UEG
联合能源

聯合能源集團有限公司
UNITED ENERGY GROUP LIMITED

(於開曼群島註冊成立及於百慕達存續之有限公司)
(Incorporated in the Cayman Islands and continued in Bermuda with limited liability)
(股份代號 Stock Code : 0467)

年報 Annual Report 2009

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Corporate Information

DIRECTORS

EXECUTIVE DIRECTORS

Zhang Hongwei *(Chairman)*
Zhu Jun
Zhang Meiying

INDEPENDENT NON-EXECUTIVE DIRECTORS

Chau Siu Wai
San Fung
Zhu Chengwu

COMPANY SECRETARY

Hung Lap Kay

PRINCIPAL PLACE OF BUSINESS

Unit 2112, 21st Floor
Two Pacific Place
88 Queensway
Hong Kong

REGISTERED OFFICE

Clarendon House
2 Church Street
Hamilton HM11
Bermuda

PRINCIPAL BANKERS

Industrial and Commercial Bank of China (Asia) Ltd.
Wing Hang Bank Limited
Hong Kong and Shanghai Banking Corporation Ltd.

LEGAL ADVISER IN HONG KONG

Slaughter and May
Stephen Mok & Co

AUDITORS

RSM Nelson Wheeler
29th Floor, Caroline Centre
Lee Gardens Two
28 Yun Ping Road
Hong Kong

BERMUDA PRINCIPAL SHARE REGISTRAR AND TRANSFER OFFICE

Codan Services Limited
Clarendon House,
2 Church Street,
Hamilton HM 11, Bermuda

HONG KONG BRANCH SHARE REGISTRAR AND TRANSFER OFFICE

Tricor Secretaries Limited
26/F., Tesbury Centre
28 Queen's Road East
Wanchai
Hong Kong

WEBSITE

http://www.uegl.com.hk

Key Financial Highlights

	For the nine months ended 31 December 2009 HK$'000	For the twelve months ended 31 March 2009 HK$'000	Change %
RESULTS			
Turnover	**25,357**	5,178	390%
Loss before tax	**(56,035)**	(569,099)	(90%)
Income tax (expense)/ credit	**(2,585)**	10,174	(125%)
Less: Gain/ (loss) attributable to minority interests	**2,916**	(8,487)	134%
Loss attributable to shareholders of the Company	**(61,536)**	(550,438)	(89%)
Basic loss per share	**(0.48 HK cents)**	(4.31 HK cents)	(89%)

	For the nine months ended 31 December 2009 HK$'000	For the twelve months ended 31 March 2009 HK$'000	Change %
KEY ITEMS IN CONSOLIDATED STATEMENT OF FINANCIAL POSITION			
Equity attributable to shareholders of the Company	**2,497,137**	2,496,931	N/A
Total assets	**2,934,038**	2,737,006	7.2%
Net assets per share	**HK$0.22**	HK$0.21	4.8%

Chairman's Statement

On behalf of the Board of Directors, I am pleased to submit the annual report of United Energy Group Limited (the "Company") and its subsidiaries (collectively, the "Group") for the 9 months ended 31 December 2009.

RESULTS

The financial year-end date of the Company has been changed from 31 March to 31 December commencing from the financial year 2009. Accordingly, the current financial period will cover the 9-month period from 1 April 2009 to 31 December 2009. During the 9 months ended 31 December 2009, the Group turnover increased 390.3% to approximately HK$25.4 million. Loss attributable to shareholders was approximately HK$61.5 million, representing a 88.8% decrease from the loss attributable to shareholders of approximately HK$550.4 million for the 12 months ended 31 March 2009. This result is reflected in the basic loss per share which were 0.48 HK cents compared with the basic loss per share of 4.31 HK cents for the 12 months ended 31 March 2009.

BUSINESS REVIEW

During the period under review, the Group was mainly engaged in upstream oil and natural gas business, including exploitation, development, production of crude oil and natural gas, also patented technologies supporting services to oilfields and property investment and management in the People's Republic of China (the "PRC").

OIL PRODUCTION BUSINESS

During the period under review, we have successfully completed the work program of the pilot test of the Gaosheng project and achieved the anticipated testing results. An Enhanced Oil Recovery Development Plan ("EOR Plan") has been formulated according to the pilot test results and has been endorsed by China National Petroleum Corporation ("CNPC"). The EOR Plan has passed the environmental assessment and has been submitted to the National Development and Reform Commission for approval. Upon their approval, Gaosheng EOR project will advance to the development and production stage.

The EOR Plan employs fireflood technology, and is the first onshore, industrialized, large-scale fireflood project in China. The resources of heavy oil and asphalt in China are account for approximately more than 20% of China's total oil resources. The fireflood technology uses approximately 10% of ultimately non-extracted crude oil that will be burnt underground in order to improve the pressure and properties and enhance the oil recovery rate in turn. It is the most economical and effective method of EOR technology employed in current conditions. Because there is no additional energy expenditure, fireflood technology is considered to be highly cost effective within thermal oil technologies.

The second phase of Gaosheng project – Development Period will be commenced. During the Development Period, operations will be carried out for the realization of enhancing the oil recovery for any reservoir or payzone within the relevant area, including design, drilling, construction, installation, specific EOR operations and the related research work and production activities. The development costs for such operations shall be borne by CNPC and the Group in the proportion of 30% by CNPC and 70% by the Group. The Group believes when the EOR Plan is constantly moving forwards, the Group should achieve the goal in EOR and should acquire an excellent economic benefits.

Chairman’s Statement

OILFIELD SUPPORTING SERVICES BUSINESS

Upon the acquisition of oilfield supporting services business, the Group is able to significantly expand its scope of oil field services technology. Currently, the three contracted service areas are being expanded and new service projects are being explored. During the period under review, the oilfield supporting services business contributed an income of approximately HK$25.4 million to the Group.

PROPERTY LETTING AND MANAGEMENT BUSINESS

During the period under review, whole period of rent free continue granted to the tenant to repair work which had to be carried out on the property in relation to a defective fire protection system. As such, the Property Letting and Management Business did not contribute any income to the Group during the period under review.

PROSPECTS

The global economic conditions are stabilizing, especially the PRC economy has showed obviously rebound, and improvements in economies have begun around the world. While the global energy demand increases, the Group is well positioned financially and strongly supported by its shareholders to take advantage of it to develop its upstream oil and natural gas business.

In order to support our business expansion, the Group has acquired an oilfield supporting services business which can provide patented technologies supporting services to oil fields. The oilfield supporting services business will gradually contribute income to the Group in the future.

Leveraging our relationships with major Chinese Energy & Petroleum (“E&P”) players and actively pursuing appropriate mergers and acquisitions opportunities, the Group’s management strives to create higher value to its shareholders.

APPRECIATION

In closing, I would like to express my sincere gratitude to our shareholders and business partners for their continuous support and confidence in the Group. I must also thank our staff for their efforts and dedication. Our people are the backbone of our Company and the architects of our future.

As a Group, we remain committed to building China’s largest independent E&P business for the benefit of our shareholders, staff and business associates.

Zhang Hongwei
Chairman

26 April 2010

Management Discussion and Analysis

FINANCIAL REVIEW

For the 9 months ended 31 December 2009, the Group's turnover was approximately HK$25.4 million, which represented a significant increase of approximately 390.3% as compared to the turnover of approximately HK$5.18 million for the year ended 31 March 2009. The turnover during the period under review represented services fees income derived from the newly acquired oilfield supporting service business. For the year ended 31 March 2009, the turnover only represented rental income and property management services fees income derived from a commercial building located in the PRC.

For the 9 months ended 31 December 2009, other income increased by 104.7% to approximately HK$103.6 million (for the year ended 31 March 2009: approximately HK$50.6 million). The increase was mainly due to increase in realized foreign exchange gain, net gain on disposals of financial assets at fair value through profit or loss, unrealized fair value gain on investment properties and expiry of derivative financial instruments.

Administrative expenses decreased from approximately HK$606 million for the year ended 31 March 2009 to approximately HK$110 million for the 9 months ended 31 December 2009. These expenses mainly included the non-cash expense of approximately $54.3 million due to stock options granted per the share option scheme. The decrease in administrative expenses for the period under review was mainly due to significant decrease in the last year one-off provisions for the 9 months ended 31 December 2009.

In August 2009, the Group has successfully completed the disposal of an associate company, which is an investment holding company for a consideration of approximately HK$116 million. The initial investment cost in June 2008 was approximately HK$100 million. After taking into account of the share of profits of associates, this has resulted in a net loss on disposal of approximately HK$2.78 million. However, the disposal had further improved the Group's financial position and the working capital condition.

In summary, loss attributable to shareholders of the Company was approximately HK$61.5 million for the 9 months ended 31 December 2009, representing a 88.8% decrease over the loss attributable to equity holders of the Company of approximately HK$550.4 million for the year ended 31 March 2009. This result is reflected in the basic loss per share which were 0.48 HK cents as compared with the basic loss per share of 4.31 HK cents for the year ended 31 March 2009.

The Group's Audit Committee has reviewed the audited consolidated financial statements for the 9 months ended 31 December 2009. The Audit Committee has reviewed with management the accounting principles and practices adopted by the Group, as well as internal control and financial reporting matters, and found them to be satisfactory.

Management Discussion and Analysis

MATERIAL ACQUISITION AND DISPOSAL

The Group continued its aggressive acquisition strategy throughout the period under review.

On 9 April 2009, the Company entered into a sale and purchase agreement to acquire the entire issued share capital of Merry Year Investments Limited and its subsidiaries ("Merry Year Group") for a cash consideration of HK$218,000,000. The acquisition was completed on 31 July 2009. Merry Year Group is principally engaged in provision of patented technologies supporting services to oilfields. For the 9 months ended 31 December 2009, this newly acquired oilfield supporting service business contributed services fees income of approximately HK$25.4 million to the turnover of the Group.

On 17 June 2009, United Energy International Holdings Limited, a newly incorporated subsidiary of the Company, Ferry Lirungan ("FL") and Madura Petroleum Limited ("Madura Petroleum") entered into a share purchase agreement for which the Group had agreed to acquire the entire issue share capital of PC (NAD) International Limited ("PCI") from Madura Petroleum for a cash consideration of approximately US$21,505,000 (equivalent to approximately HK$167,739,000). PCI holds a 10% participating interest in the Madura PSC contract relating to the right to join and assist BPMIGAS in accelerating the exploration for and development of the potential resources within the Madura Contract Area in Indonesia.

On 20 August 2009, the Company, Glimmer Stone Investments Limited, an associated company of the Company ("Glimmer Stone") and an independent third party ("Purchaser") entered into the Divestment Agreement pursuant to which (1) Glimmer Stone had agreed to redeem all the Redemption Shares held by the Company for a cash consideration of HK$116,257,000; and (2) the Company had agreed to sell the Sale Shares to the Purchaser for a cash consideration of HK$20,514. The disposal was completed on 27 August 2009.

TERMINATED INVESTMENT IN TRANSMERIDIAN AND THE ARBITRATION

On 26 June 2008, the Company purchased approximately US$12 million of oil equipment (the "Equipment") from Transmeridian Exploration Incorporated ("Transmeridian"). Transmeridian has failed to make delivery of the Equipment. Transmeridian commenced voluntary reorganization cases under Chapter 11 of the United States Bankruptcy Code in the United States Bankruptcy Court for the Southern District of Texas, Houston Division (the "Bankruptcy Court") and the Chapter 11 Cases are being jointly administered under In re Transmeridian Exploration Incorporated (the "Bankruptcy Cases"). In connection with the Bankruptcy Cases, the Bankruptcy Court has entered a Confirmation Order confirming the Debtors' First Amended Jointed Consolidated Plan of Liquidation approves a global settlement provides that the Company may take title to and possession of the Equipment (the "Global Settlement"). According to the Global Settlement, on 3 February 2010, the Company received a distribution amount of approximately US$3.2 million from Transmeridian Exploration Liquidating Trust in relation to its claims for the Equipment. This amount will be credited in its forthcoming financial statement.

Management Discussion and Analysis

On 17 November 2009, the Group received a distribution amount of approximately HK$62 million from the Indenture Trustee in relation to its holding of Senior Notes of Transmeridian (which filed Chapter 11, and by order entered 19 August 2009 by the Bankruptcy Court in the jointly-administered Chapter 11 of the Bankruptcy Cases) and recorded a gain of approximately HK$41 million which has been credited in its financial statements for the 9 months ended 31 December 2009.

As at the date of this report, the legal proceedings with Transmeridian is still going on and not yet dismissed and settled completely.

SEGMENT INFORMATION

Particulars of the Group's segment information are set out in note 8 to the financial statements.

LIQUIDITY AND FINANCIAL RESOURCES

The Group maintained its strong financial position for the period under review, with cash and cash equivalents amounting to approximately HK$2,118 million as at 31 December 2009 (31 March 2009: approximately HK$2,240.8 million).

As at 30 September 2009, the Group has banking facilities of approximately HK$4.68 million in respect of issuance of performance bond for guarantee of our Group's performance of its obligation to commitment to cover seismic survey cost in the first three years of exploration term as contemplated in the Production Sharing Contract for Madura Block, dated 13 November 2008. The Group's cash at banks with carrying value of approximately HK$4.68 million were pledged for the banking facilities.

As at 26 January 2010, the Group has another banking facilities of approximately HK$468 million (equivalent to approximately US$60 million) in respect of issuance of another performance bond for guarantee of United Petroleum & Natural Gas Investments Limited, a wholly-owned subsidiary of the Company, performance of its obligation in the development period of the EOR Contract in Gaosheng project dated 15 September 2006. The Group's cash at banks with carrying value of approximately HK$468 million (equivalent to approximately US$60 million) were pledged for the banking facilities.

The Group had no long-term borrowings, therefore the gearing ratio is not applicable. As at 31 December 2009, the current ratio was approximately 61.61 (31 March 2009: approximately 67.94), based on current assets of approximately HK$2,168.7 million (31 March 2009: 2,438.9 million) and current liabilities of approximately HK$35.2 million (31 March 2009: approximately 35.9 million).

CAPITAL STRUCTURE

There had been no material change in the capital structure of the Group since 31 March 2009.

ORDERS

In line with its business nature, the Group did not have any order records as at 31 December 2009.

Management Discussion and Analysis

EMPLOYEES

As at 31 December 2009, the Group employed a total of 137 full time employees, located in Hong Kong and the PRC.

Employees' remuneration packages have been reviewed periodically and determined with reference to the performance of the individual and prevailing market practices. Remuneration packages include base salaries, year-end bonus, medical benefits and a contributory provident fund.

CONTINGENT LIABILITIES

The Group had no significant contingent liabilities as at 31 December 2009.

EXPOSURE TO FLUCTUATIONS IN EXCHANGE RATES AND RELATED HEDGES

The Group's monetary assets and transactions are mainly denominated in Hong Kong dollars, United States dollars and Renminbi. The exchange rates of United States dollars and Renminbi against Hong Kong dollars were relatively stable during the period under review. During the period under review, the Group did not use financial instruments for hedging purposes.

MAJOR CUSTOMERS AND SUPPLIERS

The Group's largest and five largest customers represented 100% of total turnover, as the Group had one customer only.

Save for the expense of oilfield supporting business and operating expenses paid, the Group did not make any significant purchases during the period under review.

Corporate Governance Report

Sound corporate governance practices are crucial to the smooth, effective and transparent operation of a company and its ability to attract investment, protect rights of shareholders and stakeholders, and enhance shareholder value. The Company is committed to maintain good corporate governance standard and procedures to ensure the integrity, transparency, open and accountable to our shareholders. This Corporate Government Report is prepared in material compliance of the reporting requirements as contained in Appendix 23 of the Rules Governing the Listing of Securities (the "Listing Rules") on The Stock Exchange of Hong Kong Limited (the "Stock Exchange").

CORPORATE GOVERNANCE PRACTICES

The Company has applied the principles and complied with the code provisions as set out in the Code on Corporate Governance Practices (the "Code") contained in Appendix 14 of the Listing Rules during the 9 months ended 31 December 2009 except that:

1. The Code A.2.1 — the company does not have the post of chief executive officer;

2. The Code A.4.1 — the independent non-executive Directors have not been appointed for any specific terms as they are subject to retirement by rotation at least once every three years in accordance with the Company's Bye-laws.

During the period from 12 January 2009 to 31 December 2009, no chief executive officer has been appointed. As mention in the Corporate Governance Report (the "CG Report") contained in the last annual report that although the Company does not separate the duties between the chairman and chief executive officer, the executive function of the Company is performed by the executive directors and management of the Company. Thus, significant decision of the Company is made by the Board. The Board considers that such structure will not affect the balance of power and authority between the chairman and the executive directors.

Code provision A.4.1 of the Code provides that non-executive Directors should be appointed for a specific term, subject to re-election. As mention in the CG Report contained in the last annual report that none of the non-executive Directors has entered into any service contracts with the Company or its subsidiaries. In view of the fact that the non-executive Directors are subject to retirement by rotation at least once every three years though they have no set term of office, the Board considers that the quality of good corporate governance will not be impaired.

MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS

The Group has adopted the code of conduct with respect to the dealings in securities of the Company by the Directors as set out in Appendix 10 of the Listing Rules (the "Model Code").

Having made specific enquiry with all Directors, each of whom has confirmed compliance with the required standard set out in the Model Code during the 9 months ended 31 December 2009.

Corporate Governance Report

BOARD OF DIRECTORS

COMPOSITION

The Board of Directors (the "Board") of the Company comprises six members. Mr. Zhang Hongwei acts as the Chairman of the Board. The other executive Directors are Mr. Zhu Jun and Ms Zhang Meiying. The Company has three independent non-executive Directors, Mr. Chau Siu Wai, Mr. San Fung and Mr. Zhu Chengwu, one of whom namely, Mr. Zhu Chengwu has appropriate professional accounting experience and expertise.

All directors have distinguished themselves in their field of expertise, and have exhibited high standards of personal and professional ethics and integrity. The biographical details of each Director are disclosed on pages 23 to 24 of this annual report.

Each independent non-executive Director has pursuant to the Rule 3.13 of the Listing Rules, confirmed that he is independent of the Company and the Company also considers that they are independent.

Save as the family relationship between Mr. Zhang Hongwei, chairman of the Board, and Ms Zhang Meiying, executive director and daughter of the chairman, there are no relationships among members of the board. Except for the above, the Board considers that all directors are free from any relationship that interfere the exercise of individual independent judgment.

FUNCTION

The Board, led by the Chairman, is responsible for formulation and approval of the Group's development and business strategies, key operational proposals, financial control procedures, material acquisition and disposal of investments, major funding decisions, financial announcements, interim report, annual reports, share issuance/repurchase, nomination of directors, appointment of key management personnel, related party transactions, remuneration to directors and key management, ensures appropriate human and financial resources are appropriately applied and the performance for the achievement of results is evaluated periodically and other significant transactions in accordance with the rules governing the meeting of the Board, Bye-laws and rules governing the meeting of shareholders.

The executive Directors are responsible for day-to-day management of the Company's operations. These executive Directors conduct regular meetings with the senior management of the Company, its subsidiaries and associated companies, at which operational issues and financial performance are evaluated.

The Bye-laws of the Company contain description of responsibilities and operation procedures of the Board. The Board holds regular meeting to discuss and consider significant matters relating to existing operations and proposals of new operations and projects. Board meetings formally hold at least 4 times a year.

Corporate Governance Report

The Chairman ensures that board meetings are being held whenever necessary. Though the Chairman is responsible to set the board meeting agenda, all board members are encouraged to participate to include matters in the agenda. The Board conducts meeting on a regular basis and extra meetings are convened when circumstances require. The Bye-Laws of the Company allow a board meeting to be conducted by way of a tele-conference.

There are eight meetings being held during the financial year for the 9 months ended 31 December 2009 and attendance of individual directors are as follows:

	Board Meetings
Zhang Hongwei	7/8
Zhu Jun	8/8
Zhang Meiying	8/8
Chau Siu Wai	7/8
San Fung	7/8
Zhu Chengwu	7/8

RESPONSIBILITIES

In the course of discharging their duties, the directors act in good faith, with due diligence and care, and in the best interests of the Company and its shareholders. Their responsibilities include (1) regular board meetings focusing on business strategy, operational issues and financial performance; (2) monitoring the quality, timeliness, relevance and reliability of internal and external reporting; (3) monitoring and managing potential conflicts of interest of management, board members and shareholders, including misuse of corporate assets and abuse in connected transaction; and (4) ensuing processes are in place to maintain the overall integrity of the Company, including financial statements, relationships with suppliers, customers and other stakeholders, and compliance with all laws and ethics.

DIRECTOR'S RESPONSIBILITIES FOR THE FINANCIAL STATEMENT

The Directors acknowledge their responsibilities for the preparation of the financial statements of the Group and ensure that the financial statements of the Group and ensure that the financial statements are accordance with statutory requirements and applicable accounting standards. The Directors also ensure the timely publication of the financial statements of the Group. In preparing the accounts for the 9 months ended 31 December 2009, the Directors have, among other things:

- Selected suitable accounting policies and applied them consistently;
- Approved adoption of all Hong Kong Financial Reporting Standards ("HKFRSs") which are in conformity with the International Financial Reporting Standards ("IFRSs"); and
- Made judgments and estimates that are prudent and reasonable; and have prepared the accounts on the going concern basis.

The Directors confirm that, to the best of their knowledge, information and belief, having made all reasonable enquiries, they are not aware of any material uncertainties relating to events or conditions that may cast significant doubt upon the Company's ability to continue as a going concern.

Corporate Governance Report

DELEGATION BY THE BOARD

The Board has established Board committees, namely Audit Committee and Remuneration Committee to overseas particular aspects of the Company's affairs and to assist in sharing the Board's responsibilities. All the Board committees have clear written terms of reference and have to report to the Board regularly on their decisions and recommendations. The day-to-day running of the Company, including implementation of the strategies and plans adopted by the Board and its committees, is delegated to the management with divisional heads responsible for different aspects of the business.

AUDIT COMMITTEE

The Company formulated written terms of reference for the Audit Committee in accordance with the requirements of the Listing Rules. The Audit Committee consists of the all independent non-executive Directors, namely Messrs. Chau Siu Wai, San Fung and Zhu Chengwu. It is chaired by Mr. Zhu Chengwu.

The Audit Committee reports directly to the Board and reviews the matters relating to the work of the external auditor, financial statements and internal controls. The Audit Committee meets with the Company's external auditor to ensure the objectivity and credibility of financial reporting and internal control procedures as well as to maintain an appropriate relationship with the external auditors of the Company.

There are two audit committee meetings being held during the financial year for the 9 months ended 31 December 2009. The individual attendance of each member is as follows:

	Audit Committee Meetings
Chau Siu Wai	2/2
San Fung	2/2
Zhu Chengwu	2/2

The members of Audit Committee have full access to and co-operation from the management and they have full discretion to invite any director or executive to attend the meeting. The Audit Committee has performed the following function during the financial year for the 9 months ended 31 December 2009: (1) reviewed the annual audit plan of external auditors, their audit reports and matters incidental thereto; (2) the appointment of external auditors including the terms of engagement; (3) discussed the internal control issues; (4) examined the application of funds; (5) reviewed the interested party transactions; and (6) reviewed the periodic financial statements of the Company and made commendation to the Board for approval and evaluated the performance and independent of the external auditors.

Corporate Governance Report

REMUNERATION COMMITTEE

With effect from 17 July 2006, a remuneration committee has been set up with written terms of reference to review the remuneration package, performance-based remuneration and termination compensation of directors and senior management of the Group. The remuneration committee comprises Mr. Zhu Chengwu, Mr. Chau Siu Wai and Ms Zhang Meiying. It is chaired by Mr. Zhu Chengwu.

The major responsibilities of the Remuneration Committee are to make recommendation to the Board on the Company's policy and structure for remuneration of Directors and senior management, to determine remuneration packages of all executive Directors and senior management including benefits in kind, pension rights and compensation payments. The Remuneration Committee takes into consideration on factors such as salaries paid by comparable companies, time commitment and responsibilities of the Directors and senior management.

The Remuneration Committee held a meeting on 26 April 2010 at which all committee members were present. At the meeting, the Remuneration Committee reviewed and discussed the remuneration policy for 2010, the remuneration package and bonus arrangements of the Directors and senior management for 2010.

NOMINATION OF DIRECTORS

Although the Board has not established a nomination committee, as mentioned in the CG Report contained in the last annual report, the function of nomination committee has been performed by the Board. To maintain high quality of the Board with a balance of skill and experience, the Board identifies individuals who fulfill criteria of the Company. When assessing the quality of the individual, the Board makes reference to his experience, qualification, integrity and other relevant factors.

RESPONSIBILITIES AND REMUNERATION OF EXTERNAL AUDITORS

The statement of the external auditors of the Company, Messrs. RSM Nelson Wheeler, about their reporting responsibilities on the financial statements of the Group is set out in the Independent Auditor's Report on page 25 to 26.

During the 9 months period, remuneration paid to the Company's auditors, Messrs. RSM Nelson Wheeler, is as follows:

Services rendered:	HK$
– audit services	950,000
– non-audit service	704,000

Corporate Governance Report

INTERNAL CONTROL

The Board is responsible for maintaining an adequate system of internal controls within the Group and for reviewing their effectiveness. The system of internal controls is designed to facilitate effective and efficient operations, to safeguard assets and to ensure the quality of internal and external reporting and compliance with applicable laws and regulations. It is also designed to provide reasonable, but not absolute, assurance that material misstatement or loss can be avoided, and to manage and minimize risks of failure in operation systems. As mentioned in the CG Report contained in the last annual report that the Company committed to implement a stricter and more regulated internal control procedures in the new financial year.

In the future, the Group will conduct regular review of the Group's internal control system and its effectiveness to ensure the interest of shareholders is safeguarded.

COMMUNICATION WITH SHAREHOLDERS

The objective of shareholder communication is to provide our shareholders with detailed information about the Company so that they can exercise their rights as shareholders in an informed manner.

The Company uses a range of communication tools to ensure its shareholders are kept well informed of key business imperatives. These include general meeting, annual report, various notices, announcements, circulars and via the Company's website to provide an electronic means of communication. The poll voting procedures and the rights of shareholders to demand a poll were included in all circulars accompanying notice convening general meeting and the details procedures for conducting a poll has been read out by the chairman at general meeting.

The annual general meeting provides a useful forum for shareholders to exchange views with the Board. The Chairman, Directors, Board Committees' Chairman/Members and external auditor, where appropriate, are available to answer questions at the meeting.

Report of the Directors

The directors present their annual report and the audited financial statements for the 9 months ended 31 December 2009.

PRINCIPAL ACTIVITIES

The Company acts as an investment holding company. The principal activities of its subsidiaries is set out in note 34 to the financial statements.

RESULTS AND DIVIDENDS

The results of the Group for the 9 months ended 31 December 2009 and the state of affairs of the Group at that date are set out in the financial statements on pages 27 to 86 of the annual report.

SHARE PREMIUM AND RESERVES

Details of movements in the share premium and reserves of the Company and the Group during the period under review are set out in note 28 and page 78 to the financial statements.

SEGMENT INFORMATION

The segment information of the Group for the 9 months ended 31 December 2009 is set out in note 8 to the financial statements.

FINANCIAL SUMMARY

A summary of the published results and of the assets, liabilities and minority interests of the Group for the last five financial years, as extracted from the audited financial statements, is set out on page 88. This summary is for information only and does not form part of the audited financial statements.

PROPERTY, PLANT AND EQUIPMENT

Details of movements in property, plant and equipment of the Group during the period are set out in note 14 to the financial statements.

DIRECTORS AND DIRECTORS' SERVICE CONTRACTS

The directors of the Company during the year and up to the date of this report were:

EXECUTIVE DIRECTORS:

Zhang Hongwei – Chairman
Zhu Jun
Zhang Meiying

Report of the Directors

INDEPENDENT NON-EXECUTIVE DIRECTORS:

Chau Siu Wai
San Fung
Zhu Chengwu

Pursuant to Bye-laws 87(1) and 87(2) of the Bye-laws, Mr. Zhu Jun and Mr. San Fung shall retire by rotation and being eligible, will offer themselves for re-election at the Annual General Meeting.

There is no service contract entered into between the Company and the executive and independent non-executive directors and they are not appointed for a specific term. However, all directors are subject to retirement by rotation at least once every three years pursuant to the Bye-laws of the Company.

SHARE OPTION SCHEME

Under the share option scheme adopted by the Company on 11 May 2006 (the "Scheme"), the Directors may, at their discretion, invite any eligible participants to take up options to subscribe for shares in the capital of the Company. The Scheme is effective for the period from 11 May 2006 to 10 May 2016. The total number of shares in respect of which options may be granted under the Scheme is not permitted to exceed 30% of the shares of the Company in issue from time to time. The number of shares issued and to be issued in respect of which options granted and may be granted to any individual is not permitted to exceed 10% of the shares of the Company in issue from time to time.

During the period under review, 10,000,000 of these options granted to eligible participants were cancelled.

Report of the Directors

Details of share options granted under the scheme are as follows:

				Number of Share Options					
Grant Date	Exercise Price HK$	Vesting Period	Exercisable Period	As at 1.4.2009	Granted	Exercised	Lapsed	Cancelled	As at 31.12.2009
Zhang Meiying									
04.12.2007	1.56	04.12.2007 to 03.12.2008	04.12.2008 to 03.12.2012	30,000,000	–	–	–	–	30,000,000
04.12.2007	1.56	04.12.2007 to 03.12.2009	04.12.2009 to 03.12.2012	20,000,000	–	–	–	–	20,000,000
04.12.2007	1.56	04.12.2007 to 03.12.2010	04.12.2010 to 03.12.2012	20,000,000	–	–	–	–	20,000,000
04.12.2007	1.56	04.12.2007 to 03.12.2011	04.12.2011 to 03.12.2012	30,000,000	–	–	–	–	30,000,000
Employees and Consultants									
04.12.2007	1.56	04.12.2007 to 03.12.2008	04.12.2008 to 03.12.2012	52,500,000	–	–	–	–	52,500,000
04.12.2007	1.56	04.12.2007 to 03.12.2009	04.12.2009 to 03.12.2012	35,000,000	–	–	–	–	35,000,000
04.12.2007	1.56	04.12.2007 to 03.12.2010	04.12.2010 to 03.12.2012	35,000,000	–	–	–	–	35,000,000
04.12.2007	1.56	04.12.2007 to 03.12.2011	04.12.2011 to 03.12.2012	52,500,000	–	–	–	–	52,500,000
20.05.2008	0.902	20.05.2008 to 19.12.2009	20.05.2009 to 19.05.2013	27,000,000	–	–	–	3,000,000	24,000,000
20.05.2008	0.902	20.05.2008 to 19.12.2010	20.05.2010 to 19.05.2013	18,000,000	–	–	–	2,000,000	16,000,000
20.05.2008	0.902	20.05.2008 to 19.12.2011	20.05.2011 to 19.05.2013	18,000,000	–	–	–	2,000,000	16,000,000
20.05.2008	0.902	20.05.2008 to 19.12.2012	20.05.2012 to 19.05.2013	27,000,000	–	–	–	3,000,000	24,000,000
Total				365,000,000	–	–	–	10,000,000	355,000,000

Report of the Directors

DISCLOSURE OF INTERESTS

DIRECTORS' INTERESTS IN SHARES AND UNDERLYING SHARES OF THE COMPANY

As at 31 December 2009, the Directors and their associates had the following interests or short positions in shares, underlying shares and debentures of the Company or any of its associated corporations (within the meaning of the Securities and Futures Ordinance (the "SFO")) as recorded in the register required to be kept under Section 352 of the SFO or as otherwise notified to the Company and The Stock Exchange of Hong Kong Limited (the "Stock Exchange") pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code"):

			Number of Shares		
Name of Director	**Name of Company**	**Nature of interest**	**Long Position**	**Short Position**	**Approximate% shareholding**
Zhang Hongwei	The Company	Attributable interest of controlled corporation	9,001,240,115	–	70.45 (Note 1)
Zhang Meiying	The Company	Beneficial owner	100,000,000	–	0.78 (Note 2)
Zhu Jun	The Company	Beneficial owner	1,443,000	–	0.01

Note:

1. Out of the 9,001,240,115 shares, 5,128,169,125 shares were beneficially held by He Fu International Limited, 2,223,726,708 shares were beneficially held by United Petroleum & Natural Gas Holdings Limited, and 1,649,344,282 shares were beneficially held by United Energy Holdings Limited. He Fu International Limited, United Petroleum & Natural Gas Holdings Limited and United Energy Holdings Limited are companies wholly-owned by Mr. Zhang Hongwei. Therefore, Mr. Zhang Hongwei is deemed to be interested in those 9,001,240,115 shares.

2. Share options which entitle Ms. Zhang Meiying to subscribe for an aggregate 100,000,000 shares were granted to Ms. Zhang Meiying on 4 December 2007 under the share option scheme adopted by the Company on 11 May 2006.

Save as disclosed above, none of the directors, nor their associates had any interests or short positions in any shares, underlying shares or debentures of the Company or any of its associated corporations as at 31 December 2009.

Report of the Directors

SUBSTANTIAL SHAREHOLDERS

As at 31 December 2009, the following persons or corporations, other than the Directors or chief executives of the Company as disclosed above, had interests or short positions in the shares and underlying shares of the Company as recorded in the register required to be kept by the Company pursuant to Section 336 of the SFO:

Name	Name of Company	Capacity and nature of interest	Number of Shares	Approximate % shareholding
He Fu International Limited (Note)	The Company	Beneficial owner	5,128,169,125	40.14
United Petroleum & Natural Gas Holdings Limited (Note)	The Company	Beneficial owner	2,223,726,708	17.40
United Energy Holdings Limited (Note)	The Company	Beneficial owner	1,649,344,282	12.91
Kowin Limited	The Company	Beneficial owner	654,037,267	5.12

Note: These companies are wholly-owned by Mr. Zhang Hongwei.

All the interests stated above represent long positions. As at 31 December 2009, no short position were recorded in the register kept by the Company under Section 336 of the SFO.

Save as disclosed above, the Company has not been notified by any persons or corporations, other than the Directors or chief executives of the Company, who had interests or short positions in the shares or underlying shares of the Company as recorded in the register required to be kept by the Company pursuant to Section 336 of the SFO as at 31 December 2009.

SHARE CAPITAL

Particulars of the Company's share capital are set out in note 26 to the financial statements.

ARRANGEMENTS TO PURCHASE SHARES OR DEBENTURES

At no time during the period was the Company, its subsidiary or holding company, a party to any arrangements to enable the directors of the Company to acquire benefits by means of acquisition of shares in, or debt securities (including debentures) of, the Company or any other body corporate.

Report of the Directors

DIRECTORS' INTERESTS IN CONTRACTS OF SIGNIFICANCE

No contracts of significance to which the Company, its subsidiaries or holding company was a party and in which a director of the Company had a material interest, whether directly or indirectly, subsisted at the end of the period of at any time during the period, except as announced.

EMOLUMENT POLICY

The emolument policy of the employees of the Group is set up by the board of directors on the basis of their merit, qualifications and competence.

The emoluments of the directors of the Company are decided by the board, having regard to the Company's operating results, individual performance and comparable market statistics.

PRE-EMPTIVE RIGHTS

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

APPOINTMENT OF INDEPENDENT NON-EXECUTIVE DIRECTORS

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

COMPLIANCE WITH THE MODEL CODE OF THE LISTING RULES

The Company has adopted the Model Code as set out in Appendix 10 of the Listing Rules. Having made specific enquiry with the Directors, all the Directors confirmed that they have complied with the required standard as set out in the Model Code throughout the financial year for the 9 months ended 31 December 2009.

The Company has also established written guidelines regarding securities transaction on no less exacting terms of the Model Code for senior management and specific individual who may have access to price sensitive information in relation to the securities of the Company.

CORPORATE GOVERNANCE

In the opinion of the Directors, the Company has complied throughout the financial year for the 9 months ended 31 December 2009 with the Code on Corporate Governance Practices, except for code provisions A.2.1 and A.4.1 as set out in the Code of Corporate Governance Practices contained in Appendix 14 to the Listing Rules. Please refer to the Corporate Governance Report on pages 10 to 15 for details.

Details of the audit committee and remuneration committee are set out in the Corporate Governance Report.

Report of the Directors

SUFFICIENCY OF PUBLIC FLOAT

The Company has maintained a sufficient public float throughout the financial year ended for the 9 months ended 31 December 2009.

PURCHASE, SALE OR REDEMPTION OF SHARES

As at 31 December 2009, the Company has not redeemed any of its shares nor any or its subsidiaries has purchased or sold any of the Company's shares during this period.

EVENTS AFTER REPORTING PERIOD

Details of significant events occurring after the end of the reporting period are set out in note 35 to the financial statement.

AUDITORS

A resolution will be submitted to the annual general meeting of the Company to re-appoint the auditors, Messrs. RSM Nelson Wheeler as auditors of the Company.

By Order of the Board
United Energy Group Limited

Zhang Hongwei
Chairman
Hong Kong, 26 April 2010

Biography of Directors and Senior Management

EXECUTIVE DIRECTORS

Mr. Zhang Hongwei, aged 55, joined the Company on 27 February 1998. Mr. Zhang is the Chairman of the Group. Mr. Zhang is also the chairman and president of Orient Group Inc., Mr. Zhang is also the Deputy Chairman of China Minsheng Banking Corporation Ltd., a joint-stock bank listed on the Shanghai Exchange and on the Stock Exchange of Hong Kong Limited. He has over 20 years of experience in management in the PRC. As at the date of this report, Mr. Zhang is beneficially interested in 9,001,240,115 shares of the Company, representing approximately 70.45% of the existing issued share capital of the Company, and is the controlling shareholder of the Company. Mr. Zhang is the father of Ms. Zhang Meiying, an executive director appointed on 19 June 2006.

Mr. Zhu Jun, aged 45, joined the Company on 20 October 2005 as an executive Director. He is currently an executive director of China Infrastructure Holdings Limited, the shares of which are listed on The Singapore Exchange Securities Trading Limited. After graduation from the Peking University with a bachelor degree and a master degree in economics, Mr. Zhu Jun has had over 16 years of experience in corporate finance, investment and management. As at the date of this report, Mr. Zhu Jun directly holds 1,443,000 shares of the Company, representing approximately 0.01% of the existing issued share capital of the Company.

Ms. Zhang Meiying, aged 31, joined the Company on 19 June 2006 as an executive Director. Ms. Zhang previously worked in Citigroup Investment Banking Division (Hong Kong), China Minsheng Banking Corporation Limited and America Orient Group, Inc. and has 5 years of experience in banking and financial management. Ms. Zhang Meiying holds a BBA degree in Finance and International Business from the George Washington University, USA. Ms. Zhang has not held any directorship with other listed companies in the last 3 years. Ms. Zhang is the daughter of Mr. Zhang Hongwei, the Chairman, executive Director and controlling shareholder of the Company.

INDEPENDENT NON-EXECUTIVE DIRECTORS

Mr. San Fung, aged 46, joined the Company on 9 November 2004 as an independent non-executive Director. Mr. San Fung is a qualified accountant with China Construction Company Limited specialized in financial analysis in infrastructure project. He completed a course in Master of Business Administration from the International East-western University of the United States and has over 13 years of experience in accounting. Mr. San is currently the chairman of New Century Investment and Development Company.

Mr. Chau Siu Wai, aged 40, joined the Company on 9 November 2004 as an independent non-executive Director. Mr. Chau is a university graduate with a bachelor degree in law. He further obtained a master degree in business administration from Murdoch University in Australia. Mr. Chau has more than 10 years of experience in financial reporting and investment analysis and is now a duty president of an investment company.

Biography of Directors and Senior Management

Mr. Zhu Chengwu, aged 40, joined the Company on 5 December 2005 is an independent non-executive Director. He is currently the chief financial officer of the Shanghai head office of Everbright Securities Company Limited. After graduation from the Lanzhou Commercial College with a bachelor degree in finance, Mr. Zhu Chengwu had held senior financial positions in several PRC companies including Shenzhen Techo Telecom Co., Ltd. ("Shenzhen Techo"), a PRC company whose shares are listed on the Shenzhen Stock Exchange. Mr. Zhu Chengwu was the director and had assumed the role of the chief financial officer of Shenzhen Techo. Through his past experience, in particular, as the director of Shenzhen Techo, Mr. Zhu Chengwu has gained much experience in (a) preparing and conducting review and internal audit of financial statements and reports; and (b) internal control and procedures for financial reporting in respect of public companies and possesses such knowledge, experience and expertise of an independent non-executive director as required under Rule 3.10(2) of the Listing Rules. Mr. Zhu Chengwu acquired the intermediate-level accountant certificate jointly issued by the Ministry of Finance and the Ministry of Personnel of the People's Republic of China on 30 May 2000. Mr. Zhu Chengwu is considered to be an independent non-executive director under Rule 3.13 of the Listing Rules.

SENIOR MANAGEMENT

Mr. Wang Chunpeng, aged 64, Chief Operation Officer of the Company. Prior to his current role, Mr. Wang joined the Company as Senior Advisor in 2006. Mr. Wang has worked at CNPC's Liaohe oilfield for over 30 years. Prior to joining the Company, Mr. Wang served as General Manager of CNPC Liaohe oilfield (2000-2005), Director General of Liaohe Petroleum Exploration Bureau (1999-2000), Vice Director of Liaohe Petroleum Exploration Bureau (1994-1999), Plant Manager of Liaohe oilfield Shenyang Extraction Plant and Huanxiling Extraction Plant, Unit Manager and Supervisor of Liaohe oilfield Xingyou Headquarter (1976-1981). Mr. Wang is an Executive Commissioner of the Political Consultation Committee of Liaoning Province and a member of the national committee of CPPCC.

Mr. Lin Ning, aged 53, Vice-President of United Petroleum and Natural Gas Investments Limited ("United Petroleum"), is responsible for the United Petroleum's overall operation, research and strategic planning. Mr. Lin graduated with a bachelor's degree in engineering from Xian Jiaotong University. He also holds a master's degree in business administration from Maastricht School of Management in the Netherlands. He has over 30 years of extensive experience in the petroleum drilling industry. Prior to joining the Group, he had worked at the Equipment Institute of Exploration Bureau of CNPC (中石油勘探局裝備所) as Assistant Engineer, Engineer and Deputy Director. He was Deputy General Manager and General Manager of China Merchants Trade Company Limited and China Merchants Trade & Investment Company Limited from 1988 to 1999. He was General Manager of China Science and Technology High-Tech Company Limited (中國科技高技術有限公司) from 2000 to 2005.

Mr. Ma Guangyue, aged 63, Vice-President and Chief Accountant of UP&NGI's finance and accounting management. Mr. Ma has over 40 years of extensive experience in corporate finance and management. Prior to joining the Group, Mr. Ma had worked at the Drilling Company in Jianghan Oilfield (江漢油田鑽井處), the Honggang Oilfield of Jilin (吉林紅崗油田), Huabei Oifield of CNPC (中國石油華北油田), CNPC Huabei Petroleum (中國石油華北油田管理局), China Petroleum Material and Equipment Corporation (中國石油物資裝備(集團)總公司) as Accountant, Chief Accountant and Vice-General Manager.

Independent Auditor's Report

RSM! Nelson Wheeler
中瑞岳華(香港)會計師事務所
Certified Public Accountants

TO THE SHAREHOLDERS OF
UNITED ENERGY GROUP LIMITED
(Incorporated in the Cayman Islands and continued in Bermuda with limited liability)

We have audited the consolidated financial statements of United Energy Group Limited (the "Company") set out on pages 27 to 86, which comprise the consolidated statement of financial position as at 31 December 2009, and the consolidated income statement, consolidated statement of comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the nine months period ended 31 December 2009, and a summary of significant accounting policies and other explanatory notes.

DIRECTORS' RESPONSIBILITY FOR THE FINANCIAL STATEMENTS

The directors of the Company are responsible for the preparation and the true and fair presentation of these financial statements in accordance with Hong Kong Financial Reporting Standards issued by the Hong Kong Institute of Certified Public Accountants (the "HKICPA") 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 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.

AUDITOR'S RESPONSIBILITY

Our responsibility is to express an opinion on these financial statements based on our audit and to report our opinion solely to you, as a body, in accordance with section 90 of the Companies Act 1981 of Bermuda and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report. We conducted our audit in accordance with Hong Kong Standards on Auditing issued by the HKICPA. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance as to whether the financial statements are free from material misstatement.

Independent Auditor's Report

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and true and fair presentation of the 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 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 Group as at 31 December 2009 and of the Group's results and cash flows for the period then ended in accordance with Hong Kong Financial Reporting Standards and have been properly prepared in accordance with the disclosure requirements of Hong Kong Companies Ordinance.

RSM Nelson Wheeler
Certified Public Accountants
Hong Kong

26 April 2010

Consolidated Income Statement

For the nine months ended 31 December 2009

	Note	**For the nine months ended 31 December 2009 HK$'000**	For the twelve months ended 31 March 2009 HK$'000
Turnover	6	**25,357**	5,178
Cost of sales and services rendered		**(13,621)**	(605)
Gross profit		**11,736**	4,573
Other income	7	**103,636**	50,626
Oil exploitation expenses		**(58,813)**	(66,412)
Administrative expenses		**(109,816)**	(606,317)
Loss from operations		**(53,257)**	(617,530)
Share of profits of associates	17	**88,676**	12,604
(Loss)/gain on disposals of associates		**(91,454)**	35,827
Loss before tax		**(56,035)**	(569,099)
Income tax (expense)/credit	10	**(2,585)**	10,174
Loss for the period/year	9	**(58,620)**	(558,925)
Attributable to:			
Shareholders of the Company		**(61,536)**	(550,438)
Minority interests		**2,916**	(8,487)
		(58,620)	(558,925)
Loss per share			
Basic	12	**(0.48 cents)**	(4.31 cents)
Diluted	12	**N/A**	N/A

Consolidated Statement of Comprehensive Income

For the nine months ended 31 December 2009

	For the nine months ended 31 December 2009 HK$'000	For the twelve months ended 31 March 2009 HK$'000
Loss for the period/year	**(58,620)**	(558,925)
Other comprehensive income:		
Exchange differences on translating foreign operations	**480**	10,562
Exchange differences on releasing foreign currency translation reserve upon the disposal of an associate	**–**	(14,282)
Other comprehensive income for the period/year, net of tax	**480**	(3,720)
Total comprehensive income for the period/year	**(58,140)**	(562,645)
Attributable to:		
Shareholders of the Company	**(61,277)**	(558,251)
Minority interests	**3,137**	(4,394)
	(58,140)	(562,645)

Consolidated Statement of Financial Position

At 31 December 2009

	Note	**At 31 December 2009 HK$'000**	At 31 March 2009 HK$'000
Non-current assets			
Property, plant and equipment	14	**67,699**	42,988
Investment properties	15	**147,654**	136,054
Intangible assets	16	**549,969**	–
Investments in associates	17	**–**	119,056
		765,322	298,098
Current assets			
Inventories	18	**7,227**	–
Trade and other receivables	19	**35,017**	174,314
Financial assets at fair value through profit or loss	20	**3,800**	23,804
Pledged bank deposits	21	**4,680**	–
Bank and cash balances	21	**2,117,992**	2,240,790
		2,168,716	2,438,908
Current liabilities			
Trade and other payables	22	**26,700**	22,060
Due to directors	23	**7,446**	6,161
Derivative financial instruments	24	**–**	7,727
Current tax liabilities		**1,087**	–
		35,233	35,948
Net current assets		**2,133,483**	2,402,960
Total assets less current liabilities		**2,898,805**	2,701,058
Non-current liabilities			
Deferred tax liabilities	25	**106,084**	17,103
NET ASSETS		**2,792,721**	2,683,955

Consolidated Statement of Financial Position

At 31 December 2009

	Note	**At 31 December 2009 HK$'000**	At 31 March 2009 HK$'000
Capital and reserves			
Share capital	26	**127,771**	127,771
Reserves	28(a)	**2,369,366**	2,369,160
Equity attributable to shareholders of the Company		**2,497,137**	2,496,931
Minority interests		**295,584**	187,024
TOTAL EQUITY		**2,792,721**	2,683,955

Approved by the Board of Directors on 26 April 2010

Zhang Hongwei
Director

Zhu Jun
Director

Consolidated Statement of Changes in Equity

For the nine months ended 31 December 2009

	Attributable to shareholders of the Company										
	Share capital (note 26) HK$'000	Share premium account (note 28(c)) HK$'000	Merger reserve (note 28(c)) HK$'000	Capital reserve (note 28(c)) HK$'000	Foreign currency translation reserve HK$'000	Statutory reserve (note 28(c)) HK$'000	Share-based payments reserve (note 28(c)) HK$'000	Accumulated losses HK$'000	Total HK$'000	Minority interests HK$'000	Total HK$'000
At 1 April 2008	127,771	13,027,326	(10,346,845)	287,545	55,540	502	35,194	(245,296)	2,941,737	191,418	3,133,155
Total comprehensive income for the year	–	–	–	–	(7,813)	–	–	(550,438)	(558,251)	(4,394)	(562,645)
Recognition of share-based payments	–	–	–	–	–	–	113,445	–	113,445	–	113,445
Transfer	–	–	–	–	–	74	–	(74)	–	–	–
Changes in equity for the year	–	–	–	–	(7,813)	74	113,445	(550,512)	(444,806)	(4,394)	(449,200)
At 31 March 2009 and 1 April 2009	**127,771**	**13,027,326**	**(10,346,845)**	**287,545**	**47,727**	**576**	**148,639**	**(795,808)**	**2,496,931**	**187,024**	**2,683,955**
Total comprehensive income for the period	**–**	**–**	**–**	**–**	**259**	**–**	**–**	**(61,536)**	**(61,277)**	**3,137**	**(58,140)**
Recognition of share-based payments	**–**	**–**	**–**	**–**	**–**	**–**	**54,251**	**–**	**54,251**	**–**	**54,251**
Capital injection from minority shareholders	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**7,232**	**7,232**	**11,991**	**19,223**
Acquisition of subsidiaries	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**93,432**	**93,432**
Forfeiture of share-based payments	**–**	**–**	**–**	**–**	**–**	**–**	**(2,205)**	**2,205**	**–**	**–**	**–**
Changes in equity for the period	**–**	**–**	**–**	**–**	**259**	**–**	**52,046**	**(52,099)**	**206**	**108,560**	**108,766**
At 31 December 2009	**127,771**	**13,027,326**	**(10,346,845)**	**287,545**	**47,986**	**576**	**200,685**	**(847,907)**	**2,497,137**	**295,584**	**2,792,721**

Consolidated Statement of Cash Flows

For the nine months ended 31 December 2009

	Note	For the nine months ended 31 December 2009 HK$'000	For the twelve months ended 31 March 2009 HK$'000
CASH FLOWS FROM OPERATING ACTIVITIES			
Loss before tax		**(56,035)**	(569,099)
Adjustments for:			
Allowances for inventories		**–**	93,639
Fair value (gain)/loss on financial assets at fair value through profit or loss		**(1,981)**	202,066
Fair value (gain)/loss on derivative financial instruments		**(7,727)**	7,727
Depreciation		**11,564**	12,048
Amortisation of intangible assets		**18,010**	–
Share of profits of associates		**(88,676)**	(12,604)
Interest income		**(7,704)**	(49,544)
Impairment loss on intangible assets		**8,895**	–
Other payables written back		**(4,047)**	–
Equity-settled share-based payments		**54,251**	113,445
Fair value (gain)/loss on investment properties		**(11,355)**	45,300
Loss on disposals of property, plant and equipment		**10**	–
Loss/(gain) on disposals of associates		**91,454**	(35,827)
Net gain on disposals of financial assets at fair value through profit or loss		**(42,179)**	–
Proceeds from disposals of financial assets at fair value through profit or loss		**64,514**	–
Operating profit/(loss) before working capital changes		**28,994**	(192,849)
Increase in inventories		**(7,189)**	(93,639)
Decrease/(increase) in trade and other receivables		**144,900**	(6,369)
Decrease in amount due from an associate		**–**	66,552
Decrease in trade and other payables		**(77,347)**	(12,606)
Increase in amounts due to directors		**1,285**	627
Decrease in amounts due to related companies		**–**	(3,774)
Cash generated from/(used in) operations		**90,643**	(242,058)
Income taxes paid		**–**	(508)
Net cash generated from/(used in) operating activities		**90,643**	(242,566)

Consolidated Statement of Cash Flows

For the nine months ended 31 December 2009

	Note	**For the nine months ended 31 December 2009 HK$'000**	For the twelve months ended 31 March 2009 HK$'000
CASH FLOWS FROM INVESTING ACTIVITIES			
Increase in pledged bank deposits		**(4,680)**	–
Acquisition of subsidiaries	30 (a)	**(345,528)**	–
Repayments of loan receivables from unrelated companies		**–**	650,000
Purchases of financial assets at fair value through profit or loss		**(350)**	(219,255)
Purchases of property, plant and equipment		**(6,327)**	(17,560)
Proceeds from disposals of associates		**116,278**	–
Capital contribution to an associate		**–**	(100,092)
Interest received		**7,704**	49,544
Net cash (used in)/generated from investing activities		**(232,903)**	362,637
CASH FLOWS FROM FINANCING ACTIVITIES			
Capital injection from minority shareholders		**19,223**	–
Net cash generated from financing activities		**19,223**	–
NET (DECREASE)/INCREASE IN CASH AND CASH EQUIVALENTS		**(123,037)**	120,071
Effect of foreign exchange rate changes		**239**	7,259
CASH AND CASH EQUIVALENTS AT BEGINNING OF PERIOD/YEAR		**2,240,790**	2,113,460
CASH AND CASH EQUIVALENTS AT END OF PERIOD/YEAR		**2,117,992**	2,240,790
ANALYSIS OF CASH AND CASH EQUIVALENTS			
Bank and cash balances		**2,117,992**	2,240,790

Notes to the Financial Statements

For the nine months ended 31 December 2009

1. GENERAL INFORMATION

The Company was incorporated in the Cayman Islands and redomiciled to Bermuda as an exempted company with limited liability under the Companies Act of Bermuda. The address of its registered office is Clarendon House, 2 Church Street, Hamilton HM11, Bermuda. The address of its principal place of business is Unit 2112, 21/F, Two Pacific Place, 88 Queensway, Hong Kong. The Company's shares are listed on the Main Board of The Stock Exchange of Hong Kong Limited (the "Stock Exchange").

During the period, the Company was primarily involved in investment holding. The principal activities of its subsidiaries are set out in note 34 to the financial statements.

2. ADOPTION OF NEW AND REVISED HONG KONG FINANCIAL REPORTING STANDARDS

In the current period, the Group has adopted all the new and revised Hong Kong Financial Reporting Standards ("HKFRSs") issued by the Hong Kong Institute of Certified Public Accountants that are relevant to its operations and effective for its accounting period beginning on 1 April 2009. HKFRSs comprise Hong Kong Financial Reporting Standards ("HKFRS"); Hong Kong Accounting Standards ("HKAS"); and Interpretations. The adoption of these new and revised HKFRSs did not result in significant changes to the Group's accounting policies, presentation of the Group's financial statements and amounts reported for the current period and prior years except as stated below.

a. PRESENTATION OF FINANCIAL STATEMENTS

HKAS 1 (Revised) "Presentation of Financial Statements" affects certain disclosures and presentation of the financial statements. The balance sheet is renamed as the statement of financial position and the cash flow statement is renamed as the statement of cash flows. All income and expenses arising from transactions with non-owners are presented in the income statement and statement of comprehensive income, and the total carried to the statement of changes in equity. The owner changes in equity are presented in the statement of changes in equity. HKAS 1 (Revised) also requires disclosures of the reclassification adjustments and tax effects relating to each component of other comprehensive income for the period. HKAS 1 (Revised) has been applied retrospectively.

b. OPERATING SEGMENTS

HKFRS 8 "Operating Segments" requires operating segments to be identified on the basis of internal reports about components of the Group that are regularly reviewed by the chief operating decision maker in order to allocate resources to the segment and to assess its performance. Previously, HKAS 14 "Segment Reporting" required an entity to identify two sets of segments (business and geographical), using a risks and rewards approach, with the entity's "system of internal financial reporting to key management personnel" serving as the starting point for the identification of such segments. HKFRS 8 results in a redesignation of the Group's reportable segments, but has had no impact on the reported results or financial position of the Group. HKFRS 8 has been applied retrospectively.

Notes to the Financial Statements

For the nine months ended 31 December 2009

2. *ADOPTION OF NEW AND REVISED HONG KONG FINANCIAL REPORTING STANDARDS* (Continued)

b. OPERATING SEGMENTS (Continued)

The segment accounting policies under HKFRS 8 are stated in note 8 to the financial statements.

The Group has not applied the new HKFRSs that have been issued but are not yet effective. The Group has already commenced an assessment of the impact of these new HKFRSs but is not yet in a position to state whether these new HKFRSs would have a material impact on its results of operations and financial position.

3. *SIGNIFICANT ACCOUNTING POLICIES*

These financial statements have been prepared in accordance with HKFRSs, accounting principles generally accepted in Hong Kong and the applicable disclosures required by the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited and by the Hong Kong Companies Ordinance.

These financial statements have been prepared under the historical cost convention, as modified by the revaluation of investment properties, financial assets at fair value through profit or loss and derivative financial instruments which are carried at their fair values.

During the period, the Company changed its financial year end date from 31 March to 31 December in order to conform to the financial year end date of its subsidiaries. The current period financial statements cover a nine months period ended 31 December 2009 and the comparative financial statements cover a twelve months period ended 31 March 2009. The comparative amounts are therefore not entirely comparable.

The preparation of financial statements in conformity with HKFRSs requires the use of certain key assumptions and estimates. It also requires the directors to exercise its judgements in the process of applying the accounting policies. The areas involving critical judgements and areas where assumptions and estimates are significant to these financial statements, are disclosed in note 4 to the financial statements.

The significant accounting policies applied in the preparation of these financial statements are set out below.

(A) CONSOLIDATION

The consolidated financial statements include the financial statements of the Company and its subsidiaries made up to 31 December. Subsidiaries are entities over which the Group has control. Control is the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities. The existence and effect of potential voting rights that are currently exercisable or convertible are considered when assessing whether the Group has control.

Notes to the Financial Statements

For the nine months ended 31 December 2009

3. *SIGNIFICANT ACCOUNTING POLICIES* (Continued)

(A) *CONSOLIDATION* (Continued)

Subsidiaries are consolidated from the date on which control is transferred to the Group. They are de-consolidated from the date the control ceases.

The gain or loss on the disposal of a subsidiary represents the difference between the proceeds of the sale and the Group's share of its carrying amount together with any remaining goodwill relating to the subsidiary and also any related accumulated foreign currency translation reserve.

Intragroup transactions, balances and unrealised profits are eliminated. Unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the asset transferred. Accounting policies of subsidiaries have been changed where necessary to ensure consistency with the policies adopted by the Group.

Minority interests represent the portion of interests of minority shareholders in the operating results and net assets of subsidiaries. Minority interests are presented in the consolidated statement of financial position and consolidated statement of changes in equity within equity. Minority interests are presented in the consolidated income statement and consolidated statement of comprehensive income as an allocation of profit or loss and total comprehensive income for the year between minority and shareholders of the Company (majority interests). Losses applicable to the minority in excess of the minority interests in the subsidiary's equity are allocated against the majority interests except to the extent that the minority has a binding obligation and is able to make an additional investment to cover the losses. If the subsidiary subsequently reports profits, such profits are allocated to the majority interests until the minority's share of losses previously absorbed by the majority has been recovered.

(B) *BUSINESS COMBINATION AND GOODWILL*

The purchase method is used to account for the acquisition of subsidiaries by the Group. The cost of an acquisition is measured as the fair value of the assets given, equity instruments issued and liabilities incurred or assumed at the date of exchange, plus costs directly attributable to the acquisition. Identifiable assets, liabilities and contingent liabilities of the subsidiary in an acquisition are measured at their fair values at the acquisition date.

The excess of the cost of acquisition over the Group's share of the net fair value of the subsidiary's identifiable assets, liabilities and contingent liabilities is recorded as goodwill. Any excess of the Group's share of the net fair value of the identifiable assets, liabilities and contingent liabilities over the cost of acquisition is recognised in consolidated profit or loss.

Notes to the Financial Statements

For the nine months ended 31 December 2009

3. *SIGNIFICANT ACCOUNTING POLICIES* (Continued)

(B) BUSINESS COMBINATION AND GOODWILL (Continued)

Goodwill is tested annually for impairment or more frequently if events or changes in circumstances indicate that it might be impaired. Goodwill is measured at cost less accumulated impairment losses. The method of measuring impairment losses of goodwill is the same as that of other assets as stated in the accounting policy (AA) below. Impairment losses of goodwill are recognised in consolidated profit or loss and are not subsequently reversed. Goodwill is allocated to cash-generating units that are expected to benefit from the synergies of the acquisition for the purpose of impairment testing.

The interests of minority shareholders in the subsidiary is initially measured at the minority's proportion of the net fair value of the subsidiary's identifiable assets, liabilities and contingent liabilities at the acquisition date.

(C) ASSOCIATES

Associates are entities over which the Group has significant influence. Significant influence is the power to participate in the financial and operating policies of an entity but is not control or joint control over those policies. The existence and effect of potential voting rights that are currently exercisable or convertible are considered when assessing whether the Group has significant influence.

Investment in an associate is accounted for in the consolidated financial statements by the equity method and is initially recognised at cost. Identifiable assets, liabilities and contingent liabilities of the associate in an acquisition are measured at their fair values at the acquisition date. The excess of the cost of acquisition over the Group's share of the net fair value of the associate's identifiable assets, liabilities and contingent liabilities is recorded as goodwill. The goodwill is included in the carrying amount of the investment and is tested for impairment together with the investment at the end of each reporting period when there is objective evidence that the investment is impaired. Any excess of the Group's share of the net fair value of the identifiable assets, liabilities and contingent liabilities over the cost of acquisition is recognised in consolidated profit or loss.

The Group's share of an associate's post-acquisition profits or losses is recognised in the consolidated profit or loss, and its share of the post-acquisition movements in reserves is recognised in the consolidated reserves. The cumulative post-acquisition movements are adjusted against the carrying amount of the investment. When the Group's share of losses in an associate equals or exceeds its interest in the associate, including any other unsecured receivables, the Group does not recognise further losses, unless it has incurred obligations or made payments on behalf of the associate. If the associate subsequently reports profits, the Group resumes recognising its share of those profits only after its share of the profits equals the share of losses not recognised.

Notes to the Financial Statements

For the nine months ended 31 December 2009

3. *SIGNIFICANT ACCOUNTING POLICIES* (Continued)

(C) ASSOCIATES (Continued)

The gain or loss on the disposal of an associate represents the difference between the proceeds of the sale and the Group's share of its carrying amount together with any remaining goodwill relating to the associate and also any related accumulated foreign currency translation reserve.

Unrealised profits on transactions between the Group and its associates are eliminated to the extent of the Group's interests in the associates. Unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the asset transferred. Accounting policies of associates have been changed where necessary to ensure consistency with the policies adopted by the Group.

(D) JOINT VENTURE

A joint venture is a contractual arrangement whereby the Group and other parties undertake an economic activity that is subject to joint control. Joint control is the contractually agreed sharing of control over the economic activity when the strategic financial and operating decisions relating to the activity require the unanimous consent of the parties sharing control.

In respect of interests in jointly controlled operations, the Group recognises in its financial statements, the assets that it controls and the liabilities that it incurs; and the expenses that it incurs and its share of the income that it earns from the sale of goods or services by the joint venture.

(E) FOREIGN CURRENCY TRANSLATION

(i) Functional and presentation currency

Items included in the financial statements of each of the Group's entities are measured using the currency of the primary economic environment in which the entity operates (the "functional currency"). The consolidated financial statements are presented in Hong Kong dollars, which is the Company's functional and presentation currency.

(ii) Transactions and balances in each entity's financial statements

Transactions in foreign currencies are translated into the functional currency on initial recognition using the exchange rates prevailing on the transaction dates. Monetary assets and liabilities in foreign currencies are translated at the exchange rates at the end of each reporting period. Gains and losses resulting from this translation policy are recognised in consolidated profit or loss.

Non-monetary items that are measured at fair values in foreign currencies are translated using the exchange rates at the dates when the fair values are determined.

Notes to the Financial Statements

For the nine months ended 31 December 2009

3. *SIGNIFICANT ACCOUNTING POLICIES* (Continued)

(E) *FOREIGN CURRENCY TRANSLATION* (Continued)

(ii) *Transactions and balances in each entity's financial statements* (Continued)

When a gain or loss on a non-monetary item is recognised in other comprehensive income, any exchange component of that gain or loss is recognised in other comprehensive income. When a gain or loss on a non-monetary item is recognised in consolidated profit or loss, any exchange component of that gain or loss is recognised in consolidated profit or loss.

(iii) *Translation on consolidation*

The results and financial position of all the Group entities that have a functional currency different from the Company's presentation currency are translated into the Company's presentation currency as follows:

– Assets and liabilities for each statement of financial position presented are translated at the closing rate at the date of that statement of financial position;

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

– All resulting exchange differences are recognised in the foreign currency translation reserve.

On consolidation, exchange differences arising from the translation of the net investment in foreign entities and of borrowings are recognised in the foreign currency translation reserve. When a foreign operation is sold, such exchange differences are recognised in the consolidated profit or loss as part of the gain or loss on disposal.

(F) *PROPERTY, PLANT AND EQUIPMENT*

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

Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. All other repairs and maintenance are recognised in the consolidated profit or loss during the period in which they are incurred.

Notes to the Financial Statements

For the nine months ended 31 December 2009

3. *SIGNIFICANT ACCOUNTING POLICIES* (Continued)

(F) *PROPERTY, PLANT AND EQUIPMENT* (Continued)

Depreciation of property, plant and equipment is calculated at rates sufficient to write off their cost less their residual values over the estimated useful lives on a straight-line basis. The principal residual values and annual depreciation rates are as follows:

	Residual values	Annual depreciation rate
Land and buildings	–	5%
Leasehold improvements	–	5%-33.3%
Motor vehicles	–	25%-30%
Furniture, fixtures and equipment	3%-10%	20%
Plant and machinery	–	20%

The residual values, useful lives and depreciation method are reviewed and adjusted, if appropriate, at the end of each reporting period.

Construction in progress represents plant and machinery pending installation, and is stated at cost less impairment losses. Depreciation begins when the relevant assets are available for use.

The gain or loss on disposal of property, plant and equipment is the difference between the net sales proceeds and the carrying amount of the relevant asset, and is recognised in the consolidated profit or loss.

(G) *INVESTMENT PROPERTIES*

Investment properties are land and/or buildings held to earn rentals and/or for capital appreciation. An investment property is measured initially at its cost including all direct costs attributable to the property.

After initial recognition, the investment property is stated at its fair value based on valuation by an external independent valuer. Gains or losses arising from changes in fair value of the investment property are recognised in consolidated profit or loss for the period in which they arise.

If an item of property, plant and equipment becomes an investment property because its use has changed, any difference between the carrying amount and the fair value of this item at the date of transfer is recognised as a revaluation of property, plant and equipment.

If an investment property becomes owner-occupied or a property held for sale, it is reclassified as property, plant and equipment or properties held for sale as appropriate, and its fair value at the date of reclassification becomes its cost for accounting purposes.

Notes to the Financial Statements

For the nine months ended 31 December 2009

3. *SIGNIFICANT ACCOUNTING POLICIES* (Continued)

(G) *INVESTMENT PROPERTIES* (Continued)

The gain or loss on disposal of an investment property is the difference between the net sales proceeds and the carrying amount of the property, and is recognised in consolidated profit or loss.

(H) *LEASES*

Leases in which a significant portion of the risks and rewards of ownership are not transferred to the lessee are classified as operating leases.

(i) The Group as lessee

Lease payments (net of any incentives received from the lessor) are expensed in the consolidated profit or loss on a straight-line basis over the lease term.

(ii) The Group as lessor

Rental income from operating leases is recognised in the consolidated profit or loss on a straight-line basis over the term of the relevant lease. Initial direct costs incurred in negotiating and arranging an operating lease are added to the carrying amount of the leased asset and recognised as an expense on a straight-line basis over the lease term.

(I) *RESEARCH AND DEVELOPMENT EXPENDITURE*

Expenditure on research activities is recognised as an expense in the period in which it is incurred.

(J) *INTANGIBLE ASSETS*

Intangible asset that are acquired from business combinations are recognised at fair value on initial recognition. After initial recognition, intangible assets are carried at cost less accumulated amortisation and any accumulated impairment losses.

Amortisation of intangible assets with finite useful lives is charged to consolidated profit or loss on a straight-line basis over the assets' estimated useful lives. The following intangible assets with finite useful lives are amortised from the date they are available for use and their estimated useful lives are as follows:

	Estimated useful lives
Technical know-how	15 years
Contractual rights in oil exploitation projects	8 years
Participating interest in oil exploitation project	30 years

Both the period and method of amortisation are reviewed annually.

Notes to the Financial Statements

For the nine months ended 31 December 2009

3. *SIGNIFICANT ACCOUNTING POLICIES* (Continued)

(K) INVENTORIES

Inventories are stated at the lower of cost and net realisable value. Cost is determined using the first-in, first-out basis. Net realisable value is the estimated selling price in the ordinary course of business, less the estimated costs of completion and the estimated costs necessary to make the sale.

(L) RECOGNITION AND DERECOGNITION OF FINANCIAL INSTRUMENTS

Financial assets and financial liabilities are recognised in the consolidated statement of financial position when the Group becomes a party to the contractual provisions of the instruments.

Financial assets are derecognised when the contractual rights to receive cash flows from the assets expire; the Group transfers substantially all the risks and rewards of ownership of the assets; or the Group neither transfers nor retains substantially all the risks and rewards of ownership of the assets but has not retained control on the 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 in other comprehensive income is recognised in the consolidated profit or loss.

Financial liabilities are derecognised when the obligation specified in the relevant contract is discharged, cancelled or expires. The difference between the carrying amount of the financial liability derecognised and the consideration paid is recognised in the consolidated profit or loss.

(M) INVESTMENTS

Investments are recognised and derecognised on a trade date basis where the purchase or sale of an investment is under a contract whose terms require delivery of the investment within the timeframe established by the market concerned, and are initially measured at fair value, plus directly attributable transaction costs except in the case of financial assets at fair value through profit or loss.

Financial assets at fair value through profit or loss are either investments classified as held for trading or designated as at fair value through profit or loss upon initial recognition. These investments are subsequently measured at fair value. Gains or losses arising from changes in fair value of these investments are recognised in the consolidation profit or loss.

(N) TRADE AND OTHER RECEIVABLES

Trade and other receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market and are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method, less allowance for impairment. An allowance for impairment of trade and other receivables is established when there is objective evidence that the Group will not be able to collect all amounts due according to the original terms of receivables. The amount of the allowance is the difference between the receivables' carrying amount and the present value of estimated future cash flows, discounted at the effective interest rate computed at initial recognition. The amount of the allowance is recognised in the consolidation profit or loss.

Notes to the Financial Statements

For the nine months ended 31 December 2009

3. *SIGNIFICANT ACCOUNTING POLICIES* (Continued)

(N) *TRADE AND OTHER RECEIVABLES* (Continued)

Impairment losses are reversed in subsequent periods and recognised in the consolidation profit or loss when an increase in the receivables' recoverable amount can be related objectively to an event occurring after the impairment was recognised, subject to the restriction that the carrying amount of the receivables at the date the impairment is reversed shall not exceed what the amortised cost would have been had the impairment not been recognised.

(O) *CASH AND CASH EQUIVALENTS*

For the purpose of the statement of cash flows, cash and cash equivalents represent cash at bank and on hand, demand deposits with banks and other financial institutions, and short-term highly liquid investments which are readily convertible into known amounts of cash and subject to an insignificant risk of change in value. Bank overdrafts which are repayable on demand and form an integral part of the Group's cash management are also included as a component of cash and cash equivalents.

(P) *FINANCIAL LIABILITIES AND EQUITY INSTRUMENTS*

Financial liabilities and equity instruments are classified according to the substance of the contractual arrangements entered into and the definitions of a financial liability and an equity instrument under HKFRSs. An equity instrument is any contract that evidences a residual interest in the assets of the Group after deducting all of its liabilities. The accounting policies adopted for specific financial liabilities and equity instruments are set out below.

(Q) *BORROWINGS*

Borrowings are recognised initially at fair value, net of transaction costs incurred, and subsequently measured at amortised cost using the effective interest method.

Borrowings are classified as current liabilities unless the Group has an unconditional right to defer settlement of the liability for at least 12 months after the reporting period.

(R) *TRADE AND OTHER PAYABLES*

Trade and other payables are stated initially at their fair value and subsequently measured at amortised cost using the effective interest method unless the effect of discounting would be immaterial, in which case they are stated at cost.

(S) *EQUITY INSTRUMENTS*

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

Notes to the Financial Statements

For the nine months ended 31 December 2009

3. *SIGNIFICANT ACCOUNTING POLICIES* (Continued)

(T) *DERIVATIVE FINANCIAL INSTRUMENTS*

Derivatives are initially recognised and are subsequently measured at fair value. Changes in the fair value of derivatives that do not qualify for hedge accounting are recognised in the consolidated profit or loss as they arise.

(U) *REVENUE RECOGNITION*

Revenue is measured at the fair value of the consideration received or receivable and is recognised when it is probable that the economic benefits will flow to the Group and the amount of revenue can be measured reliably.

Revenue from the production of crude oil in which the Group has an interest with other producers is recognised based on the Group's working interest and the terms of the relevant production sharing contracts and on the transfer of significant risks and rewards of ownership, which generally coincides with the time when the crude oil are delivered and the title has passed to the customers. This generally occurs when crude oil is physically transferred into an oil tanker, pipe or other delivery mechanism.

Rental income is recognised on a straight-line basis over the lease term.

Property management service fees income is recognised when the services are rendered.

Interest income is recognised on a time-proportion basis using the effective interest method.

(V) *EMPLOYEE BENEFITS*

(i) *Employee leave entitlements*

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

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

(ii) *Pension obligations*

The Group contributes to defined contribution retirement schemes which are available to all employees. Contributions to the schemes by the Group and employees are calculated as a percentage of employees' basic salaries. The retirement benefit scheme cost charged to consolidated profit or loss represents contributions payable by the Group to the funds.

Notes to the Financial Statements

For the nine months ended 31 December 2009

3. *SIGNIFICANT ACCOUNTING POLICIES* (Continued)

(V) EMPLOYEE BENEFITS (Continued)

(iii) Termination benefits

Termination benefits are recognised when, and only when, the Group demonstrably commits itself to terminate employment or to provide benefits as a result of voluntary redundancy by having a detailed formal plan which is without realistic possibility of withdrawal.

(W) SHARE-BASED PAYMENTS

The Group issues equity-settled share-based payments to certain directors, employees and consultants. Equity-settled share-based payments are measured at fair value (excluding the effect of non market-based vesting conditions) of the equity instruments at the date of grant. The fair value determined at the grant date of the equity-settled share-based payments is expensed on a straight-line basis over the vesting period, based on the Group's estimate of shares that will eventually vest and adjusted for the effect of non market-based vesting conditions.

(X) BORROWING COSTS

Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, which are assets that necessarily take a substantial period of time to get ready for their intended use or sale, are capitalised as part of the cost of those assets, until such time as the assets are substantially ready for their intended use or sale. Investment income earned on the temporary investment of specific borrowings pending their expenditure on qualifying assets is deducted from the borrowing costs eligible for capitalisation.

To the extent that funds are borrowed generally and used for the purpose of obtaining a qualifying asset, the amount of borrowing costs eligible for capitalisation is determined by applying a capitalisation rate to the expenditures on that asset. The capitalisation rate is the weighted average of the borrowing costs applicable to the borrowings of the Group that are outstanding during the period, other than borrowings made specifically for the purpose of obtaining a qualifying asset.

All other borrowing costs are recognised in consolidated profit or loss in the period in which they are incurred.

(Y) TAXATION

Income tax represents the sum of the current tax and deferred tax.

The tax currently payable is based on taxable profit for the year. Taxable profit differs from profit recognised in consolidated profit or loss because it excludes items of income or expense that are taxable or deductible in other years and it further excludes items that are never taxable or deductible. The Group's liability for current tax is calculated using tax rates that have been enacted or substantively enacted by the end of the reporting period.

Notes to the Financial Statements

For the nine months ended 31 December 2009

3. *SIGNIFICANT ACCOUNTING POLICIES* (Continued)

(Y) *TAXATION* (Continued)

Deferred tax is recognised on differences between the carrying amounts of assets and liabilities in the financial statements and the corresponding tax bases used in the computation of taxable profit. 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 differences, unused tax losses or unused tax credits can be utilised. Such assets and liabilities are not recognised if the temporary difference arises from goodwill or from the initial recognition (other than in 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 investments in subsidiaries and associates, and interests in joint ventures, 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 the end of each reporting period 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 period when the liability is settled or the asset is realised, based on tax rates that have been enacted or substantively enacted by the end of the reporting period. Deferred tax is recognised in consolidated profit or loss, except when it relates to items recognised in other comprehensive income or directly in equity, in which case the deferred tax is also recognised in other comprehensive income or directly in equity.

Deferred tax assets and liabilities are offset when there is a legally enforceable right to set off current tax assets against current tax liabilities and when they relate to income taxes levied by the same taxation authority and the Group intends to settle its current tax assets and liabilities on a net basis.

Notes to the Financial Statements

For the nine months ended 31 December 2009

3. *SIGNIFICANT ACCOUNTING POLICIES* (Continued)

(Z) RELATED PARTIES

A party is related to the Group if:

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

(ii) the party is an associate;

(iii) the party is a joint venture;

(iv) the party is a member of the key management personnel of the Company or its parent;

(v) the party is a close member of the family of any individual referred to in (i) or (iv);

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

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

(AA) IMPAIRMENT OF ASSETS

At the end of each reporting period, the Group reviews the carrying amounts of its tangible and intangible assets except investment properties, inventories, receivables and investments to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the assets is estimated in order to determine the extent of the impairment loss. Where it is not possible to estimate the recoverable amount of an individual asset, the Group estimates the recoverable amount of the cash-generating unit to which the asset belongs.

Recoverable amount is the higher of fair value less costs to sell and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset.

If the recoverable amount of an asset or cash-generating unit is estimated to be less than its carrying amount, the carrying amount of the asset or cash-generating unit is reduced to its recoverable amount. An impairment loss is recognised immediately in consolidated profit or loss, unless the relevant asset is carried at a revalued amount, in which case the impairment loss is treated as a revaluation decrease.

Notes to the Financial Statements

For the nine months ended 31 December 2009

3. *SIGNIFICANT ACCOUNTING POLICIES* (Continued)

(AA) IMPAIRMENT OF ASSETS (Continued)

Where an impairment loss subsequently reverses, the carrying amount of the asset or cash-generating unit 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 (net of amortisation or depreciation) had no impairment loss been recognised for the asset or cash-generating unit in prior years. A reversal of an impairment loss is recognised immediately in the consolidated profit or loss, unless the relevant asset is carried at a revalued amount, in which case the reversal of the impairment loss is treated as a revaluation increase.

(BB) PROVISIONS AND CONTINGENT LIABILITIES

Provisions are recognised for liabilities of uncertain timing or amount when the Group has a present legal or constructive obligation arising as a result of a past event, it is probable that an outflow of economic benefits will be required to settle the obligation and a reliable estimate can be made. Where the time value of money is material, provisions are stated at the present value of the expenditures expected to settle the obligation.

Where it is not probable that an outflow of economic benefits will be required, or the amount cannot be estimated reliably, the obligation is disclosed as a contingent liability, unless the probability of outflow is remote. Possible obligations, whose existence will only be confirmed by the occurrence or non-occurrence of one or more future events are also disclosed as contingent liabilities unless the probability of outflow is remote.

(CC) EVENTS AFTER THE REPORTING PERIOD

Events after the reporting period that provide additional information about the Group's position at the end of the reporting period or those that indicate the going concern assumption is not appropriate are adjusting events and are reflected in the financial statements. Events after the reporting period that are not adjusting events are disclosed in the notes to the financial statements when material.

Notes to the Financial Statements

For the nine months ended 31 December 2009

4. CRITICAL JUDGEMENT AND KEY ESTIMATES

CRITICAL JUDGEMENTS IN APPLYING ACCOUNTING POLICIES

In the process of applying the accounting policies, the directors have made the following judgements that have the most significant effect on the amounts recognised in the financial statements (apart from those involving estimation, which are dealt with below).

(A) Split of land and buildings elements

The Group determines that the lease payments cannot be allocated reliably between the land and buildings elements. Accordingly the entire lease of land and buildings is classified as a finance lease and included under property, plant and equipment.

(B) Legal titles of land and buildings

As stated in note 14 to the financial statements, the titles of land and buildings were not transferred to the Group as at 31 December 2009 and 31 March 2009. Despite the fact that the Group has not obtained the relevant legal titles, the directors determine to recognise those land and buildings as property, plant and equipment on the grounds that they expect the transfer of legal titles in future should have no major difficulties and the Group is in substance controlling those land and buildings.

KEY SOURCES OF ESTIMATION UNCERTAINTY

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

(A) Fair values of investment properties

The Group appointed an independent professional valuer to assess the fair values of the investment properties. In determining the fair values, the valuer has utilised a method of valuation which involves certain estimates. The directors have exercised their judgement and are satisfied that the method of valuation is reflective of the current market conditions.

(B) Income tax

The Group is subject to income taxes in several jurisdictions. Significant estimates are required in determining the provision for income taxes. 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 determination is made.

Notes to the Financial Statements

For the nine months ended 31 December 2009

4. *CRITICAL JUDGEMENT AND KEY ESTIMATES* (Continued)

KEY SOURCES OF ESTIMATION UNCERTAINTY (Continued)

(C) *Intangible assets and amortisation*

The Group determines the estimated useful lives and related amortisation for the Group's intangible assets. The useful lives of intangible assets are assessed to be either finite or indefinite, based on the expected usage and technical obsolescence from the changes in the market demands or services output from the assets. Intangible assets with finite useful lives are amortised over the expected useful economic lives. The amortisation period and the amortisation method for the intangible assets with finite useful lives are reviewed by the management at least at the end of each reporting period.

(D) *Impairment of intangible assets*

The Group conducts impairment reviews of intangible assets whenever events or changes in circumstances indicate that their carrying amounts may not be recoverable in accordance with the relevant accounting standards. The recoverable amounts of intangible assets have been determined based on fair value less costs to sell calculations. These calculations require the use of estimates.

(E) *Share-based payments expenses*

The fair value of the share options granted determined at the date of grant of the respective share options is expensed over the vesting period, with a corresponding adjustment to the Group's share-based payments reserve. In assessing the fair value of the share options, the Black-Scholes option pricing model (the "Black-Scholes Model") was used. The Black-Scholes Model is one of the generally accepted methodologies used to calculate the fair value of the share options. The Black-Scholes Model requires the input of subjective assumptions, including the expected volatility and expected life of options. Any changes in these assumptions can significantly affect the estimate of the fair value of the share options.

5. *FINANCIAL RISK MANAGEMENT*

The Group's activities expose it to a variety of financial risks: interest rate risk, liquidity risk, credit risk, price risk and foreign currency risk. The Group's overall risk management programme focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the Group's financial performance.

(A) INTEREST RATE RISK

The Group's exposure to interest-rate risk arises from its bank deposits.

The Group's certain bank deposits mainly bear interest at variable rates varied with the then prevailing market condition.

Notes to the Financial Statements

For the nine months ended 31 December 2009

5. *FINANCIAL RISK MANAGEMENT* (Continued)

(A) *INTEREST RATE RISK* (Continued)

At 31 December 2009, if interest rates at that date had been 50 basis points lower/higher with all other variables held constant, consolidated loss after tax for the period would have been approximately HK$1,898,000 higher/lower, arising mainly as a result of lower/higher interest income on the bank deposits bearing interest at variable rates.

At 31 March 2009, if interests rates at that date had been 50 basis points lower/higher with all other variables held constant, consolidated loss after tax for the year would have been approximately HK$1,393,000 higher/lower, arising mainly as a result of lower/higher interest income on the bank deposits bearing interest at variable rates.

The Group's certain bank deposits bear interests at fixed interest rates, and therefore are subject to fair value interest rate risks.

(B) *LIQUIDITY RISK*

The Group's policy is to regularly monitor current and expected liquidity requirements to ensure that it maintains sufficient reserves of cash to meet its liquidity requirements in the short and long term.

The maturity of the Group's financial liabilities at the end of reporting period is less than one year.

(C) *CREDIT RISK*

The carrying amount of the bank and cash balances, trade and other receivables and financial assets at fair value through profit or loss included in the consolidated statement of financial position represents the Group's maximum exposure to credit risk in relation to the Group's financial assets.

The Group has significant concentration of credit risk as the trade receivables as at 31 December 2009 were due from a single customer. It has policies in place to ensure that sales are made to customers with an appropriate credit history. The amount due was subsequently settled in 2010.

The Group has no significant concentrations of credit risks on other receivables. The credit quality of the counterparties in respect of other receivables is assessed by taking into account their financial position, credit history and other factors. Given the constant repayment history, the directors are of the opinion that the risk of default by these counterparties is low.

The credit risk on bank and cash balances is limited because the counterparties are banks with high credit-ratings assigned by international credit-rating agencies and PRC large state-controlled banks.

Notes to the Financial Statements

For the nine months ended 31 December 2009

5. *FINANCIAL RISK MANAGEMENT* (Continued)

(D) PRICE RISK

The Group's financial assets at fair value through profit or loss are measured at fair value at the end of each reporting period. Therefore, the Group is exposed to equity security price risk. The directors manage this exposure by maintaining a portfolio of investments with difference risk profiles.

At 31 December 2009, if the share prices of the equity investments had increased/decreased by 10 per cent, consolidated loss after tax for the period would have been approximately HK$380,000 lower/higher, arising as a result of the fair value gain/loss on financial assets at fair value through profit or loss.

At 31 March 2009, if the share prices of the equity investments had increased/decreased by 10 per cent, consolidated loss after tax for the year would have been approximately HK$186,000 lower/higher, arising as a result of the fair value gain/loss on financial assets at fair value through profit or loss.

(E) FOREIGN CURRENCY RISK

The Group has minimal exposure to foreign currency risk as most of its business transactions, assets and liabilities are principally denominated in Hong Kong dollars ("HK$"), United States dollars ("US$") and Renminbi ("RMB") and the functional currencies of the principal operating Group entities are HK$ and RMB. The Group currently does not have a foreign currency hedging policy in respect of foreign currency transactions, assets and liabilities. The Group will monitor its foreign currency exposure closely and will consider hedging significant foreign currency exposure should the need arise.

At 31 December 2009, if the US$ had weakened/strengthened 1 per cent against the HK$ with all other variables held constant, consolidated loss after tax for the period would have been approximately HK$5,433,000 higher/lower, arising mainly as a result of the foreign exchange loss/gain on bank and cash balances denominated in US$.

At 31 March 2009, if the US$ had weakened/strengthened 1 per cent against the HK$ with all other variables held constant, consolidated loss after tax for the year would have been approximately HK$1,795,000 higher/lower, arising mainly as a result of the foreign exchange loss/gain on bank and cash balances denominated in US$.

Notes to the Financial Statements

For the nine months ended 31 December 2009

5. ***FINANCIAL RISK MANAGEMENT*** (Continued)

(F) *CATEGORIES OF FINANCIAL INSTRUMENTS AT 31 DECEMBER 2009*

	At 31 December 2009 HK$'000	At 31 March 2009 HK$'000
Financial assets:		
Financial assets at fair value through profit or loss	**3,800**	23,804
Loans and receivables (including cash and cash equivalents)	**2,155,494**	2,410,728
Financial liabilities:		
Financial liabilities at fair value through profit or loss	**–**	7,727
Financial liabilities at amortised cost	**34,146**	28,221

(G) *FAIR VALUE*

The carrying amounts of the Group's financial assets and financial liabilities as reflected in the consolidated statement of financial position approximate their respective fair values.

The fair value of the financial asset at fair value through profit or loss is measured based on quoted prices in active markets.

Notes to the Financial Statements

For the nine months ended 31 December 2009

6. TURNOVER

The Group's turnover which represents revenue from production of crude oil and provision of patented technologies supporting services to oilfields, rental income and property management service fees income are as follows:

	For the nine months ended 31 December 2009 HK$'000	For the twelve months ended 31 March 2009 HK$'000
Revenue from production of crude oil and provision of patented technologies supporting services to oilfields	**25,357**	–
Rental income	**–**	3,295
Property management service fees income	**–**	1,883
	25,357	5,178

7. OTHER INCOME

	For the nine months ended 31 December 2009 HK$'000	For the twelve months ended 31 March 2009 HK$'000
Fair value gain on financial assets at fair value through profit or loss	**1,981**	–
Fair value gain on derivative financial instruments	**7,727**	–
Fair value gain on investment properties	**11,355**	–
Interest income	**7,704**	49,544
Management fee income	**–**	998
Net foreign exchange gains	**28,560**	–
Net gain on disposals of financial assets at fair value through profit or loss	**42,179**	–
Other payables written back	**4,047**	–
Others	**83**	84
	103,636	50,626

Notes to the Financial Statements

For the nine months ended 31 December 2009

8. *SEGMENT INFORMATION*

The Group has adopted HKFRS 8 "Operating Segments" with effect from 1 April 2009. HKFRS 8 is a disclosure standard that requires operating segments to be identified on the basis of internal reports about components of the Group that are regularly reviewed by the chief operating decision maker for the purpose of allocation resources to segments and assessing their performance. In contrast, the predecessor standard (HKAS 14 "Segment Reporting") required an entity to identify two sets of segments (business and geographical) using a risks and returns approach. In the past, the Group's primary reporting format was business segments. The application of HKFRS 8 has resulted in a redesignation of the Group's reportable segments as compared with the primary reportable segments determined in accordance with HKAS 14.

In prior years, segment information reported externally was analysed on the basis of the Group's operating divisions, including property development, property investment, wholesale of household building materials and oil exploitation. However, information reported to the chief operating decision maker, executive directors of the Company, for the purpose of resources allocation and performance assessment specifically focuses on oil exploitation and property investment in the People's Republic of China ("the PRC").

The Group's reportable segments under HKFRS 8 are therefore as follows:

1. Oil exploitation – engages in activities relating to the production of crude oil and provision of patented technologies supporting services to oilfields.

2. Property investment – invests in commercial properties for their rental income, property management service fees income and value appreciation potential.

The Group's reportable segments are strategic business units that offer different products and services. They are managed separately because each business requires different technology and marketing strategies.

The accounting policies of the operating segments are the same as those described in note 3 to the financial statements.

Notes to the Financial Statements

For the nine months ended 31 December 2009

8. *SEGMENT INFORMATION* (Continued)

Segment profit or loss do not include the following items:

– other income (except for the fair value gain on investment properties)

– corporate expenses

– share of profits of associates

– (loss)/gain on disposals of associates

Segment assets do not include the following items:

– other assets

– investments in associates

– financial assets at fair value through profit or loss

– pledged bank deposits

– bank and cash balances

Segment liabilities do not include the following items:

– other liabilities

– due to directors

– derivative financial instruments

– current tax liabilities

Segment non-current assets do not include the following items:

– investments in associates

Notes to the Financial Statements

For the nine months ended 31 December 2009

8. *SEGMENT INFORMATION* (Continued)

Information about reportable segment profit or loss, assets and liabilities:

	Property investment HK$'000	Oil exploitation HK$'000	Total HK$'000
Period ended 31 December 2009			
Turnover from external customers	–	25,357	25,357
Segment profit/(loss)	7,174	(72,120)	(64,946)
Depreciation and amortisation	11	29,379	29,390
Other material item of income and expense:			
Income tax credit/(expense)	3,326	(1,828)	1,498
Other material non-cash item:			
Fair value gain on investment properties	11,355	–	11,355
Impairment loss on intangible assets	–	8,895	8,895
Additions to segment non-current assets	–	613,651	613,651
At 31 December 2009			
Segment assets	147,682	657,956	805,638
Segment liabilities	20,715	108,851	129,566

Notes to the Financial Statements

For the nine months ended 31 December 2009

8. *SEGMENT INFORMATION* (Continued)

Information about reportable segment profit or loss, assets and liabilities: (Continued)

	Property investment HK$'000	Oil exploitation HK$'000	Total HK$'000
Year ended 31 March 2009			
Turnover from external customers	5,178	–	5,178
Segment loss	(30,852)	(176,957)	(207,809)
Depreciation and amortisation	29	11,139	11,168
Other material item of income and expense:			
Income tax credit	10,677	–	10,677
Other material non-cash items:			
Fair value loss on investment properties	45,300	–	45,300
Allowances for inventories	–	93,639	93,639
At 31 March 2009			
Segment assets	136,077	44,942	181,019
Segment liabilities	19,899	13,311	33,210

Notes to the Financial Statements

For the nine months ended 31 December 2009

8. *SEGMENT INFORMATION* (Continued)

Reconciliations of reportable segment profit or loss, assets and liabilities:

	For the nine months ended 31 December 2009 HK$'000	For the twelve months ended 31 March 2009 HK$'000
Profit or loss		
Total loss of reportable segments	**(64,946)**	(207,809)
Unallocated amounts:		
Other income (except for the fair value gain on investment properties)	**92,281**	50,626
Corporate expenses	**(83,177)**	(450,173)
Share of profits of associates	**88,676**	12,604
(Loss)/gain on disposals of associates	**(91,454)**	35,827
Consolidated loss for the period/year	**(58,620)**	(558,925)
Assets		
Total assets of reportable segments	**805,638**	181,019
Unallocated amounts:		
Other assets	**1,928**	172,337
Investments in associates	**–**	119,056
Financial assets at fair value through profit or loss	**3,800**	23,804
Pledged bank deposits	**4,680**	–
Back and cash balances	**2,117,992**	2,240,790
Consolidated total assets	**2,934,038**	2,737,006
Liabilities		
Total liabilities of reportable segments	**129,566**	33,210
Unallocated amounts:		
Other liabilities	**3,218**	5,953
Due to directors	**7,446**	6,161
Derivative financial instruments	**–**	7,727
Current tax liabilities	**1,087**	–
Consolidated total liabilities	**141,317**	53,051

Notes to the Financial Statements

For the nine months ended 31 December 2009

8. *SEGMENT INFORMATION* (Continued)

GEOGRAPHICAL INFORMATION

The turnover and operating profit generated by the Group for the period ended 31 December 2009 and year ended 31 March 2009 were entirely attributable to the customers based in the PRC. In addition, majority of the Group's non current assets are located in the PRC. Accordingly, no geographical analysis is presented.

TURNOVER FROM MAJOR CUSTOMERS:

	For the nine months ended 31 December 2009 HK$'000	For the twelve months ended 31 March 2009 HK$'000
Oil exploitation segment		
Customer a	**25,357**	–
Property investment segment		
Customer b	**–**	5,178

Notes to the Financial Statements

For the nine months ended 31 December 2009

9. LOSS FOR THE PERIOD/YEAR

Loss for the period/year is arrived at after charging the following:

	For the nine months ended 31 December 2009 HK$'000	For the twelve months ended 31 March 2009 HK$'000
Amortisation of intangible assets (note b)	**18,010**	–
Auditor's remuneration		
– Current	**1,066**	891
– Under-provision in prior year	**40**	–
	1,106	891
Depreciation	**11,564**	12,048
Directors' emoluments (note 11)	**20,162**	40,481
Loss on disposals of property, plant and equipment	**10**	–
Operating lease rentals paid in respect of rented premises (note a)	**2,605**	4,294
Research and development expenditures	**2,223**	3,917
Staff costs including directors' emoluments		
Salaries, bonuses and allowances (note a)	**12,751**	18,281
Retirement benefits scheme contributions	**317**	238
Equity-settled share-based payments	**54,251**	113,445
	67,319	131,964
Direct operating expenses of investment properties that generate rental income	**–**	648
Direct operating expenses of investment properties that did not generate rental income	**734**	–
Net foreign exchange losses	**–**	61,705
Fair value loss on derivative financial instruments	**–**	7,727
Fair value loss on financial assets at fair value through profit or loss	**–**	202,066
Fair value loss on investment properties	**–**	45,300
Allowances for inventories	**–**	93,639
Impairment loss on intangible assets (note c)	**8,895**	–

Notes to the Financial Statements

For the nine months ended 31 December 2009

9. *LOSS FOR THE PERIOD/YEAR* (Continued)

Note a: The amount includes the accommodation benefits provided to a director and staff amounting to approximately HK$1,200,000 (for the year ended 31 March 2009: HK$1,002,000) included in the staff costs.

Note b: The amortisation charge of approximately HK$14,432,000 (for the year ended 31 March 2009: Nil) and HK$3,578,000 (for the year ended 31 March 2009: Nil) are included in the oil exploitation expenses and costs of sales and services rendered respectively.

Note c: The impairment loss on intangible assets for the period is included in administrative expenses in the consolidated income statement.

10. *INCOME TAX EXPENSE/(CREDIT)*

	For the nine months ended 31 December 2009 HK$'000	For the twelve months ended 31 March 2009 HK$'000
Current tax - PRC enterprise income tax		
Provision for the period/year	**1,087**	492
Under-provision in prior years	**–**	11
	1,087	503
Deferred tax (note 25)	**1,498**	(10,677)
	2,585	(10,174)

No provision for profits tax in the Bermuda, Bahamas, British Virgin Islands or Hong Kong is required as the Group has no assessable profit arising in or derived from these jurisdictions for the period ended 31 December 2009 and the year ended 31 March 2009.

PRC enterprise income tax ("EIT") is calculated at the applicable rates based on estimated taxable income earned by the companies with certain tax preference, based on existing legislation, interpretation and practices in respect thereof.

Universe Oil & Gas (China) LLC ("Universe"), being a foreign investment enterprise is entitled to an exemption from EIT for two years starting from its first profit-making year, followed by a 50% tax relief for the following three years. Universe was entitled to and enjoyed the first exemption year in 2007 and a 50% tax relief for the three years ended 31 December 2011. Therefore, the applicable income tax rate of Universe for the period ended 31 December 2009 is 12.5%.

Notes to the Financial Statements

For the nine months ended 31 December 2009

10. *INCOME TAX EXPENSE/(CREDIT)* (Continued)

The reconciliation between the income tax expense/(credit) and the product of loss before tax multiplied by the PRC enterprise income tax rate is as follows:

	For the nine months ended 31 December 2009 HK$'000	For the twelve months ended 31 March 2009 HK$'000
Loss before tax (excluding share of results of associates)	**(144,711)**	(581,703)
Tax at the statutory PRC enterprise income tax rate of 25%	**(36,178)**	(145,426)
Tax effect of income that is not taxable	**(18,852)**	(12,940)
Tax effect of expenses that are not deductible	**39,552**	29,167
Tax effect of tax losses not recognised	**18,545**	78,440
Tax effect of utilisation of tax losses not previously recognised	**(931)**	(897)
Tax effect of temporary differences not recognised	**2,224**	2,683
Tax effect of tax preferential period	**303**	–
Under-provision in prior years	**–**	11
Effect of different tax rates of the Company and its subsidiaries	**(2,078)**	38,788
Income tax expense/(credit)	**2,585**	(10,174)

Under the new PRC Enterprise Income Tax law, from 1 January 2008, non-resident enterprises without an establishment or place of business in the PRC or which have an establishment or place of business in the PRC but whose relevant income is not effectively connected with the establishment or a place of business in the PRC, will be subject to withholding tax at the rate of 10% (under reduced by treaty) on various types of passive income such as dividends derived from sources within the PRC.

According to the notice Caishui 2008 No. 1 released by the Ministry of Finance and the State Administration of Taxation, distributions of the pre-2008 retained profits of a foreign invested enterprise to a foreign investor in 2008 or after are exempted from withholding tax. Accordingly, the retained profits as at 31 December 2007 in the Group's PRC subsidiaries will not be subject to 10% withholding tax on future distributions.

The Group is liable to withholding tax on dividends distributed from the Group's PRC subsidiaries in respect of their profits generated on or after 1 January 2008. No deferred tax liabilities have been recognised in respect of this as the Group considers that as of the end of reporting periods, no such liability will be arisen in the foreseeable future.

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For the nine months ended 31 December 2009

11. DIRECTORS' AND EMPLOYEES' EMOLUMENTS

The emoluments of each director were as follows:

	Fees HK$'000	Salaries and other benefits HK$'000	Share-based payments HK$'000	Retirement benefits scheme contributions HK$'000	Total HK$'000
Period ended 31 December 2009					
Executive directors:					
Mr. Zhang Hongwei	**750**	**1,017**	**–**	**–**	**1,767**
Mr. Zhu Jun	**405**	**–**	**–**	**–**	**405**
Ms. Zhang Meiying	**1,341**	**184**	**16,186**	**9**	**17,720**
	2,496	**1,201**	**16,186**	**9**	**19,892**
Independent non-executive directors:					
Mr. Chau Siuwai	**90**	**–**	**–**	**–**	**90**
Mr. San Fung	**90**	**–**	**–**	**–**	**90**
Mr. Zhu Chengwu	**90**	**–**	**–**	**–**	**90**
	270	**–**	**–**	**–**	**270**
	2,766	**1,201**	**16,186**	**9**	**20,162**

	Fees HK$'000	Salaries and other benefits HK$'000	Share-based payments HK$'000	Retirement benefits scheme contributions HK$'000	Total HK$'000
Year ended 31 March 2009					
Executive directors:					
Mr. Zhang Hongwei	1,000	2,120	–	–	3,120
Mr. Zhu Jun	540	–	–	–	540
Ms. Zhang Meiying	1,800	613	34,036	12	36,461
	3,340	2,733	34,036	12	40,121
Independent non-executive directors:					
Mr. Chau Siuwai	120	–	–	–	120
Mr. San Fung	120	–	–	–	120
Mr. Zhu Chengwu	120	–	–	–	120
	360	–	–	–	360
	3,700	2,733	34,036	12	40,481

Notes to the Financial Statements

For the nine months ended 31 December 2009

11. DIRECTORS' AND EMPLOYEES' EMOLUMENTS (Continued)

There was no arrangement under which a director waived or agreed to waive any emoluments during the period (for the year ended 31 March 2009: Nil).

The five highest paid individuals in the Group during the period included 1 (for the year ended 31 March 2009: 1) directors whose emoluments are reflected in the analysis presented above. The emoluments of the remaining 4 (for the year ended 31 March 2009: 4) individuals are set out below:

	For the nine months ended 31 December 2009 HK$'000	For the twelve months ended 31 March 2009 HK$'000
Salaries and other benefits	**1,869**	2,285
Share-based payments	**18,635**	37,057
	20,504	39,342

The emoluments fell within the following band:

	Number of individuals	
	For the nine months ended 31 December 2009	For the twelve months ended 31 March 2009
Nil to HK$1,000,000	**–**	-
HK$4,000,001 to HK$4,500,000	**2**	-
HK$5,000,001 to HK$5,500,000	**1**	-
HK$7,000,001 to HK$7,500,000	**1**	-
HK$8,500,001 to HK$9,000,000	**–**	2
HK$9,000,001 to HK$9,500,000	**–**	1
HK$13,000,001 to HK$13,500,000	**–**	1
	4	4

No emoluments were paid by the Group to any of the directors or the highest paid individuals as an inducement to join or upon joining the Group or as compensation for loss of office during the period (for the year ended 31 March 2009: Nil).

Notes to the Financial Statements

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12. LOSS PER SHARE

Basic loss per share is calculated based on loss attributable to shareholders of the Company during the period/ year divided by the weighted average number of ordinary shares in issue. The calculation of the basic loss per share is based on the following:

	For the nine months ended 31 December 2009 HK$'000	For the twelve months ended 31 March 2009 HK$'000
Loss attributable to shareholders of the Company		
Loss attributable to shareholders of the Company for the purpose of calculating basic loss per share	**(61,536)**	(550,438)

	For the nine months ended 31 December 2009	For the twelve months ended 31 March 2009
Number of shares		
Weighted average number of ordinary shares for the purpose of calculating basic loss per share	**12,777,091,632**	12,777,091,632

No diluted loss per share are presented as the Company did not have any dilutive potential ordinary sharing during the period ended 31 December 2009 and year ended 31 March 2009.

13. DIVIDEND

No dividend has been paid or declared by the Company during the period ended 31 December 2009 (for the year ended 31 March 2009: Nil).

Notes to the Financial Statements

For the nine months ended 31 December 2009

14. PROPERTY, PLANT AND EQUIPMENT

	Land and buildings HK$'000	Leasehold improvements HK$'000	Motor vehicles HK$'000	Furniture, fixtures and equipment HK$'000	Plant and machinery HK$'000	Construction in progress HK$'000	Total HK$'000
Cost							
At 1 April 2008	3,595	6,177	2,090	1,368	32,205	–	45,435
Additions	184	–	1,187	131	16,058	–	17,560
Exchange differences	77	92	46	21	712	–	948
At 31 March 2009	3,856	6,269	3,323	1,520	48,975	–	63,943
Additions	12	–	–	61	3,446	2,808	6,327
Acquisition of subsidiaries	562	349	578	178	12,290	16,293	30,250
Disposals	–	–	(515)	–	–	–	(515)
Exchange differences	7	8	4	2	80	(7)	94
At 31 December 2009	4,437	6,626	3,390	1,761	64,791	19,094	100,099
Accumulated depreciation							
At 1 April 2008	104	1,236	523	428	6,441	–	8,732
Charge for the year	260	940	765	301	9,782	–	12,048
Exchange differences	3	3	12	6	151	–	175
At 31 March 2009	367	2,179	1,300	735	16,374	–	20,955
Charge for the period	227	379	720	253	9,985	–	11,564
Disposals	–	–	(155)	–	–	–	(155)
Exchange differences	1	1	2	1	31	–	36
At 31 December 2009	595	2,559	1,867	989	26,390	–	32,400
Carrying amount							
At 31 December 2009	3,842	4,067	1,523	772	38,401	19,094	67,699
At 31 March 2009	3,489	4,090	2,023	785	32,601	–	42,988

At 31 December 2009, the Group was in the process of applying for the title certificates of its land and buildings with an aggregate net carrying amount of approximately HK$3,368,000 (31 March 2009: HK$3,489,000). The Directors are of the view that the Group is entitled to lawfully and validly occupy and use the above - mentioned land and buildings. The Directors are also of the opinion that the aforesaid matter does not have any significant impact on the Group's financial position as at 31 December 2009 and 31 March 2009. The building ownership certificate had been subsequently issued to the Group in March 2010.

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15. INVESTMENT PROPERTIES

	At 31 December 2009 HK$'000	At 31 March 2009 HK$'000
At beginning of period/year	**136,054**	177,600
Fair value gain/(loss)	**11,355**	(45,300)
Exchange differences	**245**	3,754
At end of period/year	**147,654**	136,054

The fair value of the Group's investment properties as at 31 December 2009 has been arrived at on the basis of a valuation carried out on that date by BMI Appraisals Limited, independent qualified professional valuer not connected with the Group. BMI Appraisals Limited is a member of The Hong Kong Institute of Surveyors, and has appropriate qualifications and recent experience in the valuation of similar properties in the relevant locations. The valuation prepared in accordance with the HKIS Valuation Standards on Properties (First Edition 2005) published by The Hong Kong Institute of Surveyors was arrived at by reference to market evidence of transaction prices for similar properties.

The Group's investment properties at their carrying amounts are as follows:

	At 31 December 2009 HK$'000	At 31 March 2009 HK$'000
Investment properties held under medium-term leases in the PRC	**147,654**	136,054

The Group's investment properties held as at 31 December 2009 are rented to an independent third party for periods up to 20 years. At 31 December 2009, the Group's total future minimum lease payments under non-cancellable operating leases are receivable as follows:

	At 31 December 2009 HK$'000	At 31 March 2009 HK$'000
Within one year	**5,204**	6,708
In the second to fifth years inclusive	**27,782**	27,712
After five years	**77,770**	79,180
	110,756	113,600

Pursuant to the supplementary tenancy agreement entered between the Group and the tenant on 1 April 2009, a rent free period from 1 April 2009 to 31 March 2010 was granted to the tenant due temporary suspension of the investment property for fire safety improvement works.

Notes to the Financial Statements

For the nine months ended 31 December 2009

16. INTANGIBLE ASSETS

	Technical know-how	Contractual rights in oil exploitation projects	Participating interest in oil exploitation project	Total
	HK$'000	HK$'000	HK$'000	HK$'000
Cost				
Acquisition of subsidiaries	345,608	63,735	167,738	577,081
Exchange differences	(171)	(32)	–	(203)
At 31 December 2009	345,437	63,703	167,738	576,878
Accumulated amortisation and impairment losses				
Amortisation for the period	11,589	3,578	2,843	18,010
Impairment loss	–	–	8,895	8,895
Exchange differences	3	1	–	4
At 31 December 2009	11,592	3,579	11,738	26,909
Carrying amount				
At 31 December 2009	333,845	60,124	156,000	549,969

Technical know-how represents the oil exploitation patented techniques for the Group's production of crude oil and provision of patented technologies supporting services business. The remaining amortisation period of the technical know-how is 12 years.

Contractual rights in oil exploitation projects represent the contractual arrangement in relation to the production of crude oil and provision of patented technologies supporting services to the oilfields in the PRC. The remaining amortisation period of contractual rights in oil exploitation projects is 7 years.

Participating interest in oil exploitation project represents the 10% participating interest in the Madura PSC contract relating to the right to join and assist Badan Pelaksana Kegiatan Usaha Hulu Minyak Dan Gas Bumi ("BPMIGAS"), a state-owned legal entity established under the Government of the Republic of Indonesia in accelerating the exploration for and development of the potential resources within the Madura Contract Area in Indonesia. The remaining amortisation period of the participating interest in oil exploitation project is 29 years.

Notes to the Financial Statements

For the nine months ended 31 December 2009

16. *INTANGIBLE ASSETS* (Continued)

During the period, the Group carried out reviews of the recoverable amount of its participating interest in oil exploitation project based on fair value less costs to sell. This asset is included in the Group's oil exploitation segment. The recoverable amount of the participating interest in oil exploitation project was arrived at by reference to the recent sales and purchase transactions of gas and oil fields over the world from year 2008 to year 2010. The review led to the recognition of an impairment loss of approximately HK$8,895,000 which is included in administrative expenses.

17. *INVESTMENTS IN ASSOCIATES*

	At 31 December 2009 HK$'000	At 31 March 2009 HK$'000
Unlisted investments		
Share of net assets	**–**	119,056

Details of the Group's interests in the associates are set out below:

Name of entity	**Place of registration and operation**	**Issued and paid up capital**	**Percentage of ownership interest/ voting power/ profit sharing**	**Principal activities**
Glimmer Stone Investments Limited ("Glimmer Stone")	British Virgin Islands	US$20,000	26.3%	Investment holding

During the period ended, the Group disposed of its 26.3% equity interest in Glimmer Stone for an aggregate cash consideration of approximately HK$116,278,000. The disposal was completed on 27 August 2009.

Notes to the Financial Statements

For the nine months ended 31 December 2009

17. *INVESTMENTS IN ASSOCIATES* (Continued)

Details of the principal subsidiary of Glimmer Stone is as follows:

Name of entity	Place of registration and operation	Issued and paid up capital	Percentage of ownership interest/ voting power/ profit sharing		Principal activities
			Group's effective interest	Held by the associate	
Grand Pacific Source Limited	British Virgin Islands	US$50,000	26.3%	100%	Investment holding

Summarised consolidated financial information in respect of the Group's associates is set out below:

	At 31 December 2009 HK$'000	At 31 March 2009 HK$'000
Total assets	**–**	493,952
Total liabilities	**–**	(41,268)
Net assets	**–**	452,684
Group's share of associate's net assets	**–**	119,056

	For the nine months ended 31 December 2009 HK$'000	For the twelve months ended 31 March 2009 HK$'000
Total revenue	**–**	286
Total profits for the period/year	**337,169**	50,907
Group's share of associates' profits for the period/year	**88,676**	12,604

Notes to the Financial Statements

For the nine months ended 31 December 2009

18. INVENTORIES

	At 31 December 2009 HK$'000	At 31 March 2009 HK$'000
Finished goods	**100,866**	93,639
Less: allowances for inventories	**(93,639)**	(93,639)
	7,227	–

19. TRADE AND OTHER RECEIVABLES

	At 31 December 2009 HK$'000	At 31 March 2009 HK$'000
Trade receivables (note a)	**13,778**	–
Other receivables (note b)	**21,239**	174,314
Total trade and other receivables	**35,017**	174,314

(a) TRADE RECEIVABLES

The Group's trading terms with customers are mainly on credit. The credit term is about 30 days. The Group seeks to maintain strict control over its outstanding receivables. Overdue balances are reviewed regularly by the directors.

The aging analysis of trade receivables, based on the invoice date, is as follows:

	At 31 December 2009 HK$'000	At 31 March 2009 HK$'000
0 to 30 days	**13,778**	–

The trade receivables are neither past due nor impaired as at 31 December 2009 (31 March 2009: Nil).

All trade receivables are denominated in Renminbi.

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For the nine months ended 31 December 2009

19. *TRADE AND OTHER RECEIVABLES* (Continued)

(b) *OTHER RECEIVABLES*

	At 31 December 2009 HK$'000	At 31 March 2009 HK$'000
Advances to a joint venture partner	**16,380**	–
Consideration receivable (note i)	**–**	101,589
Deposits and prepayments	**2,195**	4,376
Advances to staff	**2,280**	–
Amount due from a disposed associate	**–**	68,026
Others	**384**	323
Total other receivables	**21,239**	174,314

(i) The consideration receivable represents an amount due from an independent third party derived from the disposal of 30% equity interest in Shenyang Dadongfang Property Development Company Limited ("Dadongfang") for the year ended 31 March 2009. The amount is unsecured, interest-free and had been fully repaid during the period.

20. *FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS*

	At 31 December 2009 HK$'000	At 31 March 2009 HK$'000
Held for trading:		
Equity securities, listed in Hong Kong at market value (note a)	**3,800**	2,062
Debt securities, unlisted at fair value (note b)	**–**	21,742
	3,800	23,804

(a) The investments represent investments in listed equity securities that offer the Group the opportunity for return through dividend income and fair value gains. They have no fixed maturity or coupon rate. The fair values of the listed securities are based on current bid prices. In order to minimise credit risk, the Directors have delegated a team to be responsible for the formulation of a credit policy governing the control of credit risk. In this regard, the Directors consider that the credit risk is significantly reduced.

(b) Investment in debt securities represents senior note which bear interest at 12% per annum and will be matured on 15 December 2010.

Notes to the Financial Statements

For the nine months ended 31 December 2009

20. *FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS* (Continued)

(b) (Continued)

The issuer of the senior note had underwent voluntary petitions for reorganisation under Chapter 11 of the U.S. Bankruptcy Code in the U.S. Bankruptcy Court during the year ended 31 March 2009. During the period, the Group received the bankruptcy distribution of approximately HK$62,275,000 (equivalent to approximately US$7,984,000) to recover the carrying amount of investment in debt securities of approximately HK$21,742,000 and accordingly net gain on the disposal of approximately HK$40,533,000 was recognised in the consolidated income statement.

21. *PLEDGED BANK DEPOSITS AND BANK AND CASH BALANCES*

At 31 December 2009, the bank and cash balances of the Group denominated in RMB amounted to approximately HK$509,993,000 (31 March 2009: HK$368,569,000). Conversion of RMB into foreign currencies is subject to the PRC's Foreign Exchange Control Regulations and Administration of Settlement, Sale and Payment of Foreign Exchange Regulations.

At 31 December 2009, the Group's cash at bank of approximately HK$4,680,000 (31 March 2009: Nil) was pledged to a bank for the issue of a performance bond relating to the production of crude oil sharing contract. The pledged bank deposits were in US$ and at fixed interest rate of 1.1% per annum. At 31 December 2009, the pledged bank deposits in US$ of approximately HK$4,680,000 was therefore subject to foreign currency risk and fair value interest rate risk.

22. *TRADE AND OTHER PAYABLES*

	At 31 December 2009 HK$'000	At 31 March 2009 HK$'000
Accrual for operating expenses	**15,643**	18,580
Salary and welfare payables	**2,544**	1,576
Deposits received	**947**	1,706
Other tax payables	**1,194**	177
Others	**6,372**	21
Total trade and other payables	**26,700**	22,060

23. *DUE TO DIRECTORS*

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

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24. DERIVATIVE FINANCIAL INSTRUMENTS

	At 31 December 2009 HK$'000	At 31 March 2009 HK$'000
Call options granted, at fair value	**–**	7,727

On 6 June 2008, the Company entered into option deeds pursuant to which the Company is granted a put option to sell and the shareholders of Glimmer Stone (the "Purchasers") is granted a call option to acquire the remaining 26.3% of equity interests of Glimmer Stone within a specified period according to the relevant terms of the agreements.

On 20 August 2009, the Company entered into termination agreement with the Purchasers for which the Company had agreed to cancel the aforesaid option arrangement upon the completion of the disposal of Glimmer Stone. The termination was completed on 27 August 2009.

The derivative is measured at fair value valued by a firm of independent professional valuers in Hong Kong by using the Binomial Option Pricing Model. The significant inputs into the model were as follows:

	At 31 March 2009
Spot price	HK$123,957,000
Exercise price	HK$116,256,000
Risk-free rate	0.110%
Expected life of the options	74 days
Expected price volatility	4.57%

Expected price volatility was based on the expected price volatility of the two convertible bonds of Kaisun Energy Group Limited (formerly known as Challenger Group Holdings Limited) that are held by Glimmer Stone and its subsidiary and are their major assets in accounts. The expected life of the options represents the remaining exercise period of the options.

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25. DEFERRED TAX LIABILITIES

The following are the major deferred tax liabilities recognised by the Group.

	Investment properties HK$'000	Intangible assets HK$'000	Total HK$'000
At 1 April 2008	27,209	–	27,209
Credit to profit or loss for the year (note 10)	(10,677)	–	(10,677)
Exchange differences	571	–	571
At 31 March 2009	17,103	–	17,103
Acquisition of subsidiaries	–	87,496	87,496
Charge/(credit) to profit or loss for the period (note 10)	3,326	(1,828)	1,498
Exchange differences	31	(44)	(13)
At 31 December 2009	20,460	85,624	106,084

At the end of reporting period, the Group has unused tax losses and other deductible temporary differences of approximately HK$663,744,000 and HK$19,550,000 respectively (31 March 2009: HK$480,743,000 and HK$87,000 respectively) that are available for offsetting against future taxable profits. No deferred tax assets have been recognised due to unpredictability of future profit streams. The unrecognised tax losses and other deductible temporary differences may be carried forward indefinitely.

26. SHARE CAPITAL

	Number of shares	Amount HK$'000
Authorised:		
Ordinary shares of HK$0.01 each		
At 1 April 2008, 31 March 2009 and 31 December 2009	60,000,000,000	600,000
Issued and fully paid:		
Ordinary shares of HK$0.01 each		
At 1 April 2008, 31 March 2009 and 31 December 2009	12,777,091,632	127,771

The Group's objectives when managing capital are to safeguard the Group's ability to continue as a going concern and to maximise the return to the shareholders through the optimisation of the debt and equity balance.

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26. SHARE CAPITAL (Continued)

The Group monitors capital by maintaining a net cash position throughout the year. The Group manages the capital structure and makes adjustments to it in the light of changes in economic conditions and the risk characteristics of the underlying assets. In order to maintain the capital structure, the Group may adjust the payment of dividends, new share issues and raise new debts.

The Group's strategy is to maintain a solid base to support the operations and develop of its business in the long term. No changes were made in the objectives, policies or processes during the year ended 31 March 2009 and period ended 31 December 2009.

The only externally imposed capital requirement is that for the Group to maintain its listing on the Stock Exchange it has to have a public float of at least 25% of the shares. The Group receives a report from the share registrars periodically on substantial share interests showing the non-public float and it demonstrates continuing compliance with the 25% limit throughout the year. As at 31 December 2009, 30% (31 March 2009: 30%) of the shares were in public hands.

27. STATEMENT OF FINANCIAL POSITION OF THE COMPANY

	Note	**At 31 December 2009 HK$'000**	At 31 March 2009 HK$'000
Investments in subsidiaries		**4,832,952**	4,769,873
Investments in an associates		**–**	100,092
Trade and other receivables		**1,120**	1,699
Financial assets at fair value through profit or loss		**3,800**	23,804
Due from subsidiaries		**640,475**	421,193
Pledged bank deposits		**4,680**	–
Bank and cash balances		**1,458,872**	1,723,687
Trade and other payables		**(3,051)**	(5,209)
Derivative financial instruments		**–**	(7,727)
Due to directors		**(7,446)**	(6,161)
NET ASSETS		**6,931,402**	7,021,251
Capital and reserves			
Share capital		**127,771**	127,771
Reserves	28(B)	**6,803,631**	6,893,480
TOTAL EQUITY		**6,931,402**	7,021,251

Notes to the Financial Statements

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28. RESERVES

(A) GROUP

The amounts of Group's reserves and the movements therein are presented in the consolidated statement of comprehensive income and consolidated statement of changes in equity.

(B) COMPANY

	Share premium account HK$'000	Share-based payments reserve HK$'000	Accumulated losses HK$'000	Total HK$'000
At 1 April 2008	13,027,326	35,194	(2,106,465)	10,956,055
Recognition of share-based payments	–	113,445	–	113,445
Loss for the year	–	–	(4,176,020)	(4,176,020)
At 31 March 2009	13,027,326	148,639	(6,282,485)	6,893,480
At 1 April 2009	**13,027,326**	**148,639**	**(6,282,485)**	**6,893,480**
Recognition of share-based payments	**–**	**54,251**	**–**	**54,251**
Forfeiture of share-based payments	**–**	**(2,205)**	**2,205**	**–**
Loss for the period	**–**	**–**	**(144,100)**	**(144,100)**
At 31 December 2009	**13,027,326**	**200,685**	**(6,424,380)**	**6,803,631**

(C) NATURE AND PURPOSE OF RESERVES

(i) Share premium account

Share premium represents premium arising from the issue of shares at a price in excess of their par value per share and is not distributable but may be applied in paying up unissued shares of the Company to be issued to the shareholders of the Company as fully paid bonus shares or in providing for the premiums payable on repurchase of shares.

(ii) Merger reserve

Merger reserve represents the difference between the nominal value of the shares of subsidiaries acquired and the market value of the shares issued by the Company as consideration for the acquisition.

Notes to the Financial Statements

For the nine months ended 31 December 2009

28. *RESERVES* (Continued)

(C) *NATURE AND PURPOSE OF RESERVES* (Continued)

(iii) Capital reserve

Capital reserve represents the aggregate of:

– the Group's share of an additional equity contribution made from minority shareholder of a subsidiary, Shenyang Shengtaiyuan Logistic Company Limited, on 19 April 2005; and

– the loan wavier made by the ultimate holding company, He Fu International Limited, to a subsidiary, United Energy International Investments Limited (formerly known as Grand Hope Group Limited).

(iv) Statutory reserve

Statutory reserve, which is non-distributable, is appropriated from the profit after taxation of the Company's PRC subsidiaries under the applicable laws and regulations in the PRC.

(v) Share-based payments reserve

The share-based payments reserve represents the fair value of the actual or estimated number of unexercised share options granted to directors, employees and consultants of the Group recognised in accordance with the accounting policy adopted for equity-settled share-based payments in note 3(W) to the financial statements.

29. *SHARE-BASED PAYMENTS*

EQUITY-SETTLED SHARE OPTION SCHEME

The Company's share option scheme (the "Scheme") was adopted pursuant to the shareholders' resolution passed on 11 May 2006 for the primary purpose of providing opportunity to directors, employees and consultants to acquire proprietary interests of the Group and will expire on 10 May 2016. Under the Scheme, the Board of Directors of the Company may grant options to eligible person (including all directors, employees of the Group, consultants, advisors, agents, customers, service providers, contractors and business partners of any members of the Group).

The total number of shares in respect of which options may be granted under the Scheme is not permitted to exceed 30% of the shares of the Company in issue from time to time. The number of shares issued and to be issued in respect of which options granted and may be granted to any individual is not permitted to exceed 10% of the shares of the Company in issue from time to time.

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29. *SHARE-BASED PAYMENTS* (Continued)

EQUITY-SETTLED SHARE OPTION SCHEME (Continued)

The exercise price is determined by the directors of the Company, and will not be less than the higher of (i) the closing price of the Company's shares on the date of grant; (ii) the average closing price of the share for the five business dates immediately preceding the date of grant; and (iii) the nominal value of the Company's shares.

Share options granted to any director, chief executive or substantial shareholder, or to any of their associates, are subject to approval in advance by the independent non-executive directors. In addition, any share options granted to substantial shareholders or an independent non-executive director of the Company, or to any of their associates, in excess of 0.1% of the shares of the Company in issue at any time or with an aggregate value (based on the price of the Company's shares at the date of grant) in excess of HK$5 million, within 12 month period, are subject to shareholders' approval in advance in general meeting.

The offer of a grant of share options may be accepted within 30 days from the date of offer, upon payment of a nominal consideration of HK$1 in total by the grantee.

Details of the specific categories of options are as follows:

Grantee	Date of grant	Vesting period	Exercise period	Exercise price HK$	Number of share options
Directors and employees	04.12.2007	04.12.2007 to 03.12.2008	04.12.2008 to 03.12.2012	1.56	82,500,000
	04.12.2007	04.12.2007 to 03.12.2009	04.12.2009 to 03.12.2012	1.56	55,000,000
	04.12.2007	04.12.2007 to 03.12.2010	04.12.2010 to 03.12.2012	1.56	55,000,000
	04.12.2007	04.12.2007 to 03.12.2011	04.12.2011 to 03.12.2012	1.56	82,500,000
					275,000,000
Employees and consultants	20.05.2008	20.05.2008 to 19.05.2009	20.05.2009 to 19.05.2013	0.902	99,000,000
	20.05.2008	20.05.2008 to 19.05.2010	20.05.2010 to 19.05.2013	0.902	66,000,000
	20.05.2008	20.05.2008 to 19.05.2011	20.05.2011 to 19.05.2013	0.902	66,000,000
	20.05.2008	20.05.2008 to 19.05.2012	20.05.2012 to 19.05.2013	0.902	99,000,000
					330,000,000

If the options remain unexercised after a period of 5 years from the date of grant, the options expire. Options are forfeited if the employee leaves the Group before the options vest.

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29. *SHARE-BASED PAYMENTS* (Continued)

EQUITY-SETTLED SHARE OPTION SCHEME (Continued)

Details of the share options outstanding during the period/year are as follows:

	At 31 December 2009		At 31 March 2009	
	Number of share options	**Weighted average exercise price HK$**	Number of share options	Weighted average exercise price HK$
Outstanding at the beginning of the period/year	**365,000,000**	**1.398**	275,000,000	1.560
Granted during the period/year	**–**	**–**	330,000,000	0.902
Forfeited during the period/year	**(10,000,000)**	**(0.902)**	(240,000,000)	(0.902)
Outstanding at the end of the period/year	**355,000,000**	**1.412**	365,000,000	1.398
Exercisable at the end of the period/year	**161,500,000**	**1.462**	82,500,000	1.560

The options outstanding at the end of the period have a weighted average remaining contractual life of 3.03 years (for the year ended 31 March 2009: 3.79 years) and the exercise prices are ranging from HK$0.902 to HK$1.56 (for the year ended 31 March 2009: HK$0.902 to HK$1.56).

The estimated fair values of the share options granted on 4 December 2007 and 20 May 2008 are determined using the Black-Scholes model. The respective fair values and significant inputs to the model were as follows:

	Share option grant date	
	20 May 2008	4 December 2007
Fair value at grant date	HK$176,913,000	HK$231,400,000
Number of share options granted	330,000,000	275,000,000
Grant date share price	HK$0.900	HK$1.49
Exercise price	HK$0.902	HK$1.56
Expected volatility	110.71%	105.04%
Risk free rate	1.181% – 2.420%	1.160% – 2.403%
Expected life	1-4 years	1-4 years

Expected volatility was based on the historical volatility of the Company's share price over the previous 5 years and 1 year for the share options granted on 20 May 2008 and 4 December 2007 respectively. The expected life used in the model has been adjusted, based on the Group's best estimate, for the effects of non transferability, exercise restrictions and behavioural considerations.

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30. NOTES TO THE CONSOLIDATED STATEMENT OF CASH FLOWS

(a) ACQUISITION OF SUBSIDIARIES

On 31 July 2009, the Group acquired 100% of the issued share capital of Merry Year Investments Limited ("Merry Year") for a cash consideration of HK$218,000,000. Merry Year was principally engaged in the provision of patented technologies supporting services to oilfields during the period.

On 17 June 2009, the Group acquired 100% of the issued share capital of PC (NAD) International Limited ("PCI") for a cash consideration of HK$167,739,000 (equivalent to US$21,505,000). PCI holds a 10% participating interest in the Madura PSC contract relating to the right to join and assist BPMIGAS in accelerating the exploration for and development of the potential resources within the Madura Contract Area in Indonesia.

The fair value of the identifiable assets and liabilities of the subsidiaries acquired as at its date of acquisition, which has no significant difference from its carrying amounts are as follows:

Net assets acquired:	**Merry Year** HK$'000	**PCI** HK$'000	**Total** HK$'000
Property, plant and equipment	30,250	–	30,250
Intangible assets	409,343	167,738	577,081
Inventories	36	–	36
Trade and other receivables	5,149	–	5,149
Bank and cash balances	40,210	1	40,211
Trade and other payables	(46,060)	–	(46,060)
Amounts due to minority shareholders	(40,000)	–	(40,000)
Deferred tax liability	(87,496)	–	(87,496)
Total net assets	311,432	167,739	479,171
Minority interests	(93,432)	–	(93,432)
Net assets acquired and total consideration	218,000	167,739	385,739
Net cash outflow arising on acquisition:			
Cash consideration paid	(218,000)	(167,739)	(385,739)
Bank and cash equivalents acquired	40,210	1	40,211
	(177,790)	(167,738)	(345,528)

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30. *NOTES TO THE CONSOLIDATED STATEMENT OF CASH FLOWS* (Continued)

(a) *ACQUISITION OF SUBSIDIARIES* (Continued)

The subsidiaries acquired during the period contributed loss of approximately HK$12,656,000 to the Group's loss for the period between the date of acquisition and the end of the reporting period.

If the acquisition had been completed on 1 April 2009, total Group turnover for the period would have been approximately HK$25,357,000, and loss for the period would have been approximately HK$79,218,000. The proforma information is for illustrative purposes only and is not necessarily an indication of the turnover and results of operations of the Group that actually would have been achieved had the acquisition been completed on 1 April 2009, nor is intended to be a projection of future results.

(b) *MAJOR NON-CASH TRANSACTIONS*

(i) During the period ended 31 December 2009, the Group has lost a motor vehicle with a carrying amount of HK$360,000. The Group has lodged an insurance claim of HK$350,000 and the insurer has agreed to discharge the claimable amount. The compensation has not yet been received at the end of reporting period and is included in trade and other receivables at the end of the reporting period.

(ii) During the year ended 31 March 2009, the Group entered into a sale and purchase agreement in connection with the disposal of its 30% equity interest in an associate, Dadongfang, for a cash consideration of approximately HK$101,589,000. According to the agreement, the cash consideration will be settled on or before 20 July 2009. The amount has not yet been settled at 31 March 2009 and is included in trade and other receivables as disclosed in note 19 to the financial statements. The consideration was fully settled during the period ended 31 December 2009.

31. *CAPITAL COMMITMENTS*

The Group's capital commitments at the end of reporting periods are as follows:

	At 31 December 2009 HK$'000	At 31 March 2009 HK$'000
Contracted but not provided for:		
Acquisition of property, plant and equipment	**11,492**	481
Research and development expenditures	**–**	83
	11,492	564

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32. OPERATING LEASE COMMITMENTS

At the end of reporting periods the total future minimum lease payments under non-cancellable operating leases are payable as follows:

	At 31 December 2009 HK$'000	At 31 March 2009 HK$'000
Within one year	**3,258**	3,079
In the second to fifth years inclusive	**209**	2,476
	3,467	5,555

Operating lease payments represent rental payable by the Group for certain of its offices, staff and director's quarters. Leases are negotiated for an average term of 3 years and rentals are fixed over the lease terms and do not include contingent rentals.

33. RETIREMENT BENEFITS SCHEME

HONG KONG

The Group participates in the mandatory provident fund scheme (the "MPF Scheme") established under the MPF Scheme Ordinance. The assets of the MPF Scheme are held separately from those of the Group in funds under the control of an independent trustee. Under the rules of the MPF Scheme, the employer and its employees are each required to make contributions to the scheme at rates specified in the rules. The only obligation of the Group with respect to the MPF Scheme is to make the required contributions under the scheme. No forfeited contributions are available to reduce contributions payable in future years.

The Group's contribution under the MPF Scheme for the period ended 31 December 2009 amounted to approximately HK$52,000 (for the year ended 31 March 2009: HK$80,000).

PRC

According to the relevant laws and regulations in the PRC, the Group's subsidiaries in the PRC are required to contribute a specified percentage of the payroll of their employees to the retirement benefits schemes to fund the retirement benefits of their employees. The only obligation of the Group with respect to the retirement benefits schemes is to make the required contributions under the respective schemes.

The Group's contribution under the respective schemes for the period ended 31 December 2009 amounted to approximately HK$265,000 (for the year ended 31 March 2009: HK$158,000).

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34. SUBSIDIARIES

Particulars of the subsidiaries as at 31 December 2009 are as follows:

Name of subsidiary	Place of incorporation/ registration	Issued and fully paid share capital/ registration capital	Proportion of ownership interest			Principal activities
			Group's effective interest	Held by the Company	Held by subsidiaries	
Fine Profit Corporation Limited	Hong Kong	HK$10,000	100%	100%	–	Provision of administrative services
United Energy International Investments Limited (formerly known as Grand Hope Group Limited)	British Virgin Islands	US$1	100%	100%	–	Investment holding
Shenyang Shengtaicheng Property Development Company Limited ("Shengtaicheng")	PRC	US$13,021,800	71%	–	71%	Property investment
Shenyang Shengtaiyuan Logistics Company Limited ("Shengtaiyuan")	PRC	RMB60,000,000	56.8%	–	80%	Dormant during the period
United Petroleum & Natural Gas Investments Limited ("United Petroleum")	British Virgin Islands	US$50,000	100%	100%	–	Production of crude oil in the PRC
Merry Year	British Virgin Islands	US$100	100%	100%	–	Investment holding
Universe Energy International Investments Limited	British Virgin Islands	US$100	70%	–	70%	Investment holding
Universe	PRC	US$10,000,000	70%	–	100%	Engaged provision of patented technologies supporting services to oilfields
United Energy International Holdings Limited	British Virgin Islands	US$100	100%	100%	–	Investment holding
PCI	Bahamas	US$100	100%	–	100%	Investment holding

Shengtaicheng is a sino-foreign equity joint venture, Shengtaiyuan is a domestic enterprise and Universe is a wholly foreign owned enterprise established in the PRC.

Notes to the Financial Statements

For the nine months ended 31 December 2009

35. EVENTS AFTER REPORTING PERIOD

(a) On 26 January 2010, United Petroleum has issued an irrevocable performance bond of approximately HK$468 million (equivalent to approximately US$60 million) in favour of PetroChina Company Limited, a state-owned limited liability company established in the PRC, for guarantee of United Petroleum's performance of its obligations in the development period of the enhancing oil recovery contract. The performance bond is pledged by the Group's bank and cash balances of approximately HK$468 million (equivalent to approximately US$60 million). Details of the transaction are set out in the Company's announcement dated 26 January 2010.

(b) In prior year, the Group was pursuing legal proceedings with Transmeridian Exploration Incorporated ("Transmeridian") in respect of the acquisition of oil production equipment amounting to approximately HK$93,639,000 (equivalent to US$12,000,000) for which Transmeridian had failed to make delivery according to the contract terms and full allowance was made against the inventories accordingly. On 3 February 2010, the Company received a distribution amount of approximately HK$24,960,000 (equivalent to US$3,200,000) from the liquidator of Transmeridian in relation to the claim of the equipment.

36. APPROVAL OF FINANCIAL STATEMENTS

The financial statements were approved and authorised for issue by the Board of Directors on 26 April 2010.

Particulars of Properties

Details of the Group's properties held for investment purposes and under medium-term leases as at 31 December 2009 are as follows:

Address	**Usage**
Levels 2 and 3 of a commercial building Located at No. 388-1 Shen Liao Road, Shenyang Economic and Technology Development Region, Shenyang City, Liaoning Province, the PRC.	Commercial

Financial Summary

RESULTS

	For the nine months ended 31 December 2009 HK$'000	Year ended 31 March 2009 HK$'000	2008 HK$'000 (note ii)	2007 HK$'000 (note i)	2006 HK$'000
Turnover	**25,357**	5,178	4,893	15,933	3,700
(Loss)/profit before tax	**(56,035)**	(569,099)	(108,302)	23,247	(5,252)
Income tax (expense)/credit	**(2,585)**	10,174	3,823	(2,571)	–
(Loss)/profit for the period/ year	**(58,620)**	(558,925)	(104,479)	20,676	(5,252)
Attributable to:					
Shareholders of the Company	**(61,536)**	(550,438)	(101,497)	18,508	(5,252)
Minority interests	**2,916**	(8,487)	(2,982)	2,168	–
	(58,620)	(558,925)	(104,479)	20,676	(5,252)

	As at 31 December 2009 HK$'000	As at 31 March 2009 HK$'000	2008 HK$'000 (note ii)	2007 HK$'000 (note i)	2006 HK$'000
Total assets	**2,934,038**	2,737,006	3,203,681	1,130,395	25,400
Total liabilities	**(141,317)**	(53,051)	(70,526)	(402,401)	(41,639)
Net assets/(liabilities)	**2,792,721**	2,683,955	3,133,155	727,994	(16,239)
Equity attributable to shareholders of the Company	**2,497,137**	2,496,931	2,941,737	521,294	(16,239)
Minority interests	**295,584**	187,024	191,418	206,700	–
Total equity	**2,792,721**	2,683,955	3,133,155	727,994	(16,239)

Note:

(i) Figures for year 2007 have been prepared based on the principles of merger accounting resulted from the Acquisition of United Energy International Investments Limited (formerly named "Grand Hope Group Limited").

(ii) Figures for year 2008 have been prepared based on the principles of merger accounting resulted from the Acquisition of United Petroleum & Natural Gas Investments Limited.

联合能源

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