block 3113. In addition, the Group has commissioned Yunnan Kaiyuan Petroleum and Natural Gas Exploration Engineering Company Ltd（雲南開元石油天然氣鑽探工程有限公司）("Kaiyuan Petroleum"/"開元石油") as the chief contractor responsible for the well drilling project for oil exploitation in Oilfield Block 3113.

On 19 May 2009, the exploration of oil has commenced on the Oilfield Block 3113 and on 24 June 2009, 1,994 meters of depth of the exploration wells have been drilled and oil and gas has been discovered. According to the exploration plan of Oilfield Block 3113, the exploration wells are designed with depth of 3,900 metters.

On 16 July 2009, the Group entered into a sell and purchase agreement ("S&P"), for the sale and purchase of 90% interests in the shares of PT Harpindo Mitra Kharisma ("PTHMK") at a total consideration of USD4 million which shall be satisfied by cash. PTHMK is in possession of the entire interest in a production sharing contract, in respect of an Oilfield Block named Lampung III Block, located in South Sumatra, Indonesia, with the exploration, exploitation and operating rights signed with BPMIGAS, a state-owned entity of the Indonesian government.

On 17 July 2009, the Group entered into a memorandum of understanding ("MOU") with PT Sugico Graha ("SG") regarding a possible acquisition of, and cooperation with, SG. SG has obtained the exploration, exploitation and operation rights of a coal mine in Indonesia with a coal reserve of approximately 2 billion tons.

This financial was a volatile year for the oil industry. Oil prices skyrocketed to a record high and plummeted to less than US$40 per barrel later. During the year, the financial tsunami that swept through the world has been formidable. The management will not lose confidence and will not miss out on development opportunities that lie ahead. The management firmly believes that under the present global economic and oil price environment, they will do their part to ensure that the Group will continue to react to the challenging market conditions with flexibility.

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, 28 July 2009

FINANCIAL REVIEW

For the financial year ended 31 March 2009, the Group recorded a turnover of approximately HK$58,008,000 (2008: HK$400,060,000) and HK$1,218,631,000 (2008: HK$1,312,902,000) from trading of PU materials and trading of fuel oil respectively during the year, which was decreased by 85.50% and 7.18% respectively comparing to the previous year. Loss attributable to the Company was approximately HK$1,838,419,000 (2008: profit of approximately HK$1,929,369,000), the loss mainly contributed from the impairment loss recognised in respect of exploration and evaluation assets and intangible assets. Basic loss per share is HK32.28 cents (2008: earnings per share is HK49.64 cents).

OPERATION REVIEW

During the year under review, the Group's loss was mainly due to the impairment loss recognised in respect of exploration and evaluation assets and intangible assets. For the year ended 31 March 2008, more than 90% of the Group's profit derived from excess of acquirer's interest in fair value of acquiree's identifiable net asset over costs. Turnover derived from distribution of PU materials and field oil and the principal market of the Group was the PRC. No revenue was derived from elsewhere during the year (2008: Nil).

Distribution of PU materials

During the year, revenue from the distribution of PU materials was approximately HK$58,008,000 (2008: HK$400,060,000), representing decrease of approximately 85.50% compared to previous year. The distribution of PU materials contributed approximately HK$605,000 (2008: HK$14,000,000) to the Group's profit from operating activities for the year, representing an decrease in 95.68% 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 fuel oil

During the year, revenue from the distribution of fuel oil was approximately HK$1,218,631,000 (2008: HK$1,312,902,000), representing decrease of approximately 7.18% compared to previous year. The distribution of fuel oil contributed approximately HK$31,297,000 (2008: HK$36,611,000) to the Group's loss from operating activities for the year, representing an decrease in 14.51% compared to previous year. The market of fuel oil became increasingly competitive during the year.

DIVIDEND

The Directors do not recommend the payment of final dividend for the year ended 31 March 2009 (2008: Nil).

LIQUIDITY AND FINANCIAL RESOURCES

During the year, the Group funded its operation by cash generated from its operating activities and through a combination of equity financing and debt financing, including issuance of new shares and issuance of convertible notes. As at 31 March 2009, the total liabilities of the Group amount to approximately HK$276,920,000, which mainly represents the convertible notes, trade and other payables of approximately HK$96,287,000 (2008: Nil) and HK$133,736,000 (2008: 173,609,000) respectively. The Group did not have any outstanding bank borrowings (2008: Nil) and had cash and bank balances of approximately HK$121,168,000 (2008: HK$228,457,000).

As at 31 March 2009, the Group did not have any outstanding borrowings (2008: Nil) and had cash and bank balances approximately HK$121,168,000 (2008: HK$228,457,000).

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

As at 31 March 2009, the current ratio (current assets divided by current liabilities) was 0.88 times (2008: 2.26 times) and the gearing ratio was 0.01 times (2008: undefined due to the fact that the Group did not have any convertible note at 31 March 2008), calculated on the basis of convertible notes divided by shareholders' equity.

CHARGE ON ASSETS

As at 31 March 2009, none of the Group's asset was pledged (2008: Nil).

EXPOSURE TO FLUCTUATION IN EXCHANGE RATES AND RELATED HEDGES

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

As at 31 March 2009, the Group did not have any foreign currency investments which have been hedged by currency borrowings and other hedging instruments (2008: Nil).

CAPITAL COMMITMENT AND CONTINGENT LIABILITIES

As at 31 March 2009, the Group did not have any capital commitment (2008: Nil).

As at 31 March 2009, the Group did not have any contingent liabilities (2008: Nil).

MATERIAL ACQUISITIONS AND DISPOSALS

Details of acquisitions of subsidiaries of the Group for the year ended 31 March 2009 are set out in Notes 24 and 25 to the financial statements.

Details of disposal of a subsidiary of the Group for the year ended 31 March 2009 is set out in Note 26 to the financial statements.

EMPLOYEES AND REMUNERATION POLICIES

As at 31 March 2009, the Group's total number of staff was 48 (2008: 48). 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

Executive Directors

Dr. WANG Tao, aged 77 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. Wang is currently an independent non-executive director of CNOOC Limited which is listed on the Main Board of the Stock Exchange of Hong Kong Limited.

Dr. HUI Chi Ming, *G.B.S., PhD, J.P.*, aged 45 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".

Dr. Hui did not hold any directorship in other listed public Company in the last three years.

Mr. CHEUNG Shing, aged 56 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).

Mr. Cheung is currently an executive director of China Oil and Gas Group Limited which is listed on the Main Board of the Stock Exchange of Hong Kong Limited.

DIRECTORS *(Continued)*

Executive Directors *(Continued)*

Dr. CHUI Say Hoe, aged 61 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, Mr. Chui worked in a commercial bank in Hong Kong for about 5 years. Mr. Chui has more than 20 years of experience in commerce and general business management. Mr. 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.

Dr. Chui did not hold any directorship in other listed public company in the last three years.

Mr. CUI Yeng Xu, aged 46 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.

Mr. Cui did not hold any directorship in other listed public company in the last three years.

Dr. CHING Men Ky, Carl, aged 65, 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.

Dr. Ching is currently an independent non-executive director of Greater China Holdings Limited which is listed on the Main Board of the Stock Exchange of Hong Kong Limited.

Ms. Fibiolla Irianni OHEI, aged 31 was appointed as an executive Director on 12 May 2009. She graduated from the University of Diponnegoro Semarang, Central Java, Indonesia with a Degree of Master in Economics and Study of Development. She has over five years of managerial experience. She is the Consultant of the President of Indonesia, Susilo Banbang Yudhoyono. Ms. Ohei is responsible for the strategic planning of the Company and exploration of the business opportunities in Indonesia,

Ms. Ohei does not hold any other positions with the Company and any of its subsidiaries. She did not hold any directorship in any listed public Company in the last three years.

Non-Executive Directors

Mr. CHOW Charn Ki, Kenneth, aged 55 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.

Mr. Chow did not hold any directorship in other listed public Company in the last three years.

DIRECTORS *(Continued)*

Non-Executive Directors *(Continued)*

Dr. FOK Chun Wan, Ian, *SBS, JP*, aged 60, 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 of The 11th National People's Congress of the People's Republic of China, Member of Standing Committee, 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 Member of The Elite Sports Committee, 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.

Dr. Fok did not hold any directorship in other listed public company in the last three years.

Independent Non-Executive Directors

Dr. YU Sun Say, *S.B.S., J.P.*, aged 70 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.

Dr. Yu is currently an independent non-executive director of Tongda Group Holdings Limited and Wong's International (Holdings) Limited.

Mr. NG Wing Ka, aged 40 was appointed as an independent non-executive Director on 7 January 2005 in Hong Kong and 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' & Exporter's 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. Ng did not hold any directorship in other listed public company in the last three years.

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.

Mr. Siu did not hold any directorship in other listed public company in the last three years.

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 six executive Directors are regarded as members of the Group's senior management.

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 2009.

PRINCIPAL ACTIVITIES

The principal activity of the Company is investment holding. Details of the principal activities of the subsidiaries are set out in Note 13 to the financial statements.

SEGMENT INFORMATION

As analysis of the Group's turnover and contribution to results by principal activities and geographical area of operations for the year ended 31 March 2009 is set out in Note 6 to the financial statements.

RESULTS AND APPROPRIATIONS

The results of the Group for the year ended 31 March 2009 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 (2008: 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				
	2009	2008	2007	2006	2005
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
Turnover	**1,276,639**	1,712,962	554,686	577,729	884,347
(Loss)/profit before taxation	**(1,834,729)**	1,935,739	10,872	2,986	3,094
Taxation	**(4,066)**	(6,370)	(2,809)	(2,381)	(4,445)
(Loss)/profit for the year from					
Continuing operation	**(1,838,795)**	1,929,369	8,063	605	(1,351)
Discontinued operation	**—**	—	—	14,962	—
	(1,838,795)	1,929,369	8,063	1,567	(1,351)
Net (loss)/profit attributable to					
—Equity holders of the Company	**(1,838,419)**	1,929,369	8,063	15,567	(1,351)
—Minority interests	**(376)**	—	—	—	—
	(1,838,795)	1,929,369	8,063	15,567	(1,351)

SUMMARY FINANCIAL INFORMATION *(Continued)*

Assets and Liabilities

	At 31 March				
	2009	2008	2007	2006	2005
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
Non-current assets	**8,554,869**	5,880,792	624	541	169,668
Current assets	**240,059**	535,345	291,151	231,301	263,579
Total assets	**8,794,928**	6,416,137	291,775	231,842	433,247
Current liabilities	**(273,832)**	(236,453)	(79,690)	(55,319)	(244,033)
Non-current liabilities	**(3,088)**	(2,650)	—	(83)	(26,324)
Total liabilities	**(276,920)**	(239,103)	(79,690)	(55,402)	(270,357)
Total equity	**8,518,008**	6,177,034	212,085	176,440	162,890

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 the 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 16 to the financial statements.

RESERVES

Details of movements in the reserves of the Company and of the Group during the year are set out in Note 17 to the 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 2009, the Company's reserves available for distribution and/or distribution in specie, calculated in accordance with the Companies Act of Bermuda, amounted to approximately HK$3,594,945,000. This amount included the Company's contributed surplus in the amount of approximately HK$54,045,000 at 31 March 2009, which may only be distributed in certain circumstances. In addition, the Company's share premium account, in the amount of approximately HK$3,634,101,000 at 31 March 2009, 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 98.40% of the Group's total sales for the year. The amount of sales to the Group's largest customer included therein represented approximately 95.46%.

(2) The aggregate amount of purchases attributable to the Group's five largest suppliers represented 100% of the Group's total purchases for the year. The amount of purchases from the Group's largest supplier included therein represented approximately 94.64%.

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 PARTIES AND CONNECTED TRANSACTIONS

Details of the related parties transactions and connected transactions of the Group are set out in Notes 39 and 40 to the financial statements respectively.

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 the financial statements.

At 31 March 2009, 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.

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
Mr. Tsang Kwok Man *(retired on 25 September 2008)*
Mr. Cui Yeng Xu
Ms. Fibiolla Irianni Ohei *(appointed on 12 May 2009)*

Non-Executive Directors

Dr. Fok Chun Wan, Ian
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

In accordance with the Company's bye-laws, Ms. Fibiolla Irianni Ohei, Dr. Ching Men Ky, Carl, Mr. Cheung Shing and Mr. Ng Wing Ka 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 two to 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 39 and 40 to the 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 2009, 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	3,443,622,221	57.18%

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

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 16 to the financial statements.

SUBSTANTIAL SHAREHOLDERS

As at 31 March 2009, 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)*	2,161,366,666	35.89%
Sukapeak Holdings Limited	510,416,666	8.48%
Right Up Holdings LImited	320,000,000	5.31%

Note: The entire issued share capital of Golden Nova Holdings Limited, Sukapeak Holdings Limited and Right Up Holdings Limited are 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 2009.

SUBSEQUENT EVENTS

Details of the significant subsequent events of the Group are set out in Note 41 to the 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 2009, 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 confirmed that they have complied with the required standards as set out in the Model Code as its code of conduct regarding directors' securities transactions with the Company for the year ended 31 March 2009.

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, 28 July 2009

CORPORATE GOVERNANCE PRACTICE

The Board is committed to achieve 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, responsibilities and fairness. In the opinion of the Board, the Company had complied with the code provision set out in the Code on Corporate Governance Practices ("CG Code") in Appendix 14 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules") throughout the year ended 31 March 2009, except that the independent non-executive directors of the Company are not appointed for a specific terms as required by Code A.4.1 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.

Save as this mentioned above, in the opinion of the Directors of the Company, the Company had met with the Code Provisions during the year ended 31 March 2009.

As such, the Company engaged an independent consultant to conduct a review of the Company's system of internal controls in order to assist the Company to design appropriate international control policies and procedures with a view to ensure compliance with the Listing Rules as well as the Principles and Code Provision. The independent consultant has completed its review and satisfied with the Company's system of internal control policies and procedures.

CODE A.4.1 OF CG CODE

Code A.4.1 of CG Code provides 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.

Further details of the Company's corporate governance practices are described in the corporate governance report included in the Company's annual report 2009.

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 2009.

AUDITORS' REMUNERATION

Auditors' remuneration for the year amounted to a total of approximately HK$2,781,000, of which HK$400,000 was incurred for audit service and approximately HK$2,381,000 for non-audit services, including consultancy fee for preparation of the circulars issued by the Company.

The audit committee is of the view that the auditors' independence were not affected by the provision of these non-audit related services during the year ended 31 March 2009.

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. Cui Yeng Xu and Ms. Fibiolla Irianni Ohei;

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

(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 judgment.

The Directors as aforesaid, accompanied by their respective biographical details, are listed in the section of "Directors' and Senior Management's Biographies", 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 2009; 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 2009 and up to the date of this report were as follows:

Directors	**Attendance**
Dr. Wang Tao *(Honorary Chairman)*	0/12
Dr. Hui Chi Ming, *G.B.S., PhD, J.P.* *(Chairman)*	7/12
Mr. Cheung Shing *(Deputy Chairman)*	10/12
Dr. Chui Say Hoe	10/12
Dr. Ching Men Ky, Carl	2/12
Mr. Tsang Kwok Man *(retired on 25 September 2008)*	3/12
Mr. Cui Yeng Xu	0/12
Ms. Fibiolla Irianni Ohei *(appointed on 12 May 2009)*	0/12
Dr. Fok Chun Wan, Ian	2/12
Mr. Chow Charn Ki, Kenneth	2/12
Dr. Yu Sun Say, *S.B.S., J.P.*	2/12
Mr. Ng Wing Ka	2/12
Mr. Edmund Siu	6/12

CHAIRMAN AND CHIEF EXECUTIVE OFFICER

The Group adopts a leadership structure in which the role of the Chairman and the Chief Executive Office ("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".

DIRECTORS' 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 Audit Committee currently comprises three independent non-executive directors, namely Mr. Edmund Siu, Dr. Yu Sun Say and Mr. Ng Wing Ka. Mr. Edmund Siu was the chairman of the audit committee. Given below are the main duties of the Audit Committee:

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

(b) Reviewing the systems of internal control;

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

(d) Reviewing the audited financial statements and the annual report of the Company for the year ended 31 March 2009.

There were 4 meetings during the year ended 31 March 2009. Dr. Yu Sun Say, Mr. Ng Wing Ka and Mr. Edmund Siu have attended all meetings during the year ended 31 March 2009.

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. Edmund Siu, and an executive director, Dr. Chui Say Hoe. Dr. Yu Sun Say was the Chairman of the Remuneration Committee of the Company during the year.

No Remuneration Committee meeting was held during the year ended 31 March 2009.

BOARD COMMITTEE *(Continued)*

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. Mr. Ng Wing Ka was the Chairman of the Nomination Committee of the Company during the year.

The Nomination Committee comprises two independent non-executive directors, namely Dr. Yu Sun Say and Mr. Ng Wing Ka, 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 Dr. Chui Say Hoe. Dr Chui Say Hoe was the Chairman of the Financial Committee of the Company during the year.

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

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 90, which comprise the consolidated and company balance sheets as at 31 March 2009, 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 CONSOLIDATED 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 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' judgment, 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 consolidated financial statements give a true and fair view of the state of affairs of the Company and of the Group as at 31 March 2009 and of the loss 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, 28 July 2009

Consolidated Balance Sheet

At 31 March 2009

	Notes	2009 HK$'000	2008 HK$'000
ASSETS			
Non-current assets			
Property, plant and equipment	7	2,177	1,175
Prepaid lease payments	8	936	—
Investment property	9	12,000	12,285
Intangible asset	10	58,000	249,842
Exploration and evaluation assets	11	8,481,756	5,615,126
Goodwill	12	—	2,364
		8,554,869	5,880,792
Current assets			
Trade receivables	14	92,584	144,121
Prepayments, deposits and other receivables	15	26,307	162,767
Cash and bank balances		121,168	228,457
		240,059	535,345
Total assets		8,794,928	6,416,137
EQUITY			
Capital and reserves attributable to the Company's equity holders			
Share capital	16	120,449	92,835
Reserves	17	8,397,559	6,084,199
Total equity		8,518,008	6,177,034
LIABILITIES			
Current liabilities			
Trade and other payables	18	133,736	173,609
Tax payable		27,374	37,619
Amount due to a holding company	19	2,911	2,911
Amounts due to related companies	20	13,524	22,314
Convertible notes	21	96,287	—
		273,832	236,453
Non-current liabilities			
Deferred taxation	23	3,088	2,650
Total liabilities		276,920	239,103
Total equity and liabilities		8,794,928	6,416,137
Net current (liabilities)/assets		(33,773)	298,892
Total assets less current liabilities		8,521,096	6,179,684

Approved by the board of directors on 28 July 2009 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 2009

	Notes	2009 HK$'000	2008 HK$'000
ASSETS			
Non-current assets			
Interests in subsidiaries	13	5,832,043	3,627,760
Current assets			
Deposits and other receivables		16	120,000
Cash and bank balances		10	2,596
		26	122,596
Total assets		5,832,069	3,750,356
EQUITY			
Capital and reserves			
Share capital	16	120,449	92,835
Reserves	17	5,468,559	3,618,598
Total equity		5,589,008	3,711,433
LIABILITIES			
Current liabilities			
Amounts due to subsidiaries	13	139,784	19,785
Amounts due to related companies	20	5,333	18,733
Other payables and accruals		1,044	405
Convertible notes	21	96,287	—
		242,448	38,923
Non-current liabilities			
Deferred taxation	23	613	—
Total liabilities		243,061	38,923
Total equity and liabilities		5,832,069	3,750,356
Net current (liabilities)/assets		(242,422)	83,673
Total assets less current liabilities		5,589,621	3,711,433

Approved by the board of directors on 28 July 2009 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 2009

	Notes	2009 HK$'000	2008 HK$'000
Turnover	27	**1,276,639**	1,712,962
Cost of sales		**(1,228,109)**	(1,646,520)
Gross profit		**48,530**	66,442
Other revenue	27	**481**	520
Other gains and losses	28	**(1,834,110)**	1,910,182
Selling and distribution costs		**(11,693)**	(13,041)
Administrative expenses		**(36,754)**	(24,320)
(Loss)/profit from operating activities	29	**(1,833,546)**	1,939,783
Finance costs	32	**(1,183)**	(4,044)
(Loss)/profit before taxation		**(1,834,729)**	1,935,739
Taxation	33	**(4,066)**	(6,370)
(Loss)/profit for the year		**(1,838,795)**	1,929,369
Attributable to			
— Minority interest		**(376)**	–
— Equity holders of the Company		**(1,838,419)**	1,929,369
		(1,838,795)	1,929,369
(Loss)/earnings per share	36		
Basic		**HK(32.28) cents**	HK49.64 cents
Diluted		**HK(32.28) cents**	HK49.06 cents

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

Consolidated Statement Of Changes In Equity

For the year ended 31 March 2009

	Attributable to equity holders of the Company										
		Reserves									
	Share capital HK$'000	Share premium HK$'000 (Note i)	Contributed surplus HK$'000 (Note ii)	Convertible notes reserve HK$'000	Exchange reserve HK$'000	Revaluation reserve HK$'000 (Note iii)	Reserve on acquisition of additional interests in a subsidiary HK$'000	Retained profits HK$'000	Subtotal HK$'000	Minority interests HK$'000	Total HK$'000
At 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 arising on issue 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	2,993,056	–	–	–	–	–	–	2,993,056	–	3,020,833
Issue of ordinary 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 operation	–	–	–	–	14,192	–	–	–	14,192	–	14,192
Fair value changes recognised from further acquisition	–	–	–	–	–	385,000	–	–	385,000	–	385,000
At 31 March 2008 and 1 April 2008	92,835	3,648,151	3,156	–	14,243	385,000	–	2,033,649	6,084,199	–	6,177,034
Net loss for the year	–	–	–	–	–	–	–	(1,838,419)	(1,838,419)	(376)	(1,838,795)
Total recognised income and expenses for the year	–	–	–	–	–	–	–	(1,838,419)	(1,838,419)	(376)	(1,838,795)
Equity component of convertible notes	–	–	–	281,844	–	–	–	–	281,844	–	281,844
Deferred tax arising on issue of convertible notes	–	–	–	(8,842)	–	–	–	–	(8,842)	–	(8,842)
Conversion of convertible notes	6,667	701,588	–	(269,447)	–	–	–	–	432,141	–	438,808
Consideration shares	20,013	1,054,213	–	–	–	–	–	–	1,054,213	–	1,074,226
Issue of ordinary shares	714	99,302	–	–	–	–	–	–	99,302	–	100,016
Issue shares expenses	–	(330)	–	–	–	–	–	–	(330)	–	(330)
Issue of ordinary shares upon exercise of share options	220	1,236	–	–	–	–	–	–	1,236	–	1,456
Exchange differences arising on translation of foreign operation	–	–	–	–	5,850	–	–	–	5,850	–	5,850
Acquisition of subsidiaries	–	–	–	–	–	–	–	–	–	3,024,612	3,024,612
Acquisition of additional interest in subsidiaries	–	–	–	–	–	–	2,286,365	–	2,286,365	(3,024,236)	(737,871)
At 31 March 2009	**120,449**	**5,504,160**	**3,156**	**3,555**	**20,093**	**385,000**	**2,286,365**	**195,230**	**8,397,559**	**–**	**8,518,008**

Note:

(i) The share premium account of the Group includes (i) shares issued at premium of approximately HK$3,634,101,000; and (ii) special reserve of approximately HK$1,870,059,000. Included in the share premium debited amount of approximately HK$650,774,000 represents the difference between the fair value and the contracted value of the consideration shares paid for acquisitions of subsidiaries during the year (2008: credited amount of HK$2,520,833,000).

(ii) 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 therefor.

(iii) The revaluation reserve represents the fair value adjustment relating to previous acquisition of 7% equity interests of Madagascar Energy International Limited ("MEIL"). The Group has acquired the remaining 93% equity interests during the year ended 31 March 2008.

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

Consolidated Cash Flow Statement

For the year ended 31 March 2009

	2009 *HK$'000*	2008 *HK$'000*
Cash flows from operating activities		
(Loss)/profit before taxation	(1,834,729)	1,935,739
Adjustments for:		
Interest income	(471)	(510)
Depreciation of property, plant and equipment	669	334
Amortisation of prepaid lease payments	19	—
Impairment loss recognised in respect of goodwill	2,364	—
Impairment loss recognised in respect of intangible asset	191,842	—
Fair value change on investment property	285	—
Impairment loss recognised in respect of exploration & evaluation assets	3,757,059	—
Impairment loss recognised in respect of deposit paid and other receivables	2,234	—
Excess of acquirer's interest in fair value of acquiree's identifiable net asset over costs	(2,103,419)	(1,910,182)
Gain on disposal of a subsidiary	(16,255)	—
Loss on disposal of property, plant and equipment	63	177
Finance costs	1,183	4,044
Operating profit before working capital changes	844	29,602
Decrease/(increase) in trade receivables	51,537	(7,324)
Decrease/(increase) in prepayments, deposits and other receivables	134,663	(104,872)
(Decrease)/increase in trade and other payables	(52,127)	125,421
(Decrease)/increase in amounts due to related companies	(4,691)	1,023
Decrease in amount due to a holding company	—	(617)
Cash generated from operations	130,226	43,233
Interest received	471	510
Net cash inflow from operating activities	130,697	43,743
Cash flows from investing activities		
Purchases of property, plant and equipment	(985)	(451)
Additions of prepaid lease payments	(974)	—
Net cash outflow from acquisitions of subsidiaries	(420,919)	(53,962)
Capital expenditure in relation to exploration and evaluation assets	(22,100)	(107,551)
Net cash outflow from investing activities	(444,978)	(161,964)
Cash flows from financing activities		
Proceeds from issue of shares	100,016	340,080
Issue share expenses	(330)	(13,977)
Proceeds from exercise of share options	1,456	—
Proceeds from issue of convertible notes	100,000	—
Repayment of bond	—	(90,000)
Net cash inflow from financing activities	201,142	236,103
Net (decrease)/increase in cash and cash equivalents	(113,139)	117,882
Cash and cash equivalents at beginning of year	228,457	96,477
Effect of exchange rate changes on the balance of cash held in foreign currencies	5,850	14,098
Cash and cash equivalent at end of year	121,168	228,457
Analysis of balances of cash and cash equivalents		
Cash and bank balances	121,168	228,457

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 of Bermuda and its shares are listed on The Stock Exchange of Hong Kong Limited (the "Stock Exchange"). The registered office and the principal place of business of the Company are disclosed in the corporate information section of the annual report.

The 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, trading of fuel oil and oil gas exploration, 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 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 financial year beginning 1 April 2008. A summary of the new HKFRSs are set out as below:

HKAS 39 & HKFRS 7 (Amendments)	Reclassification of Financial Assets
HK(IFRIC) — Int 12	Service Concession Arrangements
HK(IFRIC) — Int 14	HKAS 19 — The Limit on a Defined Benefit Assets, Minimum Funding Requirements and their Interaction

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.

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

The Group has not early adopted the following new HKFRSs that have been issued but are not yet effective.

HKFRSs (Amendments)	Improvements to HKFRSs[1]
HKFRSs (Amendments)	Improvements to HKFRSs 2009[2]
HKAS 1 (Revised)	Presentation of Financial Statements[3]
HKAS 23 (Revised)	Borrowing Costs[3]
HKAS 27 (Revised)	Consolidated and Separate Financial Statements[4]
HKAS 32 & 1 (Amendments)	Puttable Financial Instruments and Obligations Arising on Liquidation[3]
HKAS 39 (Amendment)	Eligible Hedged Items[4]
HKFRS 1 (Revised)	First-time Adoption of Hong Kong Financial Reporting Standards[4]
HKFRS 1 & HKAS 27 (Amendments)	Cost of an Investment in a Subsidiary, Jointly Controlled Entity or Associate[3]
HKFRS 2 (Amendment)	Vesting Conditions and Cancellations[3]
HKFRS 3 (Revised)	Business Combinations[4]
HKFRS 7 (Amendment)	Financial Instruments: Disclosure — Improving Disclosures about Financial Instruments[3]
HKFRS 8	Operating Segments[3]
HK(IFRIC) — Int 9 & HKAS 39 (Amendments)	Embedded Derivatives[7]
HK(IFRIC) — Int 13	Customer Loyalty Programmes[5]
HK(IFRIC) — Int 15	Agreements for the Construction of Real Estate[3]
HK(IFRIC) — Int 16	Hedges of a Net Investment in a Foreign Operation[6]
HK(IFRIC) — Int 17	Distributions of Non-cash Assets to Owners[4]
HK(IFRIC) — Int 18	Transfers of Assets from Customers[8]

1 Effective for annual periods beginning on or after 1 January 2009 except for the amendments to HKFRS 5, effective for annual periods beginning on or after 1 July 2009.
2 Effective for annual periods beginning on or after 1 January 2009, 1 July 2009 and 1 January 2010, as appropriate.
3 Effective for annual periods beginning on or after 1 January 2009.
4 Effective for annual periods beginning on or after 1 July 2009.
5 Effective for annual periods beginning on or after 1 July 2008.
6 Effective for annual periods beginning on or after 1 October 2008.
7 Effective for annual periods beginning on or after 30 June 2009.
8 Effective for transfers of assets from customers received on or after 1 July 2009.

The Group is in the process of making an assessment of the impact of these new HKFRSs upon initial application. So far, it has concluded that while the adoption of HKAS 1 (Revised) may result in new or amended disclosures and the adoption of HKFRS 3 (Revised), HKAS 27 (Revised) and HKAS 23 (Revised) may result in changes in accounting policies, these new HKFRSs are unlikely to have a significant impact on the Group's results of operations and financial position.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

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

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

(a) Basis of consolidation

The 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 the consolidated income statement.

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

(b) Business combination *(Continued)*

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.

Acquisition of additional interests in a subsidiary

Changes in the Company's ownership interests in a subsidiary that do not result in loss of control are accounted for as equity transactions (i.e. transactions with the Company in the capacity as owners).

In such circumstances the carrying amounts of the controlling interest and minority interests shall be adjusted to reflect the changes in their relative interests in the subsidiary. Any difference between the amount by which minority interests are adjusted and the fair value of the consideration paid or received shall be recognised directly in equity and attributed to the owners of the Company.

(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 purpose 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.

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

(d) Impairment of assets

At each balance sheet date, the Group reviews the carrying amounts of its tangible and intangible assets 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.

(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.

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

(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.

(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. No amortisation is provided on the exploration and evaluation assets.

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 assets or property, plant and equipment. After reclassification, amortisation will be provided for the respective assets consistent with the relevant accounting policy.

(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 the consolidated income statement 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.

Leasehold land

Interest in leasehold land is accounted for as operating leases and amortised over the lease form on a straight-line basis except for those that are classified and accounted for as investment properties under the fair value model.

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

(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 the consolidated income statement 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 non-monetary items carried at fair value are included in the consolidated income statement 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.

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 year, 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 consolidated income statement 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.

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

(k) Retirement benefits schemes *(Continued)*

(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.

(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.

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

(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 Group 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.

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 consolidated 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 assets

Intangible assets acquired in a business combination

Intangible assets 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 assets is their fair value at the acquisition date.

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

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

(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.

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).

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

(n) Financial instruments *(Continued)*

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.

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.

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

(n) Financial instruments *(Continued)*

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.

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 fair value through profit or loss, of which the interest expense is included in net gains or losses.

Other financial liabilities

Other financial liabilities including trade and other payables, amount due to a holding company and amounts due to related companies 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 notes reserve).

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

(n) Financial instruments *(Continued)*

Convertible notes *(Continued)*

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 the consolidated income statement 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.

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.

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

(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.

(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.

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

(r) Contingent liabilities and contingent assets *(Continued)*

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 future 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.

(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 statements, 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.

(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 estimates and judgements such as future prices of oil and production profile. The impairment reviews and calculations are based on 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 11).

(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.

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

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

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.

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) Useful lives and 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

Determine whether intangible asset is impaired requires estimation of the value in use. The value in use calculation requires the entity to estimate the future cash flows expected to arise from the cash generating unit and a suitable discount rate in order to calculate the present value.

The carrying amount of intangible asset at the balance sheet date was approximately HK$58,000,000 (2008: HK$249,842,000) after an impairment loss of approximately HK$191,842,000 (2008: nil) was recognised during the year. Details of the impairment loss calculation are provided in Note 10.

(f) Measurement of convertible notes

On issue of convertible notes, 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 notes reserve, net of transactions cost. The splitting of the liability and equity components requires an estimation of the market interest rate.

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

(g) Impairment of goodwill

Determine whether goodwill is impaired requires an estimation of the value in use of the cash generating units to which goodwill has been allocated. The value in use calculation requires the entity to estimate the future cash flows expected to arise from the cash generating unit and a suitable discount rate in order to calculate the present value.

The carrying amount of goodwill at the balance sheet date was Nil (2008: HK$2,364,000) after an impairment loss of approximately HK$2,364,000 (2008: Nil) was recognised during the year. Details of the impairment loss calculation are provided in Note 12.

5. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

(a) Categories of financial instruments

	2009 *HK$'000*	2008 *HK$'000*
Financial assets		
Loan and receivables		
(including cash and bank balances)		
Trade receivables	**92,584**	144,121
Deposits and other receivables	**26,288**	42,767
Cash and bank balances	**121,168**	228,457
	240,040	415,345
Financial liabilities		
Amortised costs		
Trade and other payables	**133,736**	173,609
Convertible notes	**96,287**	—
Amount due to a holding company	**2,911**	2,911
Amounts due to related companies	**13,524**	22,314
	246,458	198,834

(b) Financial risk management objectives and policies

The Group's major financial instruments include trade receivables, deposits and other receivables, cash and cash equivalents, trade and other payables and convertible notes. 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.

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

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

Market risks

(i) Foreign exchange risk

The Group is exposed to foreign exchange risk arising from various currency exposures, primarily with respect to the United States dollar ("USD") and Renminbi ("RMB"). Foreign exchange risk arises from 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:

	2009 HK$'000	2008 HK$'000
Assets		
USD	118,228	127,203
RMB	119,612	213,687
Ariary (Madagascar)	216	253
Liabilities		
USD	114,305	145,573

Sensitivity analysis

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

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 (Continued)

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. A positive number below indicates an increase in profit and other equity where the Hong Kong dollars weaken 5% against the relevant currency. For a 5% strengthening 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

	2009 *HK$'000*	2008 *HK$'000*
Other equity	**5,981**	10,684

The Group's sensitivity to foreign currency has decreased during the year mainly due to the decrease in cash and bank balances 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 has no interest rate risk as the Group has no variable rate and fixed rate borrowings. As at the balance date, the Group has no significant interest-bearing assets except for time deposits.

The Group analyses its interest rate exposure on a dynamic basis. Its time deposits were issued at fixed interest rates. As such, the impact of the increase or decrease in prime rate would have no effect on interest income arising from time deposits. 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 March 2009, 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 is 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 management 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. Trade receivables consist of a large number of customers and spread across diverse industries.

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.

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 of the Group's financial liabilities are expected to be matured within one year.

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

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

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 values.

(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 consists of debts which include convertible notes and equity, comprising issued capital, reserves and retained profits.

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 years ended 31 March 2009 and 31 March 2008, the Group's strategy was to maintain a reasonable gearing ratio. The gearing ratio at 31 March 2009 and 31 March 2008 were as follows:

	As at 31 March 2009 *HK$'000*	As at 31 March 2008 *HK$'000*
Total debt	**96,287**	—
Total equity	**8,518,008**	6,177,034
Gearing ratio	**1.13%**	N/A

Total debt comprises of convertible notes (Note 21). The gearing ratio is not applicable during the year 2008 because the Group did not have any debt as at 31 March 2008.

6. BUSINESS AND GEOGRAPHICAL SEGMENTS

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 provided. 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 the other business segments. Summary details of the business segments are as follow:

(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, exploitation and operation segment involves oil, gas exploration, 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. BUSINESS AND GEOGRAPHICAL SEGMENTS *(Continued)*

(a) Business segments

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

The Group

	PU materials		Fuel oil		Oil, gas exploration, exploitation and operation		Consolidated	
	2009	2008	2009	2008	2009	2008	2009	2008
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
Segment revenue:								
Sales to external customers	58,008	400,060	1,218,631	1,312,902	–	–	1,276,639	1,712,962
Segment results	668	19,716	35,565	46,726	(3,955,060)	–	(3,918,827)	66,442
Interest income							471	510
Unallocated income							10	10
Excess of acquirer's interest in fair value of acquiree's identifiable net assets over cost *(Note 24)*							2,103,419	1,910,182
Gain on disposal of a subsidiary							16,255	–
Fair value change on investment property							(285)	–
Impairment loss recognised in respect of goodwill							(2,364)	–
Impairment loss recognised in respect of deposits paid and other receivables							(2,234)	–
Unallocated expenses							(29,991)	(37,361)
(Loss)/profit from operating activities							(1,833,546)	1,939,783
Finance costs							(1,183)	(4,044)
(Loss)/profit before taxation							(1,834,729)	1,935,739
Taxation							(4,066)	(6,370)
(Loss)/profit for the year							(1,838,795)	1,929,369

6. BUSINESS AND GEOGRAPHICAL SEGMENTS *(Continued)*

(a) Business segments *(Continued)*

	PU materials		Fuel oil		Oil, gas exploration, exploitation and operation		Consolidated	
	2009	2008	2009	2008	2009	2008	2009	2008
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
Segment assets	119,612	271,458	117,948	137,202	8,541,388	5,866,050	8,778,948	6,274,710
Unallocated assets							15,980	141,427
Total assets							8,794,928	6,416,137
Segment liabilities	12,352	59,014	73,424	106,950	60,070	24,014	145,846	189,978
Unallocated liabilities							131,074	49,125
Total liabilities							276,920	239,103

	PU materials		Fuel oil		Oil, gas exploration, exploitation and operation		Unallocated		Consolidated	
	2009	2008	2009	2008	2009	2008	2009	2008	2009	2008
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
Other segment information:										
Depreciation	–	151	–	–	255	183	414	–	669	334
Amortisation	–	–	–	–	19	–	–	–	19	–
Capital expenditure	–	143	–	–	1,635	308	324	–	1,959	451
Impairment loss recognised in respect of exploration and evaluation assets	–	–	–	–	3,757,059	–	–	–	3,757,059	–
Impairment loss recognised in respect of intangible asset	–	–	–	–	191,842	–	–	–	191,842	–
Impairment loss recognised in respect of goodwill	–	–	–	–	–	–	2,364	–	2,364	–
Impairment loss recognised in respect of deposits paid and other receivables	–	–	–	–	–	–	2,234	–	2,234	–

6. BUSINESS AND GEOGRAPHICAL SEGMENTS *(Continued)*

(b) Geographical segments

During the years ended 31 March 2009 and 2008, the Group's entire turnover was derived from sales in the PRC, no geographical segmental information on turnover is presented.

At 31 March 2009 and 2008, more than 90% of the Group's assets were located at Madagascar, no geographical segmental information on assets is presented.

7. PROPERTY, PLANT AND EQUIPMENT

The Group	Furniture, fixtures and equipment *HK$'000*	Motor vehicles *HK$'000*	Total *HK$'000*
Cost:			
At 1 April 2007	2,210	—	2,210
Additions	154	297	451
Acquisition of a subsidiary	244	364	608
Disposals	(515)	—	(515)
Exchange difference	4	—	4
At 31 March 2008 and 1 April 2008	2,097	661	2,758
Additions	814	171	985
Acquisitions of subsidiaries *(Note 24)*	280	468	748
Disposals	(97)	—	(97)
Exchange difference	2	—	2
At 31 March 2009	3,096	1,300	4,396
Accumulated depreciation:			
At 1 April 2007	1,586	—	1,586
Charge for the year	202	132	334
Eliminated on disposals	(338)	—	(338)
Exchange difference	1	—	1
At 31 March 2008 and 1 April 2008	1,451	132	1,583
Charge for the year	410	259	669
Eliminated on disposals	(34)	—	(34)
Exchange difference	1	—	1
At 31 March 2009	1,828	391	2,219
Net book value:			
At 31 March 2009	**1,268**	**909**	**2,177**
At 31 March 2008	646	529	1,175

8. PREPAID LEASE PAYMENTS

	The Group	
	2009	2008
	HK$'000	*HK$'000*
The Group's prepaid lease payments comprise:		
Land outside Hong Kong under medium term lease	**955**	–
Analysed for reporting purposes as:		
Current assets (include in prepayments, deposits and other receivables) *(Note 15)*	**19**	–
Non-current assets	**936**	–
	955	–
Movement for the year:		
At beginning of year	**–**	–
Additions	**974**	–
Amortisation for the year	**(19)**	–
At end of year	**955**	–

Amortisation on prepaid lease payments of approximately HK$19,000 (2008: nil) have been charged to the consolidated income statement for the year.

9. INVESTMENT PROPERTY

The Group	*HK$'000*
Fair value	
At 1 April 2007	–
Acquisition of a subsidiary	12,285
At 31 March 2008 and 1 April 2008	12,285
Fair value change	(285)
At 31 March 2009	**12,000**

The fair value of the Group's investment property at 31 March 2009 has been arrived at on the basis of a valuation carried out on that date by Messrs. Ascent Partners Group Limited ("Ascent Partners"), independent qualified professional valuers not connected with the Group. Ascent Partners 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 market approach.

9. INVESTMENT PROPERTY *(Continued)*

The property interest is held for capital appreciation and is measured using the fair value model and are classified and accounted for as an investment property.

The carrying amount of investment property shown above comprises:

	2009 *HK$'000*	2008 *HK$'000*
Land outside Hong Kong:		
Long lease	12,000	12,285

10. INTANGIBLE ASSET

The Group	**Petroleum related business license** *HK$'000*
Cost	
At 1 April 2007	—
Acquisition of a subsidiary	249,842
At 31 March 2008 and 31 March 2009	249,842
Impairment	
At 1 April 2007 and 1 April 2008	—
Impairment loss recognised	191,842
At 31 March 2009	191,842
Carrying amount	
At 31 March 2009	**58,000**
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. INTANGIBLE ASSET *(Continued)*

During the year, the Group carried out a review of the recoverable amount of its intangible asset, having regard to its petroleum related business license. The review led to the recognition of an impairment loss of approximately HK$191,842,000 (2008: Nil), that has been recognised in profit or loss. The recoverable amount of the intangible asset has been determined based on a value in use calculation which uses cash flow projections based on financial budgets approved by the directors of the Company covering a five-year period. Cash flow projections during the budget period is based on the some expected gross margins during the budget period. The discount rate used in measuring value in use was 11.29% (2008:11.48%).

A valuation of the intangible asset was carried out at the balance sheet date by BMI Appraisals Limited, independent qualified professional valuers not connected with the Group. BMI Appraisals Limited is a member of the Hong Kong Institute of Surveyors, and has appropriate qualifications and recent experiences in the valuation of similar assets.

11. EXPLORATION AND EVALUATION ASSETS

The Group

	Exploration rights *HK$'000* *(Note i)*	Evaluation costs *HK$'000* *(Note ii)*	Total *HK$'000*
Cost			
At 1 April 2007	—	—	—
Acquisition of a subsidiary	5,507,575	—	5,507,575
Additions	—	107,551	107,551
At 31 March 2008 and 1 April 2008	5,507,575	107,551	5,615,126
Acquisitions of subsidiaries *(Note 24)*	6,589,484	12,105	6,601,589
Additions	—	22,100	22,100
At 31 March 2009	12,097,059	141,756	12,238,815
Impairment			
At 1 April 2007 and 1 April 2008	—	—	—
Impairment loss recognised	3,757,059	—	3,757,059
At 31 March 2009	3,757,059	—	3,757,059
Carrying amount			
At 31 March 2009	**8,340,000**	**141,756**	**8,481,756**
At 31 March 2008	5,507,575	107,551	5,615,126

11. EXPLORATION AND EVALUATION ASSETS *(Continued)*

Note:

i. The exploration rights represent the oil, gas exploration, exploitation and operations rights and profit sharing rights at Madagascar Oilfield Block 2104 and Madagascar Oilfield Block 3113, onshore sites for oil and gas exploration, exploitation and operation in Madagascar ("Oilfield Block 2104" and "Oilfield Block 3113").

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 2104 and Oilfield Block 3113.

iii. Due to the significant drop in the current market oil price, the Group carried out a review of the recoverable amount of its exploration rights. The review led to the recognition of an impairment loss of approximately HK$3,757,059,000 (2008: Nil) that has been recognised in the consolidated income statement. The recoverable amounts of the exploration rights have been determined based on their fair values less cost to sell. The market approach provides an indication of value by comparing the exploration rights to similar transactions that have been sold in the market, with appropriate adjustments for the differences between the exploration rights and the comparable transactions.

Valuations of the relevant exploration rights were carried out at the balance sheet date by BMI Appraisals Limited, independent qualified professional valuers not connected with the Group. BMI Appraisals Limited is a member of the Hong Kong Institute of Surveyors, and has appropriate qualifications and recent experiences in the valuation of similar assets. The relevant assets were valued on the basis of its market value which was considered as the estimated amount for which an asset should exchange on the date of valuation between a willing buyer and a willing seller in an arm's length transaction after proper marketing wherein the parties had each acted knowledgeably, prudently and without compulsion.

12. GOODWILL

The Group	*HK'000*
Cost	
At 1 April 2007	25
Acquisitions of subsidiaries	2,364
At 31 March 2008 and 31 March 2009	2,389
Impairment	
At 1 April 2007 and 1 April 2008	25
Impairment loss recognised	2,364
At 31 March 2009	2,389
Carrying value	
At 31 March 2009	—
At 31 March 2008	2,364

During the year ended 31 March 2009, the directors of the Company determine that the impairment loss of approximately HK$2,364,000 should be provided in respect of property holding cash generating unit (2008: Nil).

12. GOODWILL *(Continued)*

The carrying amount of goodwill (net of impairment losses) allocated to each cash generating unit is as follow:

	2009 HK$'000	2008 HK$'000
Property holding	–	2,364

The recoverable amounts of the above cash generating unit was determined on the basis of value in use calculations. Their recoverable amounts are based on certain assumptions. All value in use calculations use cash flow projections based on the financial budgets approved by the management covering a five-year period. The discount rate used is 11.29% (2008: 11.48%) Cash flows beyond five-year period is extrapolated using a zero growth rate per annum.

Note:

i. During the years ended 31 March 2009 and 31 March 2008, property holding does not constitute a separate segment to the Group's business.

13. INTERESTS IN SUBSIDIARIES

The Company

	2009 HK$'000	2008 HK$'000
Unlisted shares, at cost	4,847,081	3,520,883
Amounts due from subsidiaries	1,023,478	155,210
	5,870,559	3,676,093
Less: Provision for impairment loss on amounts due from subsidiaries	(38,516)	(48,333)
	5,832,043	3,627,760
Amounts due to subsidiaries	139,784	19,785

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

The amounts due to subsidiaries are unsecured, interest free and repayable on demand.

13. INTERESTS IN SUBSIDIARIES *(Continued)*

Note:

The directors of the Company estimate the investment costs and the amounts due from 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 as follows:

	2009 *HK$'000*	2008 *HK$'000*
At beginning of year	48,333	35,533
Impairment loss recognised	—	12,800
Reversal of impairment loss recognised	(9,817)	—
At end of year	38,516	48,333

Particulars of the subsidiaries of the Company as at 31 March 2009 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 *Direct*	*Indirect*	Principal activities
Market Reach Group Limited	British Virgin Islands ("BVI")	Ordinary US$10,000	100	—	Investment holding
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

13. INTERESTS IN SUBSIDIARIES *(Continued)*

Particulars of the subsidiaries of the Company as at 31 March 2009 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*	
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
深圳中聯石油化工有限公司	The PRC	Paid-up capital US$150,000	–	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

13. INTERESTS IN SUBSIDIARIES *(Continued)*

Particulars of the subsidiaries of the Company as at 31 March 2009 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*	
Madagascar Energy International Gas Station Group Ltd	Madagascar	Ordinary Ar.10,000,000	100	–	Import, transportation and distribution of petroleum
Sino Union Petroleum and Chemical Import & Export Group Limited	BVI	Ordinary US$1,000	100	–	Trading of fuel oil
Better Step Group Limited	BVI	Ordinary US$100	100	–	Investment holding
Double High Group Limited	BVI	Ordinary US$100	100	–	Investment holding
Rich Theme Holdings Limited	BVI	Ordinary US$100	100	–	Investment holding
Madagascar Petroleum International Limited	BVI	Ordinary US$1,000	100	–	Oil and gas exploration, exploitation and operation

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

14. TRADE RECEIVABLES

The Group

Trade receivables, which generally have credit terms of 30-90 days (2008: 30-90 days), are recognised and carried at the original invoiced amount less provision for 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.

	2009 *HK$'000*	2008 *HK$'000*
0 to 30 days	92,584	120,139
31 days to 90 days	—	23,982
	92,584	144,121

Based on past experience, the directors of the Company believe that no impairment loss is necessary in respect of these balance as there has not been a significant change in credit quality and the balances are still considered fully recoverable.

Ageing of trade receivables which are past due but not impaired

	The Group	
	2009 *HK$'000*	2008 *HK$'000*
31 days to 90 days	—	1,451

As at 31 March 2009, no trade receivables are past due. As at 31 March 2008, trade receivables of approximately HK$1,451,000 are past due for which the Group has not provided from impairment loss. The Group does not hold any collateral over these balances.

15. PREPAYMENTS, DEPOSITS AND OTHER RECEIVABLES

The Group

	2009 *HK$'000*	2008 *HK$'000*
Trade deposits	25,356	41,700
Refundable deposit *(note)*	—	120,000
Other deposits	377	354
Prepaid lease payments *(Note 8)*	19	—
Other receivables	2,789	713
	28,541	162,767
Less: Impairment loss on deposits paid and other receivables	(2,234)	—
	26,307	162,767

15. PREPAYMENTS, DEPOSITS AND OTHER RECEIVABLES *(Continued)*

Note:

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 ("Better Step").

During the year, the Group carried out a review on recoverable amounts of prepayments, deposits and other receivables. The review led to the recognition of an impairment loss of deposits paid and other receivables of approximately HK$2,234,000 (2008: Nil), that has been recognised in the consolidated income statement. The recoverable amount of the relevant assets has been determined on the basis of their value in use. The impairment loss recognised is due to the financial difficulties of the debtors.

16. SHARE CAPITAL

The Company

Shares

	Number of shares		Share capital	
	2009	2008	2009	2008
	'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	4,641,756	1,316,700	92,835	26,334
Issue of shares (*Note i*)	35,720	269,500	714	5,390
Consideration shares *(Note ii)*	1,000,655	1,388,889	20,013	27,777
Conversion of convertible notes *(Note iii)*	333,333	1,666,667	6,667	33,334
Exercise of share options *(Note iv)*	11,000	—	220	—
At end of year	6,022,464	4,641,756	120,449	92,835

Note:

(i) On 17 April 2008, 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 35,720,000 shares in cash at the subscription price of HK$2.8 per share. For details, please refer to the Company's announcement dated 22 April 2008.

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.

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 further details, please refer to the Company's announcement dated 30 October 2007.

16. SHARE CAPITAL *(Continued)*

Shares *(Continued)*

Note: (Continued)

(ii) On 3 November 2007, the Company entered into a sale and purchase agreement to acquire from Sukapeak the entire issued share capital of Better Step for a total consideration of HK$1,215,000,000. The conditional sale and purchase agreement was completed on 8 April 2008. The consideration for the acquisition was satisfied by (i) HK$120,000,000 in cash; (ii) HK$615,000,000 by issue of 427,083,333 new shares at HK$1.44 per share; and (iii) HK$480,000,000 by issue of convertible note at a conversion price of HK$1.44 per conversion. For further details, please refer to the Company's circular dated 12 March 2008.

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 the Group has conditionally agreed to acquire, and Smart Rich Energy has conditionally agreed to procure Dorson, and Dorson has agreed to sell 36% equity interest in Madagascar Petroleum International Limited ("MPIL") at a total consideration of HK$810,000,000. The acquisition was completed on 7 August 2008. The consideration for the acquisition was satisfied by (i) HK$100,000,000 in cash; (ii) HK$710,000,000 by issue of 253,571,428 new shares at HK$2.8 per share. For further details, please refer to the Company's circular dated 16 May 2008.

On 5 September 2008, the Company entered into a sale and purchase agreement to acquire from Right Up Holdings Limited ("Right Up") the entire issued share capital of Double Hight Group Limited ("Double High") for a total consideration of HK$600,000,000. The acquisition was completed on 5 December 2008. The consideration for acquisition was satisfied by (i) HK$200,000,000 in cash; (ii) HK$400,000,000 by issue of 320,000,000 new shares at HK$1.25 per share.

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$800,000,000. HK$300,000,000 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.

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$260,000,000. HK$200,000,000 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.

(iii) On 8 April 2008, Sukapeak, the holder of the convertible note as mentioned in Note 21(b) above, has converted HK$480,000,000 of the principal of the convertible note, representing the whole principal amount of the convertible note, at conversion price of HK$1.44 per share. As a result of the conversion, a total of 333,333,333 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 Company's circular dated 12 March 2008.

On 4 June 2007, Golden Nova, the holder of the Convertible Note 1 as mentioned in Note 21(a) above, has converted HK$400,000,000 of the principal of the Convertible note 1, representing the whole principal amount of the Convertible Note 1, 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 1 has been reduced to Nil. For further details, please refer to the Company's announcement dated 6 June 2007.

(iv) During the year ended 31 March 2009, the Company issued 11,000,000 shares of HK$0.02 each at an issue price of HK$0.1324 per share on exercise of share options which were granted on 8 November 2004. These shares issued rank pari passu in all respects with the existing shares.

16. 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.

The following table discloses movements in the Company's share options during the year ended 31 March 2009:

	Number of share options								
Name or category of participant	At 1 April 2008	Granted during the year	Exercised during the year	Lapsed during the year	At 31 March 2009	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	8/11/2004 to 7/11/2014	0.1324	0.13
	51,000,000	–	11,000,000	–	40,000,000				

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

16. 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	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$*	Price of Company's share at grant date of share options *HK$*
	Number of share options								
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	8/11/2004 to 7/11/2014	0.1324	0.13
	51,000,000	–	–	–	51,000,000				

(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.

17. 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 HK$'000 (Note i)	Contributed surplus HK$'000 (Note ii)	Convertible notes reserve HK$'000 (Note iii)	Accumulated loss HK$'000 (Note iv)	Total HK$'000
At 1 April 2007	78,264	54,045	–	(53,575)	78,734
Equity component of convertible note	–	–	3,598,748	–	3,598,748
Deferred tax arising on issue of convertible notes	–	–	(18,284)	–	(18,284)
Conversion of convertible notes	256,118	–	(3,580,464)	–	(3,324,346)
Consideration shares	2,993,056	–	–	–	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 and 1 April 2008	3,648,151	54,045	–	(83,598)	3,618,598
Equity component of convertible notes	–	–	281,844	–	281,844
Deferred tax arising on issue of convertible notes	–	–	(8,842)	–	(8,842)
Conversion of convertible notes	701,588	–	(269,447)	–	432,141
Consideration shares	1,054,213	–	–	–	1,054,213
Issue of ordinary shares upon exercise of share options	1,236	–	–	–	1,236
Issue of ordinary shares	99,302	–	–	–	99,302
Issue share expenses	(330)	–	–	–	(330)
Net loss for the year	–	–	–	(9,603)	(9,603)
At 31 March 2009	**5,504,160**	**54,045**	**3,555**	**(93,201)**	**5,468,559**

Notes:

(i) The share premium account of the Company includes (i) shares issued at premium of approximately HK$3,634,101,000, and (ii) special reserve of approximately HK$1,870,059,000 included in the share premium, debited amount of approximately HK$650,774,000 represents the difference between the fair value and the contracted value of the consideration shares paid for acquisitions of subsidiaries during the year (2008: credited amount of HK$2,520,833,000).

17. RESERVES *(Continued)*

Notes: (Continued)

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

(iii) The convertible notes 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 21 to the financial statements.

(iv) The Company had distributable reserves of approximately HK$3,594,945,000 (2008: HK$3,618,598,000) at 31 March 2009, which included the Company's contributed surplus in the amount of approximately HK$54,045,000 (2008: HK$54,045,000). Under the Companies Act 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$3,634,101,000 (2008: HK$1,127,318,000) at 31 March 2009, may be distributed in the form of fully paid bonus shares.

18. TRADE AND OTHER PAYABLES

The Group

	2009 *HK$'000*	2008 *HK$'000*
Trade payables	63,188	145,573
Other payables	70,548	28,036
	133,736	173,609

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

	2009 *HK$'000*	2008 *HK$'000*
0 to 30 days	63,188	100,889
31 days to 90 days	–	44,684
	63,188	145,573

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

19. AMOUNT DUE TO A HOLDING COMPANY

The Group

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

20. AMOUNTS DUE TO RELATED COMPANIES

The Company

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

21. CONVERTIBLE NOTES

The Group and the Company

(a) Pursuant to the conditional sales and purchases 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 1”) 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 1 into shares of HK$0.02 each in the share capital of the Company, at the conversion price of HK$0.24 per share.

On 4 June 2007, Golden Nova has fully converted the Convertible Note 1 into ordinary shares of the Company. For further details, please refer to the Note 16(iii) to the financial statements.

The effective interest rate of the liability component is 6.824%.

21. CONVERTIBLE NOTES *(Continued)*

(a) *(Continued)*

The movement of the liability component of the Convertible Note 1 is set out below:

	2009 HK$'000	2008 HK$'000
Fair value of Convertible Note 1 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 1	–	(289,186)
At 31 March	–	–

(b) Pursuant to the conditional sale and purchase agreement entered between the Company and Sukapeak in respect of the acquisition of the entire equity interest in Better Step, the Company issued a convertible note ("Convertible Note 2") in the principle of HK$480 million to Sukapeak. Sukapeak has the right to convert the whole or part of the principal amount of the Convertible Note 2 into shares of HK$0.02 each in the share capital of the Company, at the conversion price of HK$1.44.

On 8 April 2008, Sukapeak has fully converted the Convertible Note 2 into ordinary shares of the Company. For further details, please refer to the Note 16(iii) to the financial statements.

The effective interest rate of the liability component is 3.68%.

The movement of the liability component of the Convertible Note 2 is set out below:

	2009 HK$'000	2008 HK$'000
Fair value of Convertible Note 2 issued on 8 April 2008	708,255	–
Equity component	(277,587)	–
Liability component on initial recognition on 8 April 2008	430,668	–
Conversion of Convertible Note 2	(430,668)	–
At 31 March	–	–

(c) On 13 February 2009, the Company issued a convertible note in the principal of HK$100,000,000 ("Convertible Note 3") to Mr. Chan Ping Che for general working capital. The Convertible Note 3 was due on 12 February 2010 with interest-bearing at 5% per annum. Mr. Chan Ping Chee has the right to convert the whole or part of the principal amount of the Convertible Note 3 into shares of HK$0.02 each in the share capital of the Company, at the conversion price of HK$1.25.

The effective interest rate of the liabilities is 8.87%.

21. CONVERTIBLE NOTES *(Continued)*

The Group and the Company *(Continued)*

(c) *(Continued)*

The movement of the liability component of the Convertible Notes 3 is set out below:

	2009 *HK$'000*	2008 *HK$'000*
Proceeds of issue	100,000	–
Equity component	(4,257)	–
Liability component on initial recognition on 13 February 2009	95,743	–
Interest charged	1,183	–
Interest payable	(639)	–
At 31 March	96,287	–

Note:

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

The directors consider that the carrying amount of the Convertible Note 3 as at 31 March 2009 is as follows:

	Carrying amount *HK$'000*	Fair value *HK$'000*
Convertible Note 3	96,287	96,912

22. BOND

The Group and the Company

Pursuant to the conditional sales and purchases 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 5.0% per annum.

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

22. BOND *(Continued)*

The movement of the Bond is set out below:

	The Group and the Company	
	2009	2008
	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	—	—

23. DEFERRED TAXATION

The Group

	Convertible notes	**Investment property**	**Total**
	HK$'000	*HK$'000*	*HK$'000*
At 1 April 2007	—	—	—
Charged to equity for the year	18,284	—	18,284
Reversal of deferred tax liabilities due to conversion of convertible notes	(18,284)	—	(18,284)
Acquisition of a subsidiary	—	2,650	2,650
At 31 March 2008 and 1 April 2008	—	2,650	2,650
Charged to equity for the year	8,842	—	8,842
Reversal of deferred tax liabilities due to conversion of convertible notes	(8,139)	—	(8,139)
Effect of change in tax rate	—	(107)	(107)
Credited to consolidated income statement for the year	(90)	(68)	(158)
At 31 March 2009	613	2,475	3,088

23. DEFERRED TAXATION *(Continued)*

The Company

	Convertible notes HK$'000
At 1 April 2007	—
Charged to equity for the year	18,284
Reversal of deferred tax liabilities due to conversion of convertible notes	(18,284)
At 31 March 2008 and 1 April 2008	—
Charged to equity for the year	8,842
Reversal of deferred tax liabilities due to conversion of convertible notes	(8,139)
Credited to consolidated income statement for the year	(90)
At 31 March 2009	613

The Group and the Company did not have any significant unprovided deferred tax liabilities at 31 March 2009 (2008: Nil).

24. ACQUISITIONS OF SUBSIDIARIES

(a) Acquisition of Better Step Group Limited ("Better Step")

On 3 November 2007, the Company entered into a sale and purchase agreement to acquire from Sukapeak Holdings Limited for the entire issued share capital of Better Step, which holds 54% equity interest in Madagascar Petroleum International Limited ("MPIL") (collectively referred to "Better Step Group"), at a total consideration of HK$1,215,000,000. The acquisition was completed on 8 April 2008. As at the date of completion of the acquisition, the fair value of the cost of the acquisition was approximately HK$1,465,625,000.

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 are as follows:

	Acquiree's carrying amount HK$'000	Fair value adjustments HK$'000	Fair value HK$'000
Net assets acquired:			
Property, plant and equipment	748	—	748
Prepayment	415	—	415
Other deposits	2	—	2
Cash and bank balances	97	—	97
Amounts due from related companies	4,113	—	4,113
Amounts due to related companies	(14)	—	(14)
Accruals	(13,294)	—	(13,294)
Exploration and evaluation assets	5,012,105	1,589,484	6,601,589
	5,004,172	1,589,484	6,593,656
Minority interests			(3,024,612)
Excess of acquirer's interest in fair value of acquiree's identifiable net assets over cost *(note i)*			(2,103,419)
			1,465,625

24. ACQUISITIONS OF SUBSIDIARIES *(Continued)*

(a) Acquisition of Better Step *(Continued)*

	Fair value HK$'000
Total consideration satisfied by:	
Cash consideration	120,000
Issue of shares *(note iii)*	636,354
Issue of convertible note *(note iv)*	708,255
Acquisition-related costs	1,016
Total consideration	1,465,625
Net cash outflow arising on acquisition:	
Cash and bank balances acquired	97
Cash consideration	(120,000)
Acquisition-related costs	(1,016)
	(120,919)

Notes:

(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 2104 in Madagascar as a result of increase in the international crude oil price subsequent to entering into the sales and purchases agreement. The excess was recognised in the consolidated income statement immediately. The Company has reassessed the fair value of acquiree's identifiable net assets and considered the values of net assets are measured reliably.

(ii) Better Step Group from the date of acquisition to the balance sheet date attributed loss of approximately HK$2,327,000 to the Group's loss for the year. None of these subsidiaries acquired during the year contribute any revenue to the Group.

(iii) The share considerations for acquisition of Better Step Group were settled through issue of 427,083,333 shares. The fair values of the share consideration were determined in accordance with the quoted market price of the Company's share of HK$1.49 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 Ascent Partners, an independent qualified professional valuers not connected with the Group. The valuation was arrived at by reference to discounted cash flow method and Black-Scholes method.

24. ACQUISITIONS OF SUBSIDIARIES *(Continued)*

(b) 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 v)*			(1,904,858)
			3,210,142

	HK$'000
Total consideration satisfied by:	
Cash consideration paid	10,000
Issue of bond	85,956
Issue of shares *(note vii)*	2,825,000
Issue of Convertible Note *(note viii)*	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)

24. ACQUISITIONS OF SUBSIDIARIES *(Continued)*

(c) 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 v)*			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)

(d) 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 *HK$'000*	Fair value adjustment *HK$'000*	Fair value *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 v)*			(5,324)
			244,497

24. ACQUISITIONS OF SUBSIDIARIES *(Continued)*

(d) Acquisition of Madagascar Energy International Gas Station Group Limited ("MEIGSGL") *(Continued)*

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

Note:

v. 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.

vi. 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.

vii. 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.

viii. 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.

ix. 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.

25. ACQUISITION OF ADDITIONAL INTERESTS IN A SUBSIDIARY

On 17 April 2008, the Group entered into a sale and purchase agreement with Smart Rich Energy Finance (Holdings) Limited ("Smart Rich") and Dorson Group Limited ("Dorson") pursuant to which the Group has conditionally agreed to acquire, and Smart Rich has conditionally agreed to procure Dorson, and Dorson has agreed to sell 36% equity interest in MPIL at a total consideration of HK$810,000,000. The consideration was satisfied by (i) cash of HK$100,000,000 and (ii) HK$710,000,000 by issue of approximately 253,571,000 shares of HK$2.8 per consideration share. The acquisition was completed on 7 August 2008. As at the date of completion of the acquisition, the aggregate fair value of the cost of the acquisition was approximately HK$389,071,000 that in relation to the cash paid of HK$100,000,000 and issuance of shares of HK$289,071,000 and the carrying amount of the underlying assets and liabilities attributable to the additional interest was approximately HK$2,366,876,000. A difference of approximately HK$1,977,805,000 between the amount by which the minority interests are adjusted and the fair value of the consideration paid was recognised in the equity.

On 5 September 2008, the Company entered into a sale and purchase agreement to acquire from Right Up Holdings Limited ("Right Up") the entire equity interest in Double High Group Limited ("Double High") at a total consideration of HK$600,000,000. The consideration was satisfied by (i) cash of HK$200,000,000 and (ii) HK$400,000,000 by issue of 320,000,000 new shares at HK$1.25 per consideration share. The principal activity of Double High is investment holding and the main asset of Double High is 10% equity interest in MPIL. The acquisition was completed on 5 December 2008. As at the date of completion of the acquisition, the fair value of the cost of the acquisition was approximately HK$348,800,000 that in relation to the cash paid of HK$200,000,000 and issuance of shares HK$148,800,000 and the carrying amount of the underlying assets and liabilities attributable to the additional interest was approximately HK$657,361,000. A difference of approximately HK$308,561,000 between the amount by which the minority interests are adjusted and the fair value of the consideration paid was recognised in the equity.

26. DISPOSAL OF A SUBSIDIARY

On 30 January 2009, the Group entered into sale and purchase agreement to disposal of its 100% equity interest in Wah Tat Industrial Trading Limited ("Wah Tat") to an independent third party for cash consideration of HK$1. Wah Tat is engaged in trading of polyurethane materials.

Summary of the effects of the disposal of a subsidiary is as follows:

	2009 *HK$'000*
Net assets disposed of:	
Tax and other payables	(16,255)
Gain on disposal	16,255
Total consideration	–
Satisfied by:	
Cash	–
Net cash inflow arising on disposal:	
Cash consideration	–
Net inflow of cash and cash equivalents	–

27. TURNOVER AND OTHER REVENUE

Turnover represents the net invoiced value of goods 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 are as follows:

	The Group	
	2009	2008
	HK$'000	*HK$'000*
Turnover		
Sale of PU materials	**58,008**	400,060
Sale of fuel oil	**1,218,631**	1,312,902
	1,276,639	1,712,962
Other revenue		
Bank interest income	**471**	510
Others	**10**	10
	481	520

28. OTHER GAINS AND LOSSES

	The Group	
	2009	2008
	HK$'000	*HK$'000*
Gain on disposal of a subsidiary *(Note 26)*	**16,255**	—
Excess of acquirer's interest in fair value of acquiree's identifiable net assets over cost *(Note 24)*	**2,103,419**	1,910,182
Fair value change on investment property *(Note 9)*	**(285)**	—
Impairment loss recognised in respect of intangible asset *(Note 10)*	**(191,842)**	—
Impairment loss recognised in respect of exploration and evaluation assets *(Note 11)*	**(3,757,059)**	—
Impairment loss recognised in respect of goodwill *(Note 12)*	**(2,364)**	—
Impairment loss recognised in respect of deposits paid and other receivables *(Note 15)*	**(2,234)**	—
	(1,834,110)	1,910,182

29. (LOSS)/PROFIT FROM OPERATING ACTIVITIES

The Group's (loss)/profit from operating activities is arrived at after charging:

	The Group	
	2009	2008
	HK$'000	*HK$'000*
Cost of inventories sold	**1,228,109**	1,646,520
Auditors' remuneration	**400**	400
Depreciation of property, plant and equipment	**669**	334
Amortisation of prepaid lease payments	**19**	—
Minimum lease payments under operating lease in respect of rented premises	**1,710**	1,448
Staff costs (including directors' remuneration *(Note 30)*):		
Salaries and wages	**13,153**	9,703
Mandatory provident fund contributions	**166**	131
Loss on disposal of property, plant and equipment	**63**	177

30. DIRECTORS' REMUNERATION

The board of directors of the Company is currently composed of six executive directors, two non-executive director 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	
	2009	2008	**2009**	2008	**2009**	2008	**2009**	2008
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*	***HK$'000***	*HK$'000*	***HK$'000***	*HK$'000*
Executive directors								
Dr. Wang Tao	**–**	–	**625**	360	**–**	–	**625**	360
Dr. Hui Chi Ming	**–**	–	**1,200**	–	**8**	–	**1,208**	–
Mr. Cheung Shing	**–**	–	**685**	750	**12**	12	**697**	762
Dr. Chui Say Hoe	**–**	–	**685**	750	**12**	12	**697**	762
Mr. Tsang Kwok Man (retired on 25 September 2008)	**–**	–	**311**	750	**6**	12	**317**	762
Mr. Cui Yeng Xu	**–**	–	**685**	750	**–**	–	**685**	750
Dr. Ching Men Ky, Carl (appointed on 25 October 2007)	**–**	–	**632**	261	**12**	6	**644**	267
Non-executive directors								
Mr. Chow Charn Ki, Kenneth	**126**	120	**–**	–	**–**	–	**126**	120
Mr. Fok Chun Wan, Ian (appointed on 25 October 2007)	**1,200**	523	**–**	–	**–**	–	**1,200**	523
Independent non-executive directors								
Mr. Chan Wai Dune (retired on 25 October 2007)	**–**	166	**–**	–	**–**	–	**–**	166
Dr. Yu Sun Say	**126**	120	**–**	–	**–**	–	**126**	120
Mr. Ng Wing Ka	**126**	120	**–**	–	**–**	–	**126**	120
Mr. Edmund Siu (appointed on 14 December 2007)	**126**	6	**–**	–	**–**	–	**126**	6
	1,704	1,055	**4,823**	3,621	**50**	42	**6,577**	4,718

The remuneration of the directors fell with the following bands:

	Number of directors	
	2009	2008
HK$		
Nil — 1,000,000	**9**	13
1,000,000 — 2,000,000	**2**	—

30. DIRECTORS' REMUNERATION *(Continued)*

Included in the directors' remuneration were fees of approximately HK$1,704,000 (2008: HK$1,055,000) paid to independent non-executive directors and non-executive directors. No fees were paid to executive directors during the year (2008: Nil).

During the year, no bonus was paid to the directors (2008: HK$400,000). No directors waived or agreed to waive any remuneration during the year (2008: 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 (2008: 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 (2008: Nil).

31. FIVE HIGHEST PAID INDIVIDUALS

The five highest paid individuals during the year included four (2008: three) directors, details of whose remuneration are set out in Note 30 above. The remuneration of the remaining one (2008: two) non-directors, highest paid individual, which each fell within nil to HK$1,000,000 band, is as follows:

	The Group	
	2009	2008
	HK$'000	*HK$'000*
Basic salaries and bonuses	**822**	888
Mandatory provident fund	**12**	12
	834	900

During the year, no bonus was paid to the five highest paid individuals of the Group (2008: 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 (2008: 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 (2008: Nil).

32. FINANCE COSTS

	The Group	
	2009	2008
	HK$'000	*HK$'000*
Interest expenses on bond — wholly repayable within five years	**—**	4,044
Effective interest on convertible notes wholly repayable within five years	**1,183**	—
	1,183	4,044

33. TAXATION

(a) No provision for Hong Kong profits tax has been made as the Group did not have assessable profits for the year (2008: 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 Group	
	2009	2008
	HK$'000	HK$'000
Current taxation		
Charge for the year — Overseas	4,331	6,370
Deferred taxation		
Convertible notes	(90)	—
Revaluation of investment property	(175)	—
	(265)	—
Total tax charged for the year	4,066	6,370

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

The Group — for the year ended 31 March 2009

	Hong Kong		The PRC		Macau		Madagascar		Total	
	HK$'000	%	HK$'000	%	HK$'000	%	HK$'000	%	HK$'000	%
Profit/(loss) before taxation	(1,864,726)		243		36,053		(6,299)		(1,834,729)	
Tax at applicable income tax rate	(307,680)	16.5	61	25	4,326	12	(1,510)	24	(304,803)	16.61
Tax effect of expenses and income not deductible or taxable for tax purpose	302,029	(16.20)	(111)	(45.81)	–	–	23	(0.37)	301,941	(16.46)
Unrecognised temporary difference	5,658	(0.30)	39	15.96	5	0.01	1,398	(22.19)	7,100	(0.39)
Change in tax rate	–	–	–	–	–	–	(107)	1.68	(107)	(0.00)
Tax effect of tax loss not recognised	(97)	(0.00)	12	4.85	–	–	21	(0.33)	(65)	–
Tax charge for the year	(90)	(0.00)	–	–	4,331	12.01	(175)	(2.77)	4,066	0.2

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

34. 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 2009 was approximately HK$9,603,000 (2008: HK$30,023,000).

35. DIVIDENDS

The directors do not recommend the payment of any dividend for the year ended 31 March 2009 (2008: Nil).

36. (LOSS)/EARNINGS PER SHARE

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

	2009	2008
	HK$'000	*HK$'000*
(Loss)/earnings		
(Loss)/earnings attributable to the equity holders of the Company for the purpose of basic (loss)/earnings per share	**(1,838,419)**	1,929,369

The weighted average number of ordinary shares for the purpose of basic and diluted loss per share for the year ended 31 March 2009 was approximately 5,696,037,000.

Diluted loss per share for the year ended 31 March 2009 was the same as the basic loss per share. The Company's outstanding convertible note were not included in the calculation of diluted loss per share because the effect of the Company's outstanding convertible notes were anti-dilutive.

	Number of shares
	2008
	'000
Weighted average number of ordinary shares for the purpose of basic earnings per share for the year ended 31 March 2008	3,886,389
Effect of dilutive potential ordinary shares:	
Share options	46,577
Weighted average number of ordinary shares for the purpose of diluted earnings per share for the year ended 31 March 2008	3,932,966

The denominators used are the same as those detailed above for both basic and diluted (loss)/earnings per share for the years ended 31 March 2009 and 2008.

37. 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 2009, the Group had total future minimum lease payments under non-cancellable operating failing due as follows:

	The Group	
	2009 HK$'000	2008 HK$'000
Within one year	117	539
In the second to fifth year, inclusive	—	117
	117	656

38. COMMITMENTS AND CONTINGENT LIABILITIES

As at 31 March 2009, the Group and the Company had no capital commitments and contingent liabilities (2008: Nil).

39. MATERIAL RELATED PARTIES TRANSACTIONS

Save as disclosed elsewhere in the financial statements, during the year ended 31 March 2009, the Group had entered into the following transactions with related parties which, in the opinion of the directors, were carried out in the ordinary course of the Group's business.

Remuneration for key personnel management, including emoluments paid to the Company's directors and certain of the highest paid employee, as disclosed in Notes 30 to the financial statements, are as follows:

Key management personnel	2009 HK$'000	2008 HK$'000
Salaries and allowance	6,527	4,676
Mandatory provident fund	50	42
	6,577	4,718

39. 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	2009 HK$'000	2008 HK$'000
Golden Nova Holdings Limited	A director of the Company has beneficial interest	Acquisition of subsidiaries	–	3,210,142
Good Progress Group Limited	A director of the Company has beneficial interest	Acquisition of subsidiaries	–	243,833
Sukapeak Holdings Limited	A director of the Company has beneficial interest	Acquisition of subsidiaries *(note i)*	1,465,625	120,000
Smart Rich Energy Finance (Holdings) Limited and Dorson Group Limited	A director of the Company has beneficial interest	Acquisition of subsidiaries *(note i)*	389,071	–
Right Up Holdings Limited	A director of the Company has beneficial interest	Acquisition of subsidiaries *(note i)*	348,800	–

Note:

i. For further details for the acquisitions of subsidiaries from Sukapeak, Smart Rich Energy, Dorson and Right Up, please refer to Note 24 to the financial statements.

40. CONNECTED TRANSACTIONS

During the year ended 31 March 2009, 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 MEIL for a total consideration of HK$800,000,000. The acquisition was completed on 4 June 2007. The consideration was satisfied by (i) HK$10,000,000 in cash (ii) HK$90,000,000 by the issue of a bond to the Golden Nova; (iii) HK$300,000,000 by the issue of 1,250,000,000 new shares at HK$0.24 per consideration share; and (iv) HK$400,000,000 by the issue of Convertible Note 1 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$12,000,000 and HK$248,000,000 respectively. The acquisitions were completed on 10 January 2008.

(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 at a total consideration of HK$1,215,000,000. The consideration will be satisfied by (i) HK$120,000,000 in cash, (ii) HK$615,000,000 by issue of 427,083,333 new shares at HK$1.44 per consideration share; and (iii) HK$480,000,000 by the issue of Convertible Note 2 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 and Dorson pursuant to which the Group 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$810,000,000. The consideration will be satisfied by HK$100,000,000 in cash and HK$710,000,000 by the issue of 253,571,428 new shares at HK$2.8 per share. The acquisition was completed on 7 August 2008. For further details, please refer to the Company's circular dated 16 May 2008.

(v) On 5 September 2008, the Company entered into a sale and purchase agreement to acquire from Right Up the entire equity interest in Double High at a total consideration of HK$600,000,000. The consideration will be satisfied by (i) HK$200,000,000 in cash; (ii) 400,000,000 by the issuing of 320,000,000 new shares at HK$1.25 per consideration share. The acquisition was completed on 5 December 2008. For further details, please refer to the Company's circular dated on 7 November 2008.

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

41. SUBSEQUENT EVENTS

On 30 April 2009, the Company entered into an agency agreement with Pride Global Holdings Ltd ("Pride Global"). Pride Global is engaged to assist the Company in negotiating with the shareholders of PT Harpinda Kharismai ("PTHK") and PT Sumatera Persada Energi ("SPE") respectively in entering into the agreement to acquire 100% of the equity interest in PTHK and SPE within a month from 30 April 2009. For further details, please refer to the Company's announcement dated 2 March 2009.

On 15 June 2009, Mr. Chan Ping Che, the holder of the Convertible Note 3 as mentioned in Note 21 above, has converted HK100,000,000 of the principal of the Convertible Note 3, representing the whole principal amount of the Convertible Note 3, at conversion price of HK$1.25 per share. As a result of the conversion, a total of 80,000,000 ordinary shares have been allotted and duly issued and the aggregate outstanding principal of the Convertible Note 3 has been reduced to Nil.

42. NON-CASH TRANSACTIONS

The considerations for the acquisition of entire share capital of Better Step, MPIL and Double High during the year ended 31 March 2009 comprised consideration shares issued, convertible note as disclosed in Notes 24 and 21 to the financial statements.

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 Notes 24 and 21 to the financial statements.

43. COMPARATIVE FIGURES

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

44. AUTHORISATION FOR ISSUE OF FINANCIAL STATEMENTS

The financial statements were approved and authorised for issue by the board of directors on 28 July 2009.