STRONG PETROCHEMICAL HOLDINGS LIMITED
海 峽 石 油 化 工 控 股 有 限 公 司*

(incorporated in the Cayman Islands with limited liability)
Stock code : 852

2009/10
Annual Report

* For identification purposes only

CONTENTS

CORPORATE INFORMATION	2
CHAIRMAN'S STATEMENT	4
MANAGEMENT DISCUSSION AND ANALYSIS	6
BOARD OF DIRECTORS	11
CORPORATE GOVERNANCE REPORT	13
DIRECTORS' REPORT	17
INDEPENDENT AUDITOR'S REPORT	24
CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME	26
CONSOLIDATED STATEMENT OF FINANCIAL POSITION	27
CONSOLIDATED STATEMENT OF CHANGES IN EQUITY	29
CONSOLIDATED STATEMENT OF CASH FLOWS	31
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS	33
FINANCIAL SUMMARY	86
FINANCIAL EXTRACT	87
GLOSSARY	88

CORPORATION INFORMATION

BOARD OF DIRECTORS

Executive Directors

Mr. WANG Jian Sheng
Mr. YAO Guoliang
Mr. WONG Wing

Independent Non-executive Directors

Mr. ZHU Yao Bin
Mr. LAU Hon Kee
Ms. LIN Yan

BOARD COMMITTEES

Audit Committee

Mr. LAU Hon Kee *(Committee Chairperson)*
Mr. ZHU Yao Bin
Ms. LIN Yan

Remuneration Committee

Ms. LIN Yan *(Committee Chairperson)*
Mr. LAU Hon Kee
Mr. WANG Jian Sheng

COMPANY SECRETARY

Mr. PANG Man Chun Manson, CPA

AUTHORISED REPRESENTATIVES

Mr. WONG Wing
Mr. PANG Man Chun Manson

REGISTERED OFFICE

Cricket Square
Hutchins Drive
P.O. Box 2681
Grand Cayman KY1-1111
Cayman Islands

HEAD OFFICE AND PRINCIPAL PLACE OF BUSINESS

Room 1604, 16th Floor,
Far East Finance Centre
16 Harcourt Road
Admiralty
Hong Kong

AUDITOR

Deloitte Touche Tohmatsu
Certified Public Accountants
35th Floor, One Pacific Place
88 Queensway
Hong Kong

LEGAL ADVISOR

Li & Partners
22/F, World-Wide House,
Central
Hong Kong

COMPLIANCE ADVISOR

China Everbright Capital Limited
40th Floor, Far East Finance Centre
16 Harcourt Road
Hong Kong

PRINCIPAL SHARE REGISTRAR AND TRANSFER OFFICE

Butterfield Fulcrum Group (Cayman) Limited
Butterfield House
68 Fort Street
P.O. Box 705
Grand Cayman
KY1-007
Cayman Islands

HONG KONG BRANCH SHARE REGISTRAR AND TRANSFER OFFICE

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

PRINCIPAL BANKERS

The Bank of Tokyo-Mitsubishi UFJ Ltd.
Singapore Branch
9 Raffles Place #01-01 Republic Plaza
Singapore 048619

China Construction Bank (Macau) Corporation Ltd.
Nos. 70-76 Avenida de Almeida Ribeiro
Macao

Société Genérale
Singapore Branch
80 Robinson Road, #25-00
Singapore 068898

Standard Chartered Bank (Hong Kong) Limited
32nd Floor, Standard Chartered Bank Building
4-4A Des Voeux Road Central
Central
Hong Kong

Rabobank International
Singapore Branch
77 Robinson Road, #09-00
Singapore 068896

WEBSITE

www.strongpetrochem.com

STOCK CODE

852

DEAR SHAREHOLDERS,

It is my pleasure to present the annual results of Strong Petrochemical Holdings Limited (the "Company") and its subsidiaries (the "Group") for the year ended 31 March 2010 ("FY 09/10") to the shareholders on behalf of the board (the "Board") of directors (the "Directors").

The past year is a year of recovery for the global economy. In the oil market, compared to the dramatic slump in 2008, the oil price has been climbing a moderate ascent. The 2008 slump gave the Group an extraordinary gain from financial derivative instruments during the previous financial year – it was 20% higher than the gross profit from the trading business. A comparatively smooth and upward trend of the oil market in 2009 pushed the Group's revenue composition back to normal and gave the Group an opportunity in laying building-blocks to the next level – the Group's trading strategy has expanded to include "inventory-holding", apart from "back-to-back".

The inclusion of the "inventory-holding" strategy facilitated an increase in the Group's total trading volume from approximately 8.2 million barrels for the financial year ended 31 March 2009 ("FY 08/09") to approximately 9.2 million barrels for the FY 09/10. The Group's gross profit from sales has increased from about HK$171.9 million in FY 08/09 to HK$434.7 million in FY 09/10.

The Group acquired an oil tanker (the "Vessel") in June 2009 primarily for self storage purpose. With the support of the vessel, the Group has more flexibility in determining sales schedule and better adaptability to market changes. It allowed the Group more options in market anticipations and in maximizing return.

We made a promise during our IPO that there will be distribution of dividend for the FY09/10. I am happy to say that we have delivered our promise. On 8 January 2010, an interim dividend of HK3 cents per share was distributed. In this annual report, we propose a final dividend of HK3 cents per share. The dividend payout ratio will be approximately 48% in FY 09/10.

News about uncertainties in the outlook of the global economy recovery were heard every day. This impose pressure to the economic performance of the PRC, as a country whose primarily depending on export. Fortunately, PRC officials' figures shown that the growth in domestic demand in oil has been steadily positive. This counteracts the negativities from her peripheral economies.

To maintain the Group's competitiveness, we continue investing in strengthening our market intelligence capabilities, fortifying relationships with existing customers and broadening the customer base during the year. As mention above, the Group has the chance to lay down more "building-blocks" during the year. Apart from the inclusion of the vessel, the Group has also invested in the Tianjin Port Sinochem Petrochemical Dock Co., Ltd ("Tianjin Dock Project"). It is a continuance to our investment in the Tianjin area – the Tianjin Storage Project. The Tianjin Dock Project holds a value-adding and complementary purpose to the Tianjin Storage Project. It manifested the Group's determination and effort in stepping up our business.

Looking ahead, the Group maintains a prudent attitude in our core business development. Simultaneously, the Group will adopt a positive view towards the exploration of investment opportunities with potentials. Expanding the scope of business and increasing shareholders' return are the key objectives of the Group.

Lastly, on behalf of all members of the Board, I would like to express my heartfelt gratitude to all shareholders, the Board members, management team and staff of the Group for their support and contributions to the Group throughout the years.

Wang Jian Sheng
Chairman
Hong Kong 16 July 2010

The Group is principally engaged in the trading of oil products. Approximately 90% of the Group's revenue is generated from trading of crude oil for the financial year ended 31 March 2010 ("FY 09/10") (87% for the financial year ended 31 March 2009 ("FY 08/09")). The remaining revenue is generated from trading of petroleum products and petrochemical products. The Group extends its business to petroleum and petrochemical product storage operation.

BUSINESS REVIEW

Trading Strategy

The operating performance of oil trading business is highly affected by price fluctuation in the global oil market. In order to reduce price risks arising from short term price fluctuation in the global oil market, the Group decided to hold oil inventory as and when the traders consider appropriate. Oil inventory of the Group is stored in the Vessel anchoring in Tanjung Pelepas port of Malaysia, which is acquired by the Group on 29 June 2009. Appropriate hedging plan was carried out at the same time to minimize the risk on inventory holding. With the change in the trading strategy, the Group successfully increased its crude oil sales quantity from 8,174,456 barrels in FY 08/09 to 9,175,631 barrels in FY 09/10.

New Suppliers

During the FY 09/10, the Group has successfully registered with two state-owned oil companies in Southeast Asia as qualified trader. This further improved our sourcing capabilities with more varieties and options in crude oil and petroleum products when responding to customers' needs.

Bank Facilities

The Group continues to have strong and stable relationship with its principal bankers, which allows the Group to gain access to financial resources efficiently during the trading process. The total bank facilities granted to the Group increased from US$247 million as at 31 March 2009 to US$357 million as at 31 March 2010. With the increase in bank facilities, trading capacity of Group during FY 09/10 also increased as the Group can procure more inventory within a short period of time.

Representative Office in Beijing

In December 2009, the Group established a representative office in Beijing for marketing and liaison purposes. As most of the existing and potential customers have branch office or headquarters in the Northern part of China, the Beijing representative office brought the Group closer to its customers and improved communication between the Group and its customers.

Investment in Tianjin Port Sinochem Petrochemical Dock Co., Ltd

During FY 09/10, the Group invested 15% equity interest in Tianjin Port Sinochem Petrochemical Dock Co., Ltd. ("Tianjin Dock Project") through Smart Team Investments Limited. The total registered capital of the Tianjin Dock Project is approximately RMB180 million (equivalent to approximately HK$204.7 million), among which, the Group is required to pay a total of RMB27 million (equivalent to approximately HK$30.7 million). On 16 December 2009, the Group contributed the first installment of registered capital of RMB4 million.

The Tianjin Dock Project, located adjacent to our Tianjin Storage Project, aims to enhance the logistic of our oil storage operations in the area. Based on the latest construction plan, the Tianjin Dock Project covers an area of approximately 25,749 square meters. There will be two berths with capacity of 50,000 tons and 10,000 tons each, and total throughput of the two berths is estimated to be 3.5 million tons per annum. The Tianjin Dock Project will also include construction of pipeline and pump connecting the Tianjin Storage Project. The Tianjin Dock Project is currently under construction and expected to be completed around September 2011.

FINANCIAL REVIEW

Revenue

		Year ended 31 March					
		2010			2009		
Products	Units	**Number of shipment**	**Sales quantity**	**Turnover HK$ million**	Number of shipment	Sale quantity	Turnover HK$ million
Crude oil	BBL	**25**	**9,175,631**	**5,140.9**	21	8,174,456	5,197.9
Petroleum products	BBL	**3**	**495,832**	**262.2**	4	578,788	661.9
Petrochemical products	MT	**15**	**50,086**	**310.1**	7	22,908	132.4
Total		**43**		**5,713.2**	32		5,992.2

Total revenue for FY 09/10 was approximately HK$5,713.2 million, representing a decrease of 4.7% when comparing with FY 08/09.

Revenue generated from trading of crude oil for FY 09/10 was approximately HK$5,140.9 million, representing a slight decrease of 1.1%. Such decrease was mainly due to the drop in the average oil price during FY 09/10. The average oil price dropped by 12% from FY 08/09 to FY 09/10.

Revenue generated from trading of petroleum products for FY 09/10 was approximately HK$262.2 million, representing a decrease of 60.4%. Such decline was attributable to the change in the Group's trading strategy. The management decided to trade less petroleum products as profit margin from trading of petroleum product is getting thinner due to keen market competition.

Revenue generated from trading of petrochemical products for FY 09/10 was approximately HK$310.1 million, representing a significant increase of 134.2%. Such increase was attributable to the expansion of the Group's petrochemical trading team.

Cost of Sales

Cost of sales of the Group for FY 09/10 was approximately HK$5,278.5 million, representing a decrease of 9.3% when comparing with FY 08/09. Such decrease was attributable to the Group's optimal purchase strategy with the support of the oil tanker.

Gross Profit

Gross profit of the Group increased by 152.9% from HK$171.9 million for FY 08/09 to HK$434.7 million for FY 09/10.

Other income

Other income of the Group for FY 09/10 was approximately HK$34.6 million, representing an increase of HK$30.3 million when comparing with FY 08/09. Such increase was attributable to the rental income received from the oil tanker.

Fair Value Changes on Derivative Financial Instruments

The Group has engaged in trading in derivative financial instruments. The purposes of hedging activities are to minimize the price risk exposure of each trade and reduce the fluctuation in the operating results.

The trading in derivative financial instruments recorded a loss of HK$115.3 million for FY 09/10, while a gain of HK$207.5 million from trading in derivative financial instruments was recorded for FY 08/09.

Distribution and selling expenses

The distribution and selling expenses for FY 09/10 was approximately HK$87.5 million (FY 08/09: Nil). It includes the operation of the oil tanker and the costs incurred in the exploration of new suppliers and customers.

Administration and other expenses

Administrative and other expenses incurred by the Group for FY 09/10 was approximately HK$56.4 million, representing an increase of 32.7% when comparing with FY 08/09. Administrative and other expenses mainly include staff costs and operation cost of the Group in Hong Kong, Macao and China.

Finance Cost

Finance cost for FY 09/10 was approximately HK$12.3 million, representing an increase of 213.4% when comparing with FY 08/09. Finance cost was mainly attributed to the interest on short term borrowings as well as bank charges.

Share of Loss of an Associate

Share of loss of an associate for FY 09/10 was approximately HK$0.6 million. It represents our share on the operating cost incurred by Tianjin Storage Project. As Tainjin Storage Project is currently under construction, no income has been generated for FY 09/10.

Taxation

Hong Kong Profits Tax was calculated at 16.5% on the estimated assessable profit since 1 April 2008. For FY 09/10, no provision for Hong Kong Profits Tax has been provided as tax loss was incurred in Hong Kong subsidiary.

No provision for PRC Enterprise Income tax has been provided for the PRC subsidiary for FY 09/10.

The Macao subsidiary is exempted from Macao Complement Tax under the Decree Law issued by the Macao Special Administrative Region Government.

Profit for the year

Profit for FY 09/10 was approximately HK$201.6 million, representing a decrease of HK$127.9 million (39%) when comparing with HK$329.5 million in FY08/09.

Utilization of IPO Proceeds

Net proceeds received from the listing of the Company's Share in 2009 amounted to HK$218.3 million. The utilization of the net proceeds for FY09/10 was set out in the following manner:

Nantong Project is the development of storage of petrochemical and petroleum products business in Nantong City, Jiangsu Province, the PRC. It is carried out by Strong Petrochemical (Nantong) Logistics Co., Ltd., an indirect wholly owned subsidiary of the Company. As at 31 March 2010, the total capital expenditure incurred in Nantong Project amounted to RMB26.4 million (31 March 2009: RMB25.5 million). The review and reassessment on the Nantong Project was about to be concluded and the progress will soon be resumed. The management will closely monitor the development on Nantong Project. The unutilized IPO proceeds for Nantong Project is amounted to HK$106.2 million.

The Tianjin Storage Project is the establishment and operation of storage facilities for crude oil, petroleum products and petrochemical products located in Tianjin Nanjiang Port Zone. It is carried out by Sinochem Tianjin Port Petrochemical Terminal Co., Ltd. (the "Tianjin Company"). An indirect wholly owned subsidiary of the Company holds 15% interest of the Tianjin Company. The Tianjin Storage Project is still undergoing the first phase construction and is expected to be completed by the end of December 2010. The installation of 14 storage tanks has been completed and the works on the attached infrastructures, the main control center as well as the office buildings are still under construction. As at 31 March 2010, the Group had fully contributed its shared-portion of the registered capital of approximately RMB94.2 million. The IPO proceeds of HK$43.5 million for Tianjin Storage Project is fully utilized during FY 09/10.

The IPO proceeds of HK$46.8 million as pledged bank deposit for banking facilities and the IPO proceeds of HK$21.8 million for working capital was utilized during FY08/09.

Liquidity and Financial Resource

The bank balances and cash as at 31 March 2010 was approximately HK$152.6 million (31 March 2009: 228.1 million).

The bank facilities as at 31 March 2010 amounted US$357 million (equivalent to HK$2,785 million) (31 March 2009: US$247 million/HK$1,927 million). The bills payable as at 31 March 2010 was HK$20.3 million. The bank borrowings as at 31 March 2010 was HK$463.4 million, representing the trust receipt loans in respect of inventory procurement.

Net cash outflow from operating activities for FY 09/10 amounted to HK$174.8 million, which is mainly contributed by the purchase of inventory of HK$375.9 million. Net cash outflow from investing activities for FY 09/10 amounted to HK$319.9 million, which is mainly contributed by the purchase of the oil tanker of HK$189.5 million and the capital injection to the associates of HK$60.8 million. Net cash inflow from financing activities for FY 09/10 amounted to HK$419 million, which is mainly contributed by the short term bank borrowings of HK$463.4 million, and offsetting by the payment of interim dividend of HK$48.1 million.

As at 31 March 2010, current ratio of the Group was 1.47 times (31 March 2009: 2.41 times) and the gearing ratio was 0.6 times (31 March 2009: Nil). Gearing ratio is equal to bank borrowing divided by total equity. Decrease in current ratio and increase in gearing ratio are mainly due to the increase in bank borrowings for inventory procurement.

Dividends

An interim dividend of approximately HK$48.1 million (HK3 cents per share) had been declared and paid to the shareholders by the Company during FY 09/10.

The Board proposed a final dividend of HK3 cents per share for the year ended 31 March 2010 to the shareholders of the Company whose names appear in the Register of Members on 25 August 2010. The final dividend is subject to the approval of the shareholders of the Company at the forthcoming annual general meeting. The payment date of final dividend will be on 15 September 2010.

Charges of Assets and Contingent Liabilities

As at 31 March 2010, the Group's banking facilities were secured by pledged deposits of HK$57.6 million (31 March 2009: HK$41.5 million) and properties owned by the Group.

As at 31 March 2010, the Group has no significant contingent liabilities.

Foreign Exchange Exposure

The functional currency of the Group is denominated in US Dollars, while the reporting currency is denominated in Hong Kong Dollars. Since the exchange rate of US Dollars against Hong Kong Dollars is relatively stable during FY 09/10, the exposure on foreign exchange is minimal.

Capital Commitments

The Group had authorized but not contracted for capital commitment of RMB93.4 million for FY 09/10 (FY 08/09: RMB94.3 million) in respect of the construction of the petroleum and petrochemical products storage facilities on the two leasehold land parcels acquired in Nantong, Jiangsu Province, the PRC.

The Group is required to pay the committed registered capital contribution of an associate, Tianjin Port Sinochem Petrochemical Dock Co., Ltd. of approximately RMB23 million in the year 2011.

EXECUTIVE DIRECTORS

Mr. WANG Jian Sheng (王健生先生), aged 56, is the Chairman and an executive Director. In October 2000, Mr. Wang invested in our Group and acted as a substantial shareholder. At the same time he joined our Group as the supervisor. He graduated from Henan University of Science and Technology (河南科技大學), formerly known as Luoyang Industrial College (洛陽工學院) in the PRC and was awarded in 1978 a bachelor´s degree in metallic materials and heat process. Mr. Wang was deputy manager of the Focus Project Department from 1985 to 1987 and senior project manager in the General Planning Department of Beijing Everbright Industries Company Limited (北京光大實業公司). Between 1988 and 2000, Mr. Wang was involved in the trading business and property investment business. He is responsible for overseeing the function of the Board, formulating major corporate and business strategies, and identifying business goals and the related business plan at the high level. On 1 February 2008, Mr. Wang was appointed as an executive Director. He also is an independent non-executive director of K.P.I. Company Limited (港佳控股有限公司) (Stock Code: 605).

Mr. YAO Guoliang (姚國梁先生), aged 44, the chief executive officer and an executive Director. In November 1999, Mr. Yao founded our Group, and has been a director and a trader of our Group since then. He graduated from University of International Business and Economics (對外經濟貿易大學) in the PRC and was awarded in 1988 with a bachelor´s degree in economics. Prior to setting up our Group, he worked in the crude oil division of Sinochem International Oil Company (中化國際石油公司) as a crude oil trader from August 1988 to December 1993. During the period from 1994 to 1997, he was a director of UNIPEC Asia Company Limited (聯合石化亞洲有限公司) and was responsible for general management and oil trading. He has more than 20 years of experience in handling crude oil trading and associated hedging activities. Leveraging on his extensive experience in the oil industry, Mr. Yao is responsible for formulating our corporate and business strategies, business development and management, trade solicitation as well as hedging implementation. On 1 February 2008, Mr. Yao was appointed as an executive Director.

Mr. WONG Wing (黃榮先生), aged 42, an executive Director, is responsible for the finance and risk management of our Company. He is a member of the American Institute of Certified Public Accountants and a member of the Association of Financial Professionals. He has over 17 years of experience in handling finance and auditing work. He joined our Group in March 2004 as a general manager and was in charge of the setting up of Strong Petrochemical Limited (Macao Commercial Offshore). Mr. Wong is responsible for the Group's financial management, day-to-day operations and the formulation of the Group's risk management policy. He was appointed as an executive Director on 3 March 2008.

INDEPENDENT NON-EXECUTIVE DIRECTORS

Mr. ZHU Yao Bin (**祝耀濱先生**), aged 70, has been an independent non-executive Director since 28 November 2008. He is currently the senior consultant in Changshu Alliance Chemical Co., Ltd. (常熟市聯邦化工有限公司). He was accredited an engineer by the State Council of the PRC in 1980, and was named deputy general engineer in China Petrochemical Corporation (中國石油化工總公司) in August 1984. He was deputy general manager of China Petrochemical International Co., Ltd. (中國石化國際事業有限公司) from 1992 to 1995 and chief executive of UNIPEC (中國國際石化聯合公司) from 1995 to 1998. He obtained a certificate in 1964 from the Shanghai TV University (上海電視大學) in the PRC, in inorganic chemistry, organic chemistry and analytical chemistry.

Mr. LAU Hon Kee (**劉漢基先生**), FCPA, CPA (Aust.), aged 39, has been independent non-executive director since 28 November 2008. Mr. Lau has over 10 years´ experience in and has held positions in various fields including audit, finance and accounting, and has held senior management positions in technology service and manufacturing companies before 2003. Since March 2003, Mr. Lau has been the financial controller and company secretary of the Shandong Luoxin Pharmacy Stock Company Limited (山東羅欣藥業股份有限公司) (Stock Code: 8058), a company listed on the Growth Enterprise Market of the Stock Exchange. Mr. Lau holds a bachelor´s degree in commerce from the Australian National University and is a Fellow CPA of the Hong Kong Institute of Certified Public Accountants and a CPA of CPA Australia.

Ms. LIN Yan (**林燕女士**), aged 46, has been an independent non-executive Director since 28 November 2008. She is a member of Certified General Accountant Association of Ontario in Canada. She is currently executive vice president and chief finance officer of Tebon Securities Co., Ltd (德邦証券有限責任公司) in Shanghai, the PRC. Ms. Lin has over 10 years of experience in the finance industry. She held the position as a senior compliance manager in Rabobank Hong Kong Branch from 1997 to 1999. In 2000 to 2001, she was the corporate controller of Assante Advisory Services in Toronto, Canada. She later joined China Eagle Securities Co, Ltd (大鵬証券有限責任公司) in the PRC as the assistant chief finance officer until mid 2002. She obtained her bachelor of science degree majoring in chemistry from Huaqiao University (華僑大學), the PRC, in 1985. In 1993, she obtained a master´s degree in business administration from Queen´s University, Kingston, Canada. She has been a member of the Self-Disciplinary Committee of the Securities Association of China (中國證券業協會) since February 2008.

THE BOARD OF DIRECTORS

The Board provides effective and responsible leadership for the Company. The directors, individually and collectively, act in good faith in the best interests of the Company and its shareholders. The Company had adopted, for corporate governance purposes, the Code Provisions of the Code on Corporate Governance Practices (appendix 14 to the Listing Rules). The Company is in compliance with the Code Provisions therein.

As at 31 March 2010, the Board comprises three executive Directors and three independent non-executive Directors. The Board has appointed the audit committee and the remuneration committee to oversee specific areas of the Company's affairs. The composition of the Board and the committees are given below and their respective responsibilities are discussed later in this report.

Board of Directors

Executive Directors
Mr. Wang Jian Sheng *(Chairman)*
Mr. Yao Guoliang *(Chief Executive Officer)*
Mr. Wong Wing

Independent Non-executive Directors
Mr. Zhu Yao Bin
Mr. Lau Hon Kee
Ms. Lin Yan

Audit Committee

Mr. Lau Hon Kee *(Chairperson)*
Mr. Zhu Yao Bin
Ms. Lin Yan

Remuneration Committee

Ms. Lin Yan *(Chairperson)*
Mr. Lau Hon Kee
Mr. Wang Jian Sheng

The Board sets the Group's objectives and monitors its performance. The Board also decides on matters such as annual and interim results, notifiable and connected transactions, director appointments, and dividends and accounting policies. The Board has delegated the authority and responsibility of managing and overseeing the Group's day to day operations to its management.

The company secretary assists the Chairman of the Company in setting the agenda of Board meetings as instructed and each director is invited to present any businesses that they wish to discuss or propose at the meetings. All directors have timely access to all relevant information of the meetings and may take professional advice if necessary. During FY 2009/10, the Company held nine full Board meeting. Attendance of the full Board meetings are as follows:

Attendance	No. of meetings attended
Mr. Wang Jian Sheng	9
Mr. Yao Guoliang	9
Mr. Wong Wing	9
Mr. Zhu Yao Bin	9
Mr. Lau Hon Kee	9
Ms. Lin Yan	9

The Company confirmed with all independent non-executive Directors as to their independence with reference to the factors as set out in Listing Rules 3.13.

The full Board participates in the selection and approval of new directors and has not established a Nomination Committee. The independent non-executive Directors are appointed for a specific term. Under the articles of association of the Company, all the directors are currently required to offer themselves for re-election by rotation at least once every three years. The Board takes into consideration criteria such as expertise, experience, integrity and commitment when selecting new directors.

AUDIT COMMITTEE

The Audit Committee comprises all three independent non-executive Directors. It is responsible for accounting principles and practices, auditing, internal controls and legal and regulatory compliance of the Group. It also reviewed the interim and final results of the Group prior to recommending them to the Board for approval. It meets to review financial reporting and internal control matters and to this end has unrestricted access to the Company's auditor. The Committee is chaired by Mr. Lau Hon Kee, a qualified accountant with relevant experience in financial reporting and control. During FY 2009/10, the Audit Committee held one meeting to review the annual results of the Group for the year ended 31 March 2010 and had 100 percent attendance.

REMUNERATION COMMITTEE

The Remuneration Committee reviews and approves the remunerations of directors. To minimise any conflict of interest, any member who is interested in any given proposed motion is required to abstain from voting on such motion.

The main elements of the Company's remuneration policy are no individual should determine his or her own remuneration, and remuneration should reflect performance, complexity, position, duties and responsibility of the individual. The committee is chaired by Miss Lin Yan. During the year 2009/10, the Remuneration Committee held one meeting to review and approve the remuneration package of directors for the year ended 31 March 2010 and had 100 percent attendance.

CHAIRMAN AND CHIEF EXECUTIVE OFFICER

The Company has a separate Chairman, Mr. Wang Jian Sheng and Chief Executive Officer, Mr. Yao Guoliang. This segregation of duties ensures a clear distinction between the Chairman's responsibility to manage the Board and the Chief Executive Officer's responsibility to manage the Company's business.

AUDITOR'S REMUNERATION

Auditor's remuneration in relation to audit amounted to HK$1,400,000 (2009: HK$1,018,000). The following remuneration was paid by the Group to its auditor, Deloitte Touche Tohmatsu:

	2010	2009
	HK$'000	HK$'000
Audit service	**1,400**	1,018
Not audit services	**298**	339
	1,698	1,357

INTERNAL CONTROL

The Board is responsible for the Group's system of internal control and its effectiveness. It has established an on-going process for identifying, evaluating and managing the significant risks faced by the Group, including updating the system of internal controls when there are changes to business environment or regulatory guidelines.

The Board has conducted a review on the effectiveness of the system of internal control of the Company for the year ended 31 March 2010. The Board had, with the management, conducted a high-level risk assessment of its core business management processes and risk management function. The management is following up the recommendations in order to enhance the internal control policies and procedures of the Company.

In addition to the internal control review conducted by the Board, the Group had engaged an independent risk advisory consultant from one of the four largest accountancy and professional services firms to perform risk assessment procedures in respect of our risk management functions in relating to the policies and procedures of the hedging activities for the year ended 31 March 2010. Reports on the results of assessment and recommendations were provided to the management and the Audit Committee.

The Audit Committee considered that there was no significant breach of limits or risk management policies during the year that would bring to the attention of the Board. The Board, with the management, is following up the recommendations provided by our review team and independent risk advisory consultant in order to enhance the risk management frameworks and procedures of the Company.

MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers as set out in Appendix 10 to the Listing Rules (the "Model Code") as its own code of conduct regarding director's securities transactions. Having made specific enquiry of all directors of the Company, all directors have confirmed that they had complied with the required standard set out in the Model Code during the year.

ACCOUNTABILITY AND AUDIT

The Directors are responsible for overseeing the preparation of accounts of each financial period, which give a true and fair view of the state of affairs of the Group and of the results and cash flow for that period. In preparing the accounts for the year ended 31 March 2010, the Directors have selected suitable accounting policies and have applied them consistently, adopted appropriate Hong Kong Financial Reporting Standards and Hong Kong Accounting Standards which are pertinent to its operations and relevant to the financial statements, made judgments and estimates that are prudent and reasonable, and have prepared the accounts on the going concern basis.

INVESTOR RELATIONS AND COMMUNICATION WITH SHAREHOLDERS

The Board recognises the importance of maintaining on-going communication with the shareholders. Since listing of the Company on 12 January 2009, the Company has engaged a professional public relation consultancy firm to organise various events upon listing aiming at increasing its transparency, enhancing communication, increasing investors' understanding of and confidence in the Group's business. It also aims at building investors' confidence in the Group's future developments and promoting market recognition and support to the Company.

As a channel of further promoting effective communication, the Company's website is maintained to disseminate the relevant financial and non-financial information on a timely basis.

The annual general meeting provides a useful forum for shareholders to exchange views with the Board. The Chairman of the Board as well as the Chairman of various committees of the Board will be present in the 2009/10 Annual General Meeting of the Company to answer shareholders' questions.

The directors present their annual report and the audited consolidated financial statements of Strong Petrochemical Holdings Limited and its subsidiaries for the year ended 31 March 2010.

CORPORATE REORGANISATION

The Company was incorporated as an exempted company and registered in the Cayman Islands with limited liability under the Companies Law, Cap 22 (Laws of 1961, as consolidated and revised) of the Cayman Islands on 1 February 2008.

Pursuant to a group reorganisation (the "Corporate Reorganisation") to rationalise the structure of the Group in preparation for the listing of the Company's shares on The Stock Exchange of Hong Kong Limited (the "Stock Exchange"), the Company became the holding company of the Group on 28 November 2008. Details of the Corporate Reorganisation were set out in the prospectus dated 23 December 2008 issued by the Company.

The shares of the Company have been listed on the Stock Exchange since 12 January 2009.

PRINCIPAL ACTIVITIES

The Company acts as an investment holding company. The activities of the Company's subsidiaries are set out in note 37 to the consolidated financial statements.

RESULTS AND APPROPRIATION

The results of the Group for the year ended 31 March 2010 are set out in the consolidated statement of comprehensive income on page 26.

The directors now recommend the payment of a final dividend of HK3 cents per share to the shareholders on the register of members on 25 August 2010, amounting to approximately HK$48.2 million and the retention of the remaining profit for the year of approximately HK$105.3 million.

PROPERTY, PLANT AND EQUIPMENT

Details of the movements in the property, plant and equipment of the Group during the year are set out in note 15 to the consolidated financial statements.

SHARE CAPITAL

Details of the movements in the share capital of the Company during the year are set out in note 29 to the consolidated financial statements.

RESERVES

Details of the movement in the reserves of the Group during the year are set out in the consolidated statement of Changes in Equity on page 29.

DIRECTORS

The distributable reserves of the Company as at 31 March 2010 was approximately HK$408.9 million (2009: HK$313.9 million).

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

Executive Directors:	**Independent non-executive Directors:**
Mr. Wang Jian Sheng	Mr. Zhu Yao Bin
Mr. Yao Guoliang	Mr. Lau Hon Kee
Mr. Wong Wing	Ms. Lin Yan

In accordance with the provisions of the Company's Bye-Laws, Mr. Wong Wing and Mr. Lau Hon Kee will retire and, being eligible, will offer themselves for re-election at the forthcoming annual general meeting.

DIRECTORS' SERVICE CONTRACTS

Each of our executive Directors has entered into a service contract with our Company for an initial term of three years commencing from 28 November 2008 and will continue thereafter until terminated by three months' notice in writing served by either party of the other, which notice shall not expire until after the initial fixed term of three years.

Each independent non-executive Director has entered into a letter of engagement with the Company for a term of one year commencing from 28 November 2008 and renewable by mutual agreement on annual basis.

None of the director proposed for re-election at the forthcoming annual general meeting has a service contract with the Company or any of its subsidiaries which is not determinable within one year without payment of compensation, other than statutory compensation.

DIRECTORS' AND CHIEF EXECUTIVES' INTEREST IN SHARES, UNDERLYING SHARES AND DEBENTURES

As at 31 March 2010, the interest and short positions of the directors and chief executives in the shares and underlying shares of the Company its associated corporations, as recorded in the register maintained by the Company pursuant to Section 352 of the Securities and Futures Ordinance, or otherwise notified to the Company and The Stock Exchange of Hong Kong Limited pursuant to the Model Code for Securities Transactions by Directors of Listed Companies ("Model Code"), were as follows:

Ordinary shares of HK$0.025 each of the Company

Name of director	Capacity	Number of issued ordinary shares held	Percentage of the issued share capital of the Company (%)
Mr. Wang Jian Sheng	Interest of a controlled corporation *(Note 1)*	1,040,000,000 (L)	64.76
		479,840,000 (S) *(Note 2)*	29.88
Mr. Yao Gaoliang	Interest of a controlled corporation *(Note 1)*	1,040,000,000 (L)	64.76
		479,840,000 (S) *(Note 2)*	29.88
Mr. Wong Wing	Beneficial owner	1,600,000 (L) *(Note 3)*	0.10
Ms. Lin Yan	Beneficial owner	480,000 (L)	0.03
Mr. Zhu Yao Bin	Beneficial owner	480,000 (L)	0.03

Note: (L) Long position
(S) Short position

Note 1: Each of Sino Century Holdings Limited and Jin Yao Holdings Ltd. holds 50% of the entire issued share capital of Forever Winner International Ltd. ("Forever Winner"). Mr. Wang holds the entire issued share capital of Sino Century Holdings Limited. Mr. Yao holds the entire issued share capital of Jin Yao Holdings Ltd..

Note 2: On 22 July 2009, Forever Winner granted call options to the independent third parties to purchase a total of 479,840,000 shares of the Company at an exercise price of HK$1.5 per share. The option period was from 1 January 2010 to 30 June 2010. Up to the date of this report, no option has been exercised and the option period has already expired. As such, there is no more short position on the interest held by Forever Winner.

Note 3: Subsequent to the year ended 31 March 2010, Mr. Wong Wing has sold some of his share and is holding 40,000 Company's shares as at the date of this report.

SHARE OPTIONS

Information in respect to the share option scheme of the Company as required by the Listing Rules is as follows:

Eligible participants	Date of grant (dd/mm/yy)	Exercise period (dd/mm/yy) *(Note a)*	Exercise price HK$	Number of share options granted during the year	Number of share options exercised during the year	Number of share options outstanding at 31/3/2010
Executive director						
Mr. Wong Wing	7/5/2009	8/5/2009 - 28/11/2018	0.645	8,000,000	1,600,000	6,400,000
Independent non-executive directors						
Mr. Lau Hon Kee	7/5/2009	8/5/2009 - 28/11/2018	0.645	1,200,000	–	1,200,000
Ms. Lin Yan	7/5/2009	8/5/2009 - 28/11/2018	0.645	1,200,000	480,000	720,000
Mr. Zhu Yao Bin	7/5/2009	8/5/2009 - 28/11/2018	0.645	1,200,000	480,000	720,000
Subtotal of directors				11,600,000	2,560,000	9,040,000
Employees	7/5/2009	8/5/2009 - 28/11/2018	0.645	14,000,000	2,160,000	11,840,000
Others *(Note b)*	7/5/2009	8/5/2009 - 28/11/2018	0.645	134,400,000	1,140,000	133,260,000
Total				160,000,000	5,860,000	154,140,000

Notes:

(a) The eligible participants shall exercise the share options during the following periods:
   (i) 40% of the share options from 8 May 2009;
   (ii) another 30% of the share options from 8 May 2010;
   (iii) the remaining 30% of the share options from 8 May 2011, and in each case, not later than 28 November 2018.

(b) Others represent individuals associated with suppliers and consultants.

SUBSTANTIAL SHAREHODLERS

As at 31 March 2010, the following person (not being a director or a chief executive of the Company) have interest or short positions in the shares or underlying shares of the Company as recorded in the register required to be kept under section 336 of the SFO.

Long position in Shares

Name of shareholder	Nature of interest	Total Number of shares	Percentage of shareholding %
Forever Winner International Ltd.	Beneficial Owner	1,040,000,000(L)	64.76
		479,840,000(S)	29.88

Note:

(L) Long position
(S) Short position

Each of Sino Century Holdings Limited and Jin Yao Holdings Ltd. holds 50% of the entire issued share capital of Forever Winner Holding Ltd.. Mr. Wang holds the entire issued share capital of Sino Century Holdings Limited. Mr. Yao holds the entire issued share capital of Jin Yao Holdings Ltd..

On 22 July 2009, Forever Winner granted call options to the independent third parties to purchase a total of 479,840,000 shares of the Company at an exercise price of HK$1.5 per share. The option period was from 1 January 2010 to 30 June 2010. Up to the date of this report, no option has been exercised and the option period has already expired. As such, there is no more short position on the interest held by Forever Winner.

Saved as disclosed above, the register required to be kept under section 336 of the SFO shows that as at 31 March 2010, the Company had not been notified of any other person who had an interest or short position in the shares and underlying shares of the Company.

ARRANGEMENTS TO PURCHASE SHARES OR DEBENTURES

At no time during the year was the Company or any of its subsidiaries a party to any arrangements to enable the directors of the Company to acquire benefits by means of the acquisition of shares in, or debentures of, the Company or any other body corporate.

CONTINUING CONNECTED TRANSACTION

For FY 09/10, the Group paid the rental expenses of approximately HK$1,795,000 to Strong Property, a company in which the controlling shareholders have beneficial interests, for the use of office premises and staff quarters.

The independent non-executive directors confirmed that the continuing connected transaction were conducted in the ordinary course of its business, on normal commercial terms and in accordance with the terms of the agreement governing such transactions that are fair and reasonable and in the interest of the shareholders of the Company as a whole.

NON-COMPETITION UNDERTAKING

Each of Forever Winner International Ltd., Sino Century Holdings Limited, Jin Yao Holdings Ltd., Mr. Wang and Mr. Yao (each a "Non-Compete Covenantor") has entered into a deed of non-competition dated 28 November 2008 with the Company, to the effect that each of them will not directly or indirectly participate in, or hold any right or interest, or otherwise be involved in any business which may be in competition with the business of the Group from time to time.

The Company has received from each Non-Compete Covenantor's annual declaration on whether it, he or she has complied with the Non-Competition Deed. The independent non-executive Directors have confirmed that they are not aware of any instance where the Non-competition Deed has not been complied with.

MAJOR CUSTOMERS AND SUPPLIERS

In the year under review, sales to the Group's five largest customers and purchases from the five largest suppliers accounted for around 79.5% and 62.1% of the total sales and purchases for the year, respectively. The Group's largest customer and supplier accounted for around 32.9% and 15.6% of the total sales and purchases for the year, respectively.

At no time during the year did a director, an associate of a director or a shareholder of the Company (which to the knowledge of the directors owns more than 5% of the Company's share capital) have an interest in any of the Group's five largest customers or suppliers.

EMOLUMENT POLICY

The Group mainly determines staff remuneration in accordance with market terms and individual qualifications.

The emoluments of the directors of the Company will be decided by the remuneration committee having regard to the Group's operating results, individual performance and comparable market statistics. Details of directors' emolument are set out in note 11 to the consolidated financial statements.

PURCHASE, SALE OR REDEMPTION OF THE COMPANY'S LISTED SECURITIES

Neither the Company nor any of its subsidiaries have purchased, sold or redeemed any of the listed securities of the Company during FY 09/10.

PRE-EMPTIVE RIGHTS

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

RETIREMENT BENEFITS SCHEMES

Other than operating a Hong Kong Mandatory Provident Fund Scheme, participating in the defined contribution pension scheme operated by the Macao government authority and the People's Republic of China state-managed retirement benefits scheme, the Group has not operated any other retirement benefits schemes for the Group's employees. Particulars of the retirement benefits schemes are set out in note 33 to the consolidated financial statements.

CODE ON CORPORATE GOVERNANCE PRACTICES

In the opinion of the directors, the Company has complied with the Code on Corporate Governance Practices as set out in Appendix 14 to the Rules Governing the Listing of Securities on the Stock Exchange (the "Listing Rules") during the year.

INDEPENDENT NON-EXECUTIVE DIRECTORS

The Company has received, from each of the independent non-executive Directors, an annual confirmation of his independence pursuant to Rule 3.13 of the Listing Rules. The Company considers all of the independent non-executive Directors are independent.

SUFFICIENCY OF PUBLIC FLOAT

Based on the information that is publicly available to the Company and to the knowledge of the directors, the Directors confirm that the Company has maintained a sufficient public float as required under the Listing Rules during the year.

AUDITOR

A resolution will be submitted to the annual general meeting to re-appoint Messrs. Deloitte Touche Tohmatsu as auditor of the Company.

On behalf of the Board
Wang Jian Sheng
Chairman

16 July 2010

Deloitte.
德勤

TO THE MEMBERS OF STRONG PETROCHEMICAL HOLDINGS LIMITED

(incorporated in the Cayman Islands with limited liability)

We have audited the consolidated financial statements of Strong Petrochemical Holdings Limited (the "Company") and its subsidiaries (collectively referred to as the "Group") set out on pages 26 to 85, which comprise the consolidated statement of financial position as at 31 March 2010, and the consolidated statement of comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended, and a summary of significant accounting policies and other explanatory notes.

DIRECTORS' RESPONSIBILITY FOR THE CONSOLIDATED FINANCIAL STATEMENTS

The directors of the Company are responsible for the preparation and the true and fair presentation of these consolidated financial statements in accordance with Hong Kong Financial Reporting Standards issued by the Hong Kong Institute of Certified Public Accountants and the disclosure requirements of the Hong Kong Companies Ordinance. This responsibility includes designing, implementing and maintaining internal control relevant to the preparation and the true and fair presentation of the consolidated financial statements that are free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

AUDITOR'S RESPONSIBILITY

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

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

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

OPINION

In our opinion, the consolidated financial statements give a true and fair view of the state of affairs of the Group as at 31 March 2010 and of the Group's profit and cash flows for the year then ended in accordance with Hong Kong Financial Reporting Standards and have been properly prepared in accordance with the disclosure requirements of the Hong Kong Companies Ordinance.

Deloitte Touche Tohmatsu
Certified Public Accountants
Hong Kong
16 July 2010

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For The Year Ended 31 March 2010

	NOTES	2010	2009
		HK$'000	HK$'000
Revenue	6	5,713,234	5,992,151
Cost of sales		(5,278,498)	(5,820,225)
Gross profit		434,736	171,926
Other income	7	34,649	4,297
Fair value changes on derivative financial instruments		(115,319)	207,465
Fair value changes on held for trading investments		—	(3,872)
Distribution and selling expenses		(87,543)	–
Administrative expenses		(39,103)	(31,566)
Other expenses		(17,312)	(10,935)
Finance costs	8	(12,260)	(3,912)
Share of loss of an associate		(598)	(204)
Profit before taxation		197,250	333,199
Taxation credit (charge)	9	4,347	(3,725)
Profit for the year	10	201,597	329,474
Other comprehensive income			
Exchange difference arising on translation		721	1,014
Total comprehensive income for the year		202,318	330,488
Earnings per share	14		
– basic (HK$)		0.13	0.26
– diluted (HK$)		0.12	N/A

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 31 March 2010

	NOTES	2010	2009
		HK$'000	HK$'000
Non-current assets			
Property, plant and equipment	15	**180,028**	8,348
Prepaid lease payments	16	**20,666**	20,876
Available-for-sale investments	17	**392**	392
Bank structured deposit	18	**19,014**	17,496
Interests in associates	19	**110,950**	50,420
Deferred tax asset	28	**4,358**	—
		335,408	97,532
Current assets			
Inventories	20	**366,757**	—
Prepaid lease payments	16	**440**	435
Trade and bills receivables	21	**632,238**	460,747
Other receivables, deposits and prepayments		**10,935**	3,740
Amount due from an oil trading company	22	**—**	5,528
Tax recoverable		**2,738**	—
Deposits placed with brokers	23	**128,936**	75,289
Pledged bank deposits	24	**57,642**	41,476
Bank balances and cash	24	**152,605**	228,149
		1,352,291	815,364
Current liabilities			
Trade and bills payables	25	**369,353**	280,090
Other payables and accruals	25	**25,425**	16,656
Bank borrowings	26	**463,414**	—
Derivative financial instruments	27	**50,824**	29,636
Tax payable		**9,540**	12,405
		918,556	338,787
Net current assets		**433,735**	476,577
Total assets less current liabilities		**769,143**	574,109

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 31 March 2010

	NOTES	2010	2009
		HK$'000	HK$'000
Equity			
Share capital	29	**40,147**	40,000
Reserves		**728,996**	534,109
Total equity		**769,143**	574,109

The consolidated financial statements on pages 26 to 85 were approved and authorised for issue by the Board of Directors on 16 July 2010 and are signed on its behalf by:

Wang Jian Sheng
DIRECTOR

Yao Guoliang
DIRECTOR

	Share capital HK$'000	Share premium HK$'000	Special reserve HK$'000 (Note 1)	Legal reserve HK$'000 (Note 2)	Share option reserve HK$'000	Translation reserve HK$'000	Retained profits HK$'000	Total HK$'000
At 1 April 2008	78	–	–	49	–	1,703	232,775	234,605
Exchange differences arising on translation	–	–	–	–	–	1,014	–	1,014
Profit for the year	–	–	–	–	–	–	329,474	329,474
Total comprehensive income for the year	–	–	–	–	–	1,014	329,474	330,488
Arising from the corporate reorganisation	1,922	–	(1,922)	–	–	–	–	–
Shares issued through an initial public offering	10,000	240,000	–	–	–	–	–	250,000
Transaction costs attributable to issue of shares	–	(14,784)	–	–	–	–	–	(14,784)
Issue of shares by capitalisation of share premium account	28,000	(28,000)	–	–	–	–	–	–
Interim dividends recognised as distribution (note 13)	–	–	–	–	–	–	(226,200)	(226,200)
	39,922	197,216	(1,922)	–	–	–	(226,200)	9,016

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For The Year Ended 31 March 2010

	Share capital HK$'000	Share premium HK$'000	Special reserve HK$'000 (Note 1)	Legal reserve HK$'000 (Note 2)	Share option reserve HK$'000	Translation reserve HK$'000	Retained profits HK$'000	Total HK$'000
At 31 March 2009	40,000	197,216	(1,922)	49	–	2,717	336,049	574,109
Exchange differences arising on translation	–	–	–	–	–	721	–	721
Profit for the year	–	–	–	–	–	–	201,597	201,597
Total comprehensive income for the year	–	–	–	–	–	721	201,597	202,318
Recognition of equity-settled share-based payments	–	–	–	–	37,074	–	–	37,074
Issue of shares on exercise of share options	147	5,280	–	–	(1,646)	–	–	3,781
Interim dividend recognised as distribution (note 13)	–	–	–	–	–	–	(48,139)	(48,139)
	147	5,280	–	–	35,428	–	(48,139)	(7,284)
At 31 March 2010	**40,147**	**202,496**	**(1,922)**	**49**	**35,428**	**3,438**	**489,507**	**769,143**

Notes:

1. Special reserve represents the difference between the nominal value of shares of the acquired subsidiaries and the nominal value of the shares of the Company issued for the acquisition at the time of the corporate reorganisation ("Corporate Reorganisation") to rationalise the Group structure prior to the listing of the Company's share on The Stock Exchange of Hong Kong Limited (the "Stock Exchange") (the "Listing").

2. According to the law and regulation of Macao Special Administrative Region, a legal reserve is required to be established up to a minimum of 50% of the company's paid up capital and is established in any year in which a dividend is appropriated. A subsidiary of the Company established in Macao appropriated a final dividend for the year ended 31 March 2006 to the Company, as a result, 50% of the issued capital MOP100,000 was transferred to the legal reserve.

	NOTE	2010	2009
		HK$'000	HK$'000
OPERATING ACTIVITIES			
Profit before taxation		197,250	333,199
Adjustments for:			
Bank interest income		(217)	(3,502)
Finance costs		12,260	3,912
Share-based payment expense		37,074	—
Depreciation		17,850	457
Amortisation of prepaid lease payments		438	435
(Gain) loss on disposal of property, plant and equipment		(9)	3
Write-down of inventories		9,145	—
Change in fair value of bank structured deposit		(1,518)	(225)
Change in fair value of derivative financial instruments		21,188	29,636
Share of loss of an associate		598	204
Operating cash flows before movements in working capital		294,059	364,119
Increase in inventories		(375,902)	—
Increase in trade and bills receivables		(171,491)	(397,720)
(Increase) decrease in other receivables, deposits and prepayments		(7,195)	2,213
Decrease (increase) in amount due from an oil trading company		5,528	(5,528)
Decrease in held for trading investments		—	1,705
Increase in trade and bills payables		89,263	276,162
Increase in other payables and accruals		8,769	6,514
Cash (used in) generated from operations		(156,969)	247,465
Interest paid and bank charges		(12,260)	(3,912)
Income tax paid		(5,614)	(1,769)
Income tax refunded		—	5,503
NET CASH (USED IN) FROM OPERATING ACTIVITIES		(174,843)	247,287

CONSOLIDATED STATEMENT OF CASH FLOWS

For The Year Ended 31 March 2010

	NOTE	2010	2009
		HK$'000	HK$'000
INVESTING ACTIVITIES			
Bank interest received		217	3,502
Purchase of property, plant and equipment		(189,454)	(5,948)
Proceeds from disposal of property, plant and equipment		9	2
Proceeds from disposal of a subsidiary	30	—	29,674
Prepaid leases payments made		—	(87)
Investments in associates		(60,830)	—
Increase in pledged bank deposits		(16,166)	(25,799)
Increase in deposits placed with brokers		(53,647)	(56,986)
NET CASH USED IN INVESTING ACTIVITIES		(319,871)	(55,642)
FINANCING ACTIVITIES			
Proceeds from issue of shares		—	250,000
Transaction costs attributable to issue of shares		—	(14,784)
Proceeds from exercise of share options		3,781	—
New bank loans raised		2,758,411	—
Repayment of bank borrowings		(2,294,997)	—
Dividends paid		(48,139)	(279,513)
NET CASH FROM (USED IN) FINANCING ACTIVITIES		419,056	(44,297)
NET (DECREASE) INCREASE IN CASH AND CASH EQUIVALENTS		(75,658)	147,348
CASH AND CASH EQUIVALENTS AT BEGINNING OF THE YEAR		228,149	80,996
EFFECT OF FOREIGN EXCHANGE RATE CHANGES		114	(195)
CASH AND CASH EQUIVALENTS AT END OF THE YEAR		152,605	228,149
ANALYSIS OF THE BALANCES OF CASH AND CASH EQUIVALENTS			
Bank balances and cash		152,605	228,149

1. GENERAL

The Company was incorporated as an exempted company and registered in the Cayman Islands with limited liability under the Companies Law, Cap 22 (Laws of 1961, as consolidated and revised) of the Cayman Islands on 1 February 2008. The shares of the Company have been listed on the Main Board of the Stock Exchange since 12th January 2009. Its parent and ultimate holding company is Forever Winner International Ltd. ("Forever Winner"), a limited company incorporated in the British Virgin Islands. The addresses of the registered office and principal place of business of the Company are Cricket Square, Hutchins Drive, P.O. Box 2681, Grand Cayman KY1-1111, Cayman Islands and Room 1604, Far East Finance Centre, 16 Harcourt Road, Hong Kong, respectively.

Pursuant to the Corporate Reorganisation to rationalise the structure of the Group in preparation for the Listing, the Company became the holding company of the Group on 28 November 2008 by issuing shares in exchange for the entire share capital of Wide Sea International Limited ("Wide Sea"). Details of the Corporate Reorganisation were set out in the prospectus dated 23 December 2008 issued by the Company.

The Corporate Reorganisation completed on 28 November 2008 was regarded as a reorganisation of companies under common control which was undertaken to intersperse the Company and Wide Sea between Forever Winner and Santron Holdings Limited, the then holding company of the Group. Accordingly, the entities comprising the Group are regarded as continuing entities. The consolidated statement of comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year ended 31 March 2009 are prepared using merger accounting principles as if the current group structure immediately after the Corporate Reorganisation had been in existence throughout the year ended 31 March 2009, or since the respective dates of incorporation/establishment of the relevant entity, where this is a shorter period.

The Company acts as an investment holding company. The principal activities of the Company's subsidiaries are set out in note 37.

The Group's principal operations are conducted in the Hong Kong and Macao. The functional currency of the Company and most of its subsidiaries is United States Dollar ("US$"), as the Group mainly trade in US$ with its customers and suppliers. However, for the convenience of the financial statement users, the consolidated financial statements are presented in Hong Kong Dollar ("HK$").

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

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

HKAS 1 (Revised 2007)	Presentation of financial statements
HKAS 23 (Revised 2007)	Borrowing costs
HKAS 32 & 1 (Amendments)	Puttable financial instruments and obligations arising on liquidation
HKFRS 1 & HKAS 27 (Amendments)	Cost of an investment in a subsidiary, jointly controlled entity or associate
HKFRS 2 (Amendment)	Vesting conditions and cancellations
HKFRS 7 (Amendment)	Improving disclosures about financial instruments
HKFRS 8	Operating segments
HK(IFRIC) - INT 9 & HKAS 39 (Amendments)	Embedded derivatives
HK(IFRIC) - INT 13	Customer loyalty programmes
HK(IFRIC) - INT 15	Agreements for the construction of real estate
HK(IFRIC) - INT 16	Hedges of a net investment in a foreign operation
HK(IFRIC) - INT 18	Transfers of assets from customers
HKFRSs (Amendments)	Improvements to HKFRSs issued in 2008, except for the amendment to HKFRS 5 that is effective for annual periods beginning or after 1 July 2009
HKFRSs (Amendments)	Improvements to HKFRSs issued in 2009 in relation to the amendment to paragraph 80 of HKAS 39

Except as described below, the adoption of the new and revised HKFRSs has had no material effect on the financial statements of the Group for the current or prior accounting periods.

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

HKAS 1 (Revised 2007) Presentation of financial statements

HKAS 1 (Revised 2007) has introduced terminology changes (including revised titles for the financial statements) and changes in the format and content of the consolidated financial statements.

HKFRS 8 Operating segments

HKFRS 8 is a disclosure standard that has resulted in changes in the Group's segment reporting (see note 6).

Improving disclosures about financial instruments (Amendments to HKFRS 7 Financial instruments: Disclosures)

The amendments to HKFRS 7 expand the disclosures required in relation to fair value measurements in respect of financial instruments which are measured at fair value. The Group has not provided comparative information for the expanded disclosures in accordance with the transitional provision set out in the amendments.

The Group has not early applied the following new and revised Standards, Amendments or Interpretations that have been issued but are not yet effective.

HKFRSs (Amendments)	Amendment to HKFRS 5 as part of improvements to HKFRSs 2008[1]
HKFRSs (Amendments)	Improvements to HKFRSs 2009[2]
HKFRSs (Amendments)	Improvements to HKFRSs 2010[3]
HKAS 24 (Revised)	Related party disclosures[7]
HKAS 27 (Revised)	Consolidated and separate financial statements[1]
HKAS 32 (Amendment)	Classification of right issues[5]
HKAS 39 (Amendment)	Eligible hedged items[1]
HKFRS 1 (Amendment)	Additional exemptions for first-time adopters[4]
HKFRS 1 (Amendment)	Limited exemption from comparative HKFRS 7 disclosures for first-time adopters[6]
HKFRS 2 (Amendments)	Group cash-settled share-based payments transactions[4]
HKFRS 3 (Revised)	Business combinations[1]
HKFRS 9	Financial instruments[8]
HK(IFRIC) - INT 14 (Amendment)	Prepayments of a minimum funding requirement[7]
HK(IFRIC) - INT 17	Distributions of non-cash assets to owners[1]
HK(IFRIC) - INT 19	Extinguishing financial liabilities with equity instruments[6]

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

[1] Effective for annual periods beginning on or after 1 July 2009.

[2] Amendments that are effective for annual periods beginning on or after 1 July 2009 and 1 January 2010, as appropriate.

[3] Effective for annual periods beginning on or after 1 July 2010 and 1 January 2011, as appropriate.

[4] Effective for annual periods beginning on or after 1 January 2010.

[5] Effective for annual periods beginning on or after 1 February 2010.

[6] Effective for annual periods beginning on or after 1 July 2010.

[7] Effective for annual periods beginning on or after 1 January 2011.

[8] Effective for annual periods beginning on or after 1 January 2013.

The application of HKFRS 3 (Revised) may affect the accounting for business combination for which the acquisition date is on or after the beginning of the first annual reporting period beginning on or after 1 April 2010. HKAS 27 (Revised) will affect the accounting treatment for changes in the Group's ownership interest in a subsidiary.

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

In addition, as part of Improvements to HKFRSs issued in 2009, HKAS 17 "Leases" has been amended in relation to the classification of leasehold land. The amendments will be effective from 1 April 2010, with earlier application permitted. Before the amendments to HKAS 17, lessees were required to classify leasehold land as operating leases and presented as prepaid lease payments in the consolidated statement of financial position. The amendments have removed such a requirement. Instead, the amendments require the classification of leasehold land to be based on the general principles set out in HKAS 17, that are based on the extent to which risks and rewards incidental to ownership of a leased asset lie with the lessor or the lessee. The application of the amendments to HKAS 17 is not expected to affect the classification and measurement of the Group's leasehold land.

The directors of the Group anticipate that the application of the other new and revised standards, amendments or interpretations will have no material impact on the consolidated financial statements.

3. SIGNIFICANT ACCOUNTING POLICIES

The consolidated financial statements have been prepared on the historical cost basis except for certain financial instruments, which are measured at fair values, as explained in the accounting policies set out below.

The consolidated financial statements have been prepared in accordance with Hong Kong Financial Reporting Standards issued by the HKICPA. In addition, the consolidated financial statements include applicable disclosures required by the Rules Governing the Listing of Securities on the Stock Exchange and by the Hong Kong Companies Ordinance. The principal accounting policies adopted are set out below.

Basis of consolidation

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

The results of subsidiaries acquired or disposed of during the year, except for those acquired pursuant to the Corporate Reorganisation, are included in the consolidated statement of comprehensive income from the effective date of acquisition or up to the effective date of disposal, as appropriate.

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

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

Investments in associates

An associate is an entity over which the investor has significant influence and that is neither a subsidiary nor an interest in a joint venture. Significant influence is the power to participate in the financial and operating policy decisions of the investee but is not control or joint control over those policies.

The results and assets and liabilities of associates are incorporated in these consolidated financial statements using the equity method of accounting. Under the equity method, investments in associates are carried in the consolidated statement of financial position at cost as adjusted for post-acquisition changes in the Group's share of the net assets of the associates, less any identified impairment loss. When the Group's share of losses of an associate equals or exceeds its interest in that associate (which includes any long-term interests that, in substance, form part of the Group's net investment in the associate), the Group discontinues recognising its share of further losses. An additional share of losses is provided for and a liability is recognised only to the extent that the Group has incurred legal or constructive obligations or made payments on behalf of that associate.

Where a group entity transacts with an associate of the Group, profits and losses are eliminated to the extent of the Group's interest in the relevant associate.

3. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Revenue recognition

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

Revenue from sales of goods is recognised when goods are delivered and title has been passed.

Service income is recognised when services are provided.

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

Dividend income from investments is recognised when the shareholders' right to receive payment have been established.

Property, plant and equipment

Property, plant and equipment including building for administrative purposes (other than construction in progress) are stated at cost less subsequent accumulated depreciation and accumulated impairment losses, if any.

Depreciation is provided to write off the cost of items of property, plant and equipment other than construction in progress over their estimated useful lives using the straight-line method.

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

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

3. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Leasing

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

The Group as lessee

Operating lease payments are recognised as an expense on a straight-line basis over the term of the relevant lease. Benefits received and receivable as an incentive to enter into an operating lease are recognised as a reduction of rental expense over the lease term on a straight-line basis.

Prepaid lease payments represent leasehold interests in land under operating lease arrangements and are amortised over the lease term on a straight-line basis.

The Group as lessor

Rental income from operating leases is recognised in profit or loss on a straight-line basis over the term of relevant lease.

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 added to 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.

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

Retirement benefit costs

Payments to the Mandatory Provident Fund Scheme ("MPF Scheme"), Macao Social Security Fund and the state-managed retirement benefit scheme of the People's Republic of China are charged as an expense when employees have rendered services entitling them to the contributions.

3. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Taxation

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

The tax currently payable is based on taxable profit for the year. Taxable profit differs from profit as reported in the consolidated statement of comprehensive income 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.

Deferred tax is recognised on differences between the carrying amount of assets and liabilities in the consolidated 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. Deferred tax assets are generally recognised for all deductable temporary difference to the extent that it is probable that taxable profits will be available against which those deductible temporary differences 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 an associate, 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. Deferred tax assets arising from deductible temporary differences associated with such investments and interests are only recognised to the extent that it is probable that there will be sufficient taxable profits against which to utilise the benefits of the temporary differences and they are expected to reverse in the foreseeable future.

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

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the period in which the liability is settled or the asset is realised, based on tax rates (and tax laws) that have been enacted or substantively enacted by the end of the reporting period. The measurement of deferred tax liabilities and assets reflects the tax consequences that would follow from the manner in which the Group expects, at the end of the reporting period, to recover or settle the carrying amount of its assets and liabilities. Deferred tax is recognised in profit or loss, except when it relates to items that are 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 respectively.

3. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Inventories

Inventories are stated at the lower of cost and net realisable value. Cost is calculated using the weighted average method.

Financial instruments

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

Financial assets

The Group's financial assets are classified into financial assets at fair value through profit or loss ("FVTPL"), loans and receivables and available-for-sale financial assets. All regular way purchases or sales of financial assets are recognised and derecognised on a trade date basis. Regular way purchases or sales are purchases or sales of financial assets that require delivery of assets within the time frame established by regulation or convention in the market place.

Effective interest method

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

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

Financial assets at FVTPL

Financial assets at FVTPL have two subcategories: financial assets held for trading and those designated at FVTPL on initial recognition.

3. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Financial instruments *(continued)*

Financial assets *(continued)*

Financial assets at FVTPL *(continued)*

A financial asset is classified as held for trading if:

- it has been acquired principally for the purpose of selling in the near future; or
- it is a part of an identified portfolio of financial instruments that the Group manages together and has a recent actual pattern of short-term profit-taking; or
- it is a derivative that is not designated and effective as a hedging instrument.

A financial asset other than a financial asset held for trading may be designated as at FVTPL upon initial recognition if:

- such designation eliminates or significantly reduces a measurement or recognition inconsistency that would otherwise arise; or
- the financial asset forms part of a group of financial assets or financial liabilities or both, which is managed and its performance is evaluated on a fair value basis, in accordance with the Group's documented risk management or investment strategy, and information about the grouping is provided internally on that basis; or
- it forms part of a contract containing one or more embedded derivatives, and HKAS 39 permits the entire combined contract (asset or liability) to be designated as at FVTPL.

Financial assets at FVTPL are measured at fair value, with changes in fair value arising from remeasurement recognised directly in profit or loss in the period in which they arise. The net gain or loss recognised in profit or loss includes any dividend or interest earned on the financial assets.

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. Subsequent to initial recognition, loans and receivables (including trade and bills receivables, other receivables and deposits, amount due from an oil trading company, deposits placed with brokers, pledged bank deposits, bank balances and cash) are carried at amortised cost using the effective interest method, less any identified impairment losses (see accounting policy on impairment of financial assets below).

3. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Financial instruments *(continued)*

Financial assets *(continued)*

Available-for-sale financial assets

Available-for-sale financial assets are non-derivatives that are either designated or not classified as financial assets at FVTPL, loans and receivables or held-to-maturity investments. Available-for-sale financial assets are measured at fair value at the end of the reporting period. Changes in fair value are recognised in other comprehensive income and accumulated in investment revaluation reserve, until the financial asset is disposed of or is determined to be impaired, at which time, the cumulative gain or loss previously accumulated in the investment revaluation reserve is reclassified to profit or loss (see accounting policy on impairment of financial assets below).

For available-for-sale equity investments that do not have a quoted market price in an active market and whose fair value cannot be reliably measured, they are measured at cost less any identified impairment losses at the end of the reporting period (see accounting policy on impairment of financial assets below).

Impairment of financial assets

Financial assets, other than those at FVTPL, are assessed for indicators of impairment at the end of the reporting period. Financial assets are impaired where there is objective evidence that, as a result of one or more events that occurred after the initial recognition of the financial asset, the estimated future cash flows of the financial assets have been affected.

For an available-for sale equity investment, a significant or prolonged decline in the fair value of that investment below its cost is considered to be objective evidence of impairment.

For all other financial assets, objective evidence of impairment could include:

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

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

3. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Financial instruments *(continued)*

Financial assets *(continued)*

Impairment of financial assets *(continued)*

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

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

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

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

Impairment losses on available-for-sale equity investments will not be reversed in profit or loss in subsequent periods. Any increase in fair value subsequent to impairment loss is recognised directly in other comprehensive income and accumulated in investment revaluation reserve. For available-for-sale debt investments, impairment losses are subsequently reversed to profit or loss if an increase in the fair value of the investment can be objectively related to an event occurring after the recognition of the impairment loss.

Financial liabilities and equity

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

An equity instrument is any contract that evidences a residual interest in the assets of the Group after deducting all of its liabilities.

The Group's financial liabilities are generally classified into financial liabilities at FVTPL and other financial liabilities.

3. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Financial instruments *(continued)*

Financial liabilities and equity *(continued)*

Effective interest method

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

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

Financial liabilities at FVTPL

Financial liabilities at FVTPL consist of financial liabilities held for trading. A financial liability is classified as held for trading if:

- it has been incurred principally for the purpose of repurchasing in the near future; or
- it is a part of an identified portfolio of financial instruments that the Group manages together and has a recent actual pattern of short-term profit-taking; or
- it is a derivative that is not designated and effective as a hedging instrument.

Financial liabilities at FVTPL are measured at fair value, with changes in fair value arising on remeasurement recognised directly in profit or loss in the period in which they arise. The net gain or loss recognised in profit or loss includes any interest paid on the financial liabilities.

Other financial liabilities

Other financial liabilities including trade and bills payables, other payables and bank borrowings are subsequently measured at amortised cost, using the effective interest method.

Equity instruments

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

3. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Financial instruments *(continued)*

Derivative financial instruments and hedging

Derivatives are initially recognised at fair value at the date a derivative contract is entered into and are subsequently remeasured to their fair value at the end of the reporting period. The resulting gain or loss is recognised in profit or loss immediately unless the derivative is designated and effective as a hedging instrument, in which event the timing of the recognition in profit or loss depends on the nature of the hedge relationship.

Derivatives of the Group do not qualify for hedge accounting thus they are deemed as financial assets held for trading or financial liabilities held for trading. Changes in fair values of such derivatives are recognised directly in profit or loss.

Derecognition

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

Foreign currencies

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

Exchange differences arising on the settlement of monetary items, and on the retranslation of monetary items, are recognised in profit or loss in the year in which they arise.

3. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Foreign currencies *(continued)*

For the purposes of presenting the consolidated financial statements, the assets and liabilities of each individual group entity are translated into the presentation currency of the Group (i.e. HK$) at the rate of exchange prevailing at the end of the reporting period, and their income and expenses are translated at the average exchange rates for the year, unless exchange rates fluctuate significantly during the year, in which case, the exchange rates prevailing at the dates of transactions are used. Exchange differences arising, if any, are recognised in other comprehensive income and accumulated in equity (the translation reserve).

Impairment losses on tangible assets

At the end of the reporting period, the Group reviews the carrying amounts of its tangible assets 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 asset is estimated in order to determine the extent of the impairment loss, if any. If the recoverable amount of an asset is estimated to be less than its carrying amount, the carrying amount of the asset is reduced to its recoverable amount. An impairment loss is recognised as an expense immediately.

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

Share-based payment transactions

Equity-settled share-based payment transactions

Share options granted to employees

The fair value of services received determined by reference to the fair value of share options granted at the grant date is expensed on a straight-line basis over the vesting period, with a corresponding increase in equity (share options reserve).

At the end of the reporting period, the Group revises its estimates of the number of options that are expected to ultimately vest. The impact of the revision of the estimates during the vesting period, if any, is recognised in profit or loss, with a corresponding adjustment to share options reserve.

At the time when the share options are exercised, the amount previously recognised in share options reserve will be transferred to share premium. When the share options are forfeited after the vesting date or are still not exercised at the expiry date, the amount previously recognised in share options reserve will continue to be held in share options reserve.

3. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Share-based payment transactions *(continued)*

Equity-settled share-based payment transactions *(continued)*

Share options granted to suppliers/consultants

Share options issued in exchange for goods or services are measured at the fair values of the goods or services received, unless that fair value cannot be reliably measured, in which case the goods or services received are measured by reference to the fair value of the share options granted. The fair values of the goods or services received are recognised as expenses, with a corresponding increase in equity (share options reserve), when the Group obtains the goods or when the counterparties render services, unless the goods or services qualify for recognition as assets.

4. CAPITAL RISK MANAGEMENT

The Group manages its capital to ensure that entities in the Group will be able to continue as a going concern while maximising the return to shareholders through the optimisation of the debt and equity balance. The Group's overall strategy remains unchanged from the prior year.

The capital structure of the Group consists of debt representing bank borrowings disclosed in note 26, net of cash and cash equivalents, and equity attributable to owners of the Company, comprising issued share capital, share premium, retained profits and other reserves as disclosed in the consolidated statement of changes in equity.

The directors of the Company review the capital structure on a continuous basis. As part of this review, the directors consider the cost of capital and the risks associated with each class of capital. Based on recommendations of the directors, the Group will balance its overall capital structure through the payment of dividends and new share issues as well as the issue of new debt.

5. FINANCIAL INSTRUMENTS

	2010 HK$'000	2009 HK$'000
Categories of financial instruments		
Financial assets		
FVTPL		
– Designated as at FVTPL	**19,014**	17,496
Loans and receivables (including cash and cash equivalents)	**972,055**	812,360
Available-for-sale financial assets	**392**	392
Financial liabilities		
FVTPL		
– Held for trading	**50,824**	29,636
Amortised cost	**837,649**	282,481

Financial risk management objectives and policies

The Group's major financial instruments include bank structured deposit, trade and bills receivables, other receivables and deposits, amount due from an oil trading company, deposits placed with brokers, pledged bank deposits, bank balances and cash, trade and bills payables, other payables, bank borrowings and derivative financial instruments. The risks associated with these financial instruments include market risk (interest rate risk, currency risk and other price risk), credit risk and liquidity risk. The policies on how to mitigate these risks are set out below. The management manages and monitors these exposures to ensure appropriate measures are implemented on a timely and effective manner.

There has been no significant change to the Group's exposure to financial risks or the manner in which it manages and measures the risks.

5. FINANCIAL INSTRUMENTS *(continued)*

Financial risk management objectives and policies *(continued)*

Market risks

Interest rate risk

The Group manages the interest rate exposure based on the interest rate level as well as potential impact on the Group's results arising from volatility of the interest rate. The management monitors interest rate exposure and will consider other necessary actions when significant interest rate exposure is anticipated.

The Group's cash flow interest rate risk primarily relates to its variable-rate bank balances, pledged bank deposits, deposits placed with brokers and bank borrowings, as set out in notes 23, 24 and 26 respectively.

Sensitivity analysis

The sensitivity analysis below have been determined based on the exposure to interest rates for variable-rate bank balances, pledged bank deposits, deposits placed with brokers and bank borrowings at the end of the reporting period. The analysis is prepared assuming the amount of bank balances, pledged bank deposits, deposits placed with brokers and bank borrowings outstanding at the end of the reporting period were outstanding for the whole year. A 10 basis points (2009: 100 basis points) increase or decrease is used for bank balances, pledged bank deposits, deposits placed with brokers and a 50 basis points (2009: nil) increase or decrease is used for bank borrowings which represents management's assessment of reasonably possible change in interest rates.

For bank balances, pledged bank deposits, deposits placed with brokers if the interest rate increase/decrease by 10 basis points (2009: 100 basis points) and all other variables were held constant, the post-tax profit for the year will increase/decrease by approximately HK$339,000 (2009: HK$3,449,000).

For bank borrowings, if interest rate increase/decrease by 50 basis points (2009: nil) and all other variables were held constant; the post-tax profit for the year will decrease/increase by approximately HK$2,317,000.

5. FINANCIAL INSTRUMENTS *(continued)*

Financial risk management objectives and policies *(continued)*

Market risks *(continued)*

Currency risk

The majority of the Group's sales and purchases are denominated in the group entity's functional currency. Accordingly, the directors considered that the Group's foreign currency exchange risk is insignificant.

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

	Liabilities		Assets	
	2010	2009	**2010**	2009
	HK$'000	HK$'000	**HK$'000**	HK$'000
Functional currency as US$ against				
HK$	**358**	158	**1,444**	71,775
Other currencies	**58**	38	**210**	186
US$ against functional currency as				
Renminbi	**—**	–	**10,267**	12,101

The Group currently does not have a foreign currency hedging policy. However, the management monitors foreign exchange exposure and will consider hedging significant foreign currency exposure should the need arise.

For the entities of which their functional currency is US$ while holding assets denominated in HK$, the directors considered that, as HK$ is pegged to US$, the Group is not subject to significant foreign currency risk from change in foreign exchange rate of HK$ against US$.

The directors considered that the sensitivity of the Group's exposure towards the change in other foreign exchange rates is minimal as the assets and liabilities of the Group denominated in currency other than functional currency of a particular group entity were insignificant at the end of the reporting period.

5. FINANCIAL INSTRUMENTS *(continued)*

Financial risk management objectives and policies *(continued)*

Other price risk

Oil price risk

The Group is exposed to oil price risk through its trading of petroleum products, crude oil and petrochemical products of which their prices fluctuates directly with the oil price. The oil price is affected by a wide range of global and domestic factors which are beyond the control of the Group. The fluctuation in oil prices may have favourable or unfavourable impacts to the Group.

The Group has carried out hedging activities to reduce the price risk exposure during the course of trading business. In order to evaluate and monitor the hedging activities, the Group has formulated a risk management policy documenting, amongst other things, the scope of risk management, roles and responsibility and risk tolerance. The scope of risk management policy focuses on price risks arising from the trading business and the trading of derivative financial instruments, including swaps, futures and options, traded in both over-the-counter and different exchanges for hedging purposes. The hedging strategies are applied upon the conclusion of either the buy-side or sell-side agreements. Derivative transactions entered into for hedging purposes will be monitored for suitability in terms of size, direction, and strategy with reference to the corresponding shipment involved. There are three main parties involved in hedging activities, namely traders, the monitoring team and review team. Under the risk management policy, the open hedging derivative positions are limited and monitored by different risk tolerance thresholds, including lots size thresholds for the equivalent physical cargo quantities, a sensitivity threshold based on absolute monetary amount, and a company threshold on net current assets, upon execution of derivative financial instruments. In order to improve the mechanism of the hedging activities after Listing, the Group has appointed an independent advisor to review its existing risk management policy and documentation.

The Group's derivative financial instruments are measured at fair value provided by financial institutions with reference to the quoted crude oil futures prices. Therefore, the Group is exposed to oil price risk and the management monitors the price movements and takes appropriate actions when it is required.

5. FINANCIAL INSTRUMENTS *(continued)*

Financial risk management objectives and policies *(continued)*

Other price risk *(continued)*

Oil price risk (continued)

Sensitivity analysis

If the reference oil price had been 10% higher/lower and all other variables were held constant, the Group's profit for the year would decrease/increase by approximately HK$998,858,000 (2009: HK$65,746,000). The sensitivity rate of 10% represents management's assessment of the reasonably possible change in the reference oil price.

Reference index price risk

The Group's structured bank deposit is measured at fair value with reference to the foreign exchange yield differential index, which is calculated using discounted cash flow analyses on the zero coupon instrument and foreign currency forward contracts. The calculation is based on the applicable interest rates and foreign exchange rates. Accordingly, the structured bank deposit is exposed to the combination of interest rate and foreign exchange risk. As the variability of interest rate is insignificant, the management considers the risk in respect of this is insignificant and accordingly, no sensitivity is performed.

Liquidity risk

In the management of the liquidity risk, the Group monitors and maintains a level of cash and cash equivalents deemed adequate by the management to finance the Group's operations and mitigate the effects of fluctuations in cash flows. The management monitors the utilisation of bank borrowings and ensures compliance with loan covenants. As at 31 March 2010, the Group has available unutilised short-term bank loan facilities of approximately US$294,985,000 (equivalent to HK$2,300,887,000) (2009: US$210,397,000 (equivalent to HK$1,641,100,000)).

The following tables detail the Group's remaining contractual maturity for its financial liabilities based on the agreed repayment terms. For non-derivative liabilities the table has been drawn up based on the undiscounted cash flows of financial liabilities based on the earliest date on which the Group can be required to pay. The table includes both interest and principal cashflows. For derivative instruments settled on a net basis, undiscounted contractual net cash outflow are presented. The liquidity analysis for the Group's derivative financial instruments are prepared based on the contractual maturities as the management consider that the contracted maturities are essential for an understanding of the timing of the cash flows of derivatives.

5. FINANCIAL INSTRUMENTS *(continued)*

Financial risk management objectives and policies *(continued)*

Liquidity risk *(continued)*

	Weighted average effective interest rate %	Less than 1 month HK$'000	1 month to 3 months HK$'000	3 months to 1 year HK$'000	Total undiscounted cash flows HK$'000	Total carrying amount HK$'000
As at 31 March 2010						
Non-derivative financial liabilities						
Trade and bills payables	—	369,353	—	—	369,353	369,353
Other payables	—	2,992	105	1,785	4,882	4,882
Bank borrowings – variable rate	1.97%	331,381	132,868	—	464,249	463,414
		703,726	132,973	1,785	838,484	837,649
Derivatives settled net						
– futures contracts		20,895	16,201	—	37,096	37,096
– swap contracts		3,097	4,742	5,889	13,728	13,728
		23,992	20,943	5,889	50,824	50,824
As at 31 March 2009						
Non-derivative financial liabilities						
Trade and bills payables	–	250,486	29,140	464	280,090	280,090
Other payables	–	195	143	2,053	2,391	2,391
		250,681	29,283	2,517	282,481	282,481
Derivatives settled net						
– futures contracts		10,561	17,605	–	28,166	28,166
– options		1,470	–	–	1,470	1,470
		12,031	17,605	–	29,636	29,636

5. FINANCIAL INSTRUMENTS *(continued)*

Financial risk management objectives and policies *(continued)*

Credit risk

The Group's maximum exposure to credit risk which will cause a financial loss to the Group due to failure to perform an obligation by the counterparties is arising from the carrying amount of the respective recognised financial assets as stated in the consolidated statement of financial position.

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

Bank structured deposit, bank balances and deposits placed with brokers are placed in various authorised financial institutions either with high credit ratings or good financial background and the directors of the Company consider the credit risk of such authorised financial institutions is low.

Other than concentration of credit risk on liquid funds and bank structured deposit which are deposited with several financial institutions with high credit ratings, the Group also has concentration of credit risk on an amount due from an oil company and the trade and bills receivables. The total trade and bills receivables of the Group as at 31 March 2010 were due from 2 (2009: 6) customers. These customers are mainly large and established oil trading companies or/and foreign state-owned energy companies with good financial backgrounds. The management closely monitors the subsequent settlement of the customers. At the same time, the management endeavours to diversify and expand the customer base in order to mitigate the concentration of credit risk through establishing new business relationship with non state-owned licensed import agents and overseas oil trading companies.

5. FINANCIAL INSTRUMENTS *(continued)*

Fair value

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

- the fair value of financial assets and financial liabilities (including derivative instruments) with standard terms and conditions and traded on active liquid markets are determined with reference to quoted market bid prices and ask prices respectively; and

- the fair value of other financial assets and financial liabilities are determined in accordance with generally accepted pricing models based on discounted cash flow analysis using prices or rates from observable current market transactions as input.

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

Fair value measurements recognised in the statement of financial position

The following table provides an analysis of financial instruments that are measured subsequent to initial recognition at fair value are grouped into Levels 1 to 3 based on the degree to which the fair value is observable.

- Level 1 fair value measurements are those derived from quoted prices (unadjusted) in active market for identical assets or liabilities.

- Level 2 fair value measurements are those derived from inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices).

- Level 3 fair value measurements are those derived from valuation techniques that include inputs for the asset or liability that are not based on observable market data (unobservable inputs).

5. FINANCIAL INSTRUMENTS *(continued)*

Fair value *(continued)*

	At 31 March 2010			
	Level 1	**Level 2**	**Level 3**	**Total**
	HK$'000	**HK$'000**	**HK$'000**	**HK$'000**
Financial asset at FVTPL				
Bank structured deposit	**—**	**—**	**19,014**	**19,014**
Financial liabilities at FVTPL				
Derivative financial instruments	**—**	**50,824**	**—**	**50,824**

Reconciliation of Level 3 fair value measurements of financial asset

	Bank structured deposit HK$'000
At 1 April 2009	17,496
Total gain or losses	
– Fair value change in bank structured deposit classified as asset at FVTPL recognised in profit or loss	1,518
At 31 March 2010	19,014

There were no transfers between Level 1 and 2 in the current year.

6. REVENUE AND SEGMENTAL INFORMATION

Revenue

Revenue represents the amounts received and receivable for goods sold in the normal course of business, net of discounts and sales related taxes.

Segmental 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 (i.e. the executive directors of the Company) for the purpose of allocating 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 geographical segments by location of oil trading companies of the Group. The application of HKFRS 8 has resulted in a significant change in segment reporting for the Group.

In previous and current years, the Group's revenue is substantially derived from a single business operation of trading of petroleum products and crude oil ("Trading business"). In previous years, the executive directors of the Company reported geographical segments by location of the oil trading companies of the Group, which are mainly located in Hong Kong, Macao and the People's Republic of China (the "PRC" excluding Hong Kong and Macao), as the Group's primary segment reporting format. However, based on the internal information that is regularly reviewed by the executive directors of the Company, the financial information for the Trading business as a whole, irrespective of the location of oil trading companies, is used for the purposes of assessment of performances. Accordingly, the Trading business as a whole constitutes one operating segment for the purpose of segment information presentation under HKFRS 8.

Though the management plans to develop an oil storage business in the PRC, the storage facilities are still in construction and it has not yet generated any revenue up to 31 March 2010. The Group's turnover and results are principally derived from the Trading business and management of the Group has been managing the Group as a single operating segment in both years. The turnover and results are disclosed in the consolidated statement of comprehensive income.

6. REVENUE AND SEGMENTAL INFORMATION *(continued)*

Revenue from major products

The following is an analysis of the Group's revenue from its major products:

	2010	2009
	HK$'000	HK$'000
Crude oil	**5,140,920**	5,197,893
Petroleum products	**262,215**	661,850
Petrochemical products	**310,099**	132,408
	5,713,234	5,992,151

Geographical information

The Group's operations are currently carried out in Hong Kong, Macao, PRC and Malaysia.

The Group's revenue from external customers by location of delivery to the customers and information about the Group's non-current assets by geographic location of assets are detailed below:

	Revenue from external customers		**Non-current assets**	
	2010	2009	**2010**	2009
	HK$'000	HK$'000	**HK$'000**	HK$'000
Hong Kong	**—**	—	**177**	60
Macao	**—**	—	**1,348**	1,353
PRC	**4,735,783**	5,844,427	**28,699**	27,811
Malaysia	**227,483**	51,399	**170,470**	—
Korea	**361,007**	59,755	**—**	—
Other Southeast Asia countries	**388,961**	36,570	**—**	—
	5,713,234	5,992,151	**200,694**	29,224

Note: For the purpose of geographical information above, non-current assets exclude financial instruments (consisting of interests in associates, available-for-sale investments and bank structured deposit) and deferred tax asset.

6. REVENUE AND SEGMENTAL INFORMATION *(continued)*

Information about major customers

Revenue from customers of the corresponding years which contributed over 10% of the total sales of the Group are as follows:

	2010 HK$'000	2009 HK$'000
Customer A	**2,057,240**	–
Customer B	**1,045,393**	2,589,825
Customer C	**—**	1,012,497
Customer D	**906,256**	620,868
Customer E	**—**	621,538

7. OTHER INCOME

	2010 HK$'000	2009 HK$'000
Rental income from leasing car parking spaces and unutilised storage area of the self-owned vessel	**30,635**	13
Bank interest income	**217**	3,502
Service income	**2,279**	–
Increase in fair value on bank structured deposit	**1,518**	225
Dividend income from listed securities in Hong Kong	**—**	377
Others	**—**	180
	34,649	4,297

8. FINANCE COSTS

	2010 HK$'000	2009 HK$'000
Interests on short-term borrowings	**6,271**	571
Bank charges on letter of credit facilities	**5,989**	3,341
	12,260	3,912

9. TAXATION (CREDIT) CHARGE

	2010 HK$'000	2009 HK$'000
Current tax of Hong Kong Profits Tax	**—**	3,640
Underprovision of Hong Kong Profits Tax in prior year	**11**	85
	11	3,725
Deferred tax (note 28)	**(4,358)**	—
	(4,347)	3,725

On 26 June 2008, the Hong Kong Legislative Council passed the Revenue Bill 2008 which reduced corporate profits tax rate from 17.5% to 16.5% effective from the year of assessment 2008/2009. Therefore, Hong Kong Profits Tax was calculated at 16.5% on the estimated assessable profit for the year ended 31 March 2009. No provision for Hong Kong Profits Tax has been made for the year since tax losses were incurred for the subsidiaries with operations in Hong Kong.

No provision for PRC Enterprise Income Tax was provided for the Group's PRC subsidiary as the PRC subsidiary has no assessable profit for both years.

Pursuant to the Decree Law No. 58/99M, Chapter 2, Article 12 dated 18 October 1999, issued by the Macao Special Administrative Region Government, Strong Petrochemical Limited (Macao Commercial Offshore) ("Strong Petrochemical (Macao)") is exempted from Macao Complementary Tax.

9. TAXATION (CREDIT) CHARGE *(continued)*

The taxation for the year can be reconciled to the profit before taxation per the consolidated statement of comprehensive income as follows:

	2010	2009
	HK$'000	HK$'000
Profit before taxation	197,250	333,199
Tax at applicable Hong Kong Profits Tax rate of 16.5%	32,546	54,978
Tax effect of income not taxable for tax purposes	(265)	(294)
Tax effect of expenses not deductible for tax purposes	868	2,820
Effect of tax exemption granted to Macao subsidiary	(38,337)	(53,898)
Tax effect of share of loss of an associate	99	34
Tax effect of tax loss not recognised	731	–
Underprovision in respect of prior year	11	85
Taxation for the year	(4,347)	3,725

There was no significant unprovided deferred taxation for the year or at the end of the reporting period.

10. PROFIT FOR THE YEAR

	2010 HK$'000	2009 HK$'000
Profit for the year is arrived after charging (crediting):		
Auditor's remuneration	**1,400**	1,018
Amortisation of prepaid lease payments (included in other expenses)	**438**	435
Depreciation of property, plant and equipment		
Vessel (Note)	**17,635**	—
Others	**215**	457
Net foreign exchange losses	**183**	925
Listing expenses (included in other expenses)	**—**	10,500
(Gain) loss on disposal of property, plant and equipment	**(9)**	3
Operating lease rentals in respect of oil storage facilities, a vessel and rented premises	**16,697**	14,189
Directors' emoluments (note 11)	**4,229**	1,333
Other staff costs		
Salaries, bonus and other allowances	**9,844**	8,600
Retirement benefits scheme contributions	**146**	100
Share-based payments	**2,873**	—
	17,092	10,033
Write-down of inventories (included in cost of sales)	**9,145**	—
Cost of inventories recognised as expense (included in cost of sales)	**5,171,911**	5,724,902
Share-based payments to third parties (included in distribution and selling expenses)	**31,513**	—

Note: As one-third of the vessel was leased out for rental income, the respective depreciation of vessel amounting to HK$5,878,000, together with the attributable operating costs of vessel, was included in other expenses. The remaining amount of HK$11,757,000, together with the attributable operating costs of the vessel, was included in distribution and selling expenses.

11. DIRECTORS' EMOLUMENTS

The emoluments paid or payable to each of the 6 (2009: 6) directors were as follows:

	Executive director			Independent non-executive director			
	Wang Jian Sheng ("Mr. Wang") HK$'000	Yao Guoliang ("Mr.Yao") HK$'000	Wong Wing HK$'000	Zhu Yao Bin HK$'000	Lau Hon Kee HK$'000	Lin Yan HK$'000	Total HK$'000
Fees	–	–	–	120	180	120	420
Other emoluments							
Salaries and other benefits	–	–	1,035	–	–	–	1,035
Share-based payments	–	–	1,854	278	278	278	2,688
Discretionary bonus	–	–	86	–	–	–	86
Total emoluments for 2010	–	–	2,975	398	458	398	4,229

	Executive director			Independent non-executive director			
	Mr. Wang HK$'000	Mr.Yao HK$'000	Wong Wing HK$'000	Zhu Yao Bin HK$'000	Lau Hon Kee HK$'000	Lin Yan HK$'000	Total HK$'000
Fees	–	–	–	41	61	41	143
Other emoluments							
Salaries and other benefits	–	–	932	–	–	–	932
Discretionary bonus	–	–	258	–	–	–	258
Total emoluments for 2009	–	–	1,190	41	61	41	1,333

The discretionary bonus is determined by reference to the individual performance of the directors and approved by the Remuneration Committee.

During both years, no emoluments were paid by the Group to any of the directors as an inducement to join or upon joining the Group or as compensation for loss of office.

In the year ended 31 March 2009, Mr. Wang and Mr. Yao waived each of the director's fees of HK$342,000. No directors waived any emoluments in the year ended 31 March 2010.

12. EMPLOYEES' EMOLUMENTS

Of the five individuals with the highest emoluments in the Group, one (2009: one) was director of the Company whose emoluments are included in the disclosures in note 11 above. The emoluments of the remaining four (2009: four) individuals were as follows:

	2010 HK$'000	2009 HK$'000
Salaries and other benefits	**5,115**	4,625
Contributions to retirement benefits schemes	**45**	43
Share-based payments	**1,668**	—
	6,828	4,668

Their emoluments were within the following bands:

	2010 No. of employees	2009 No. of employees
Nil to HK$1,000,000	**1**	2
HK$1,000,001 to HK$1,500,000	**—**	1
HK$1,500,001 to HK$2,000,000	**1**	1
HK$2,000,001 to HK$2,500,000	**2**	—

13. DIVIDENDS

The dividend recognised as a distribution during the year ended 31 March 2010 represents the interim dividend of approximately HK$48,139,000 declared and paid by the Company to the shareholders.

The dividends recognised as a distribution during the year ended 31 March 2009 represented the interim dividends of US$29,000,000 (equivalent to approximately HK$226,200,000) declared and paid by Santron Holdings Limited, the then holding company of the Group to the shareholders.

The final dividend of HK3 cents in respect of the year ended 31 March 2010 (2009: nil) per share has been proposed by the directors and is subject to approval by the shareholders at the forthcoming general meeting.

14. EARNINGS PER SHARE

The calculation of the basic and diluted earnings per share is based on the profit for the year attributable to owners of the Company and on the number of shares as follows:

	2010	2009
Weighted average number of ordinary shares for the purpose of calculating basic earnings per share (note)	**1,602,546,466**	1,286,575,344
Effect of dilutive potential ordinary shares:		
Share options	**67,042,685**	–
Weighted average number of ordinary shares for the purpose of diluted earnings per share	**1,669,589,151**	1,286,575,344

Note: The weighted average number of shares for the purpose of calculating basic earnings per share for year ended 31 March 2009 is based on the assumption that the 20,000,000 shares issued and outstanding upon the Corporate Reorganisation had been in issue as at beginning of the year ended 31 March 2009 and also has been adjusted for the 280,000,000 shares issued pursuant to the capitalisation issue and the share division which took place on 18 August 2009 as disclosed in note 29(e) and (f) respectively.

There was no diluted earnings per share for the year ended 31 March 2009 as there were no potential ordinary shares in issue during the year.

15. PROPERTY, PLANT AND EQUIPMENT

	Vessel HK$'000	Buildings HK$'000	Leasehold improvements HK$'000	Furniture and fixtures HK$'000	Office equipment HK$'000	Motor vehicles HK$'000	Construction in progress HK$'000	Total HK$'000
COST								
At 1 April 2008	–	20,754	930	651	732	2,117	1,010	26,194
Exchange realignment	–	–	–	–	–	–	17	17
Additions	–	–	–	–	78	–	5,870	5,948
Disposals	–	–	–	(1)	(18)	–	–	(19)
Disposal of a subsidiary	–	(19,056)	–	(4)	–	(2,117)	–	(21,177)
At 31 March 2009	–	1,698	930	646	792	–	6,897	10,963
Exchange realignment	–	–	–	–	–	–	76	76
Additions	188,105	–	21	48	249	–	1,031	189,454
Disposals	–	–	–	–	(102)	–	–	(102)
At 31 March 2010	**188,105**	**1,698**	**951**	**694**	**939**	**–**	**8,004**	**200,391**
ACCUMULATED DEPRECIATION								
At 1 April 2008	–	2,206	930	621	589	2,117	–	6,463
Provided for the year	–	347	–	22	88	–	–	457
Eliminated on disposals	–	–	–	(1)	(13)	–	–	(14)
Eliminated on disposal of a subsidiary	–	(2,170)	–	(4)	–	(2,117)	–	(4,291)
At 31 March 2009	–	383	930	638	664	–	–	2,615
Provided for the year	17,635	85	4	17	109	–	–	17,850
Eliminated on disposals	–	–	–	–	(102)	–	–	(102)
At 31 March 2010	**17,635**	**468**	**934**	**655**	**671**	**–**	**–**	**20,363**
CARRYING VALUES								
At 31 March 2010	**170,470**	**1,230**	**17**	**39**	**268**	**–**	**8,004**	**180,028**
At 31 March 2009	–	1,315	–	8	128	–	6,897	8,348

15. PROPERTY, PLANT AND EQUIPMENT *(continued)*

The above items of property, plant and equipment are depreciated on a straight-line basis at the following rates per annum:

Vessel	12.5%
Buildings	5%
Leasehold improvements	Over the shorter of the term of the lease or 3-4 years
Furniture and fixtures	20% - 25%
Office equipment	19% - $33^{1}/_{3}$%
Motor vehicles	30%

As at 31 March 2010 and 2009, all of the Group's buildings were pledged to secure certain banking facilities granted to the Group.

As at 31 March 2010 and 2009, construction in progress represents the cost incurred for construction of storage tanks.

16. PREPAID LEASE PAYMENTS

The Group's prepaid lease payments at 31 March 2010 and 2009 comprise leasehold interest in land in the PRC with medium-term lease for 50 years.

The amounts are analysed for reporting purposes as:

	2010	2009
	HK$'000	HK$'000
Prepaid lease payments of the Group are analysed for reporting purpose as:		
Current asset	**440**	435
Non-current asset	**20,666**	20,876
	21,106	21,311

17. AVAILABLE-FOR-SALE INVESTMENTS

The amount represents a golf club membership.

18. BANK STRUCTURED DEPOSIT

The amounts at 31 March 2010 and 2009 represent a principal-protected structured deposit denominated in US$ whose principal amount is US$2,000,000 and maturity date is on 9 May 2012. The bank structured deposit contains an embedded derivative, the return on which is determined with reference to a foreign exchange yield differential index published by the issuer of the structured deposit, which is a bank with high credit rating assigned by international credit-rating agencies. The structured deposit is designated at FVTPL at initial recognition.

At the end of the reporting period, the structured deposits is stated at fair value based on valuation provided by the bank.

At the end of the reporting period, there is a significant concentration of credit risk for financial assets designated at FVTPL. The carrying amount reflected at 31 March 2010 and 2009 represents the Group's maximum exposure to credit risk for such financial assets.

19. INTERESTS IN ASSOCIATES

	2010	2009
	HK$'000	HK$'000
Cost of investments in associates, unlisted	**110,149**	49,319
Share of post-acquisition losses	**(802)**	(204)
Exchange realignment	**1,603**	1,305
	110,950	50,420

As at 31 March 2010 and 2009, the Group had interests in the following associates:

Name of entity	Form of business structure	Country of establishment	Paid up registered capital	Proportion of nominal value of registered capital held by the Group 2010 %	Proportion of nominal value of registered capital held by the Group 2009 %	Principal activity
中化天津港石化倉儲有限公司 (Sinochem Tianjin Port Petrochemical Terminal Co., Ltd.)	Sino-foreign owned enterprise	PRC	RMB628,060,000	**15 (Note)**	15 (Note)	Provision of petrochemical products storage services (Not yet commence operation)
天津港中化石化碼頭有限公司 (Tianjin Port Sinochem Petrochemical Dock Co., Ltd.)	Sino-foreign owned enterprise	PRC	RMB27,000,000	**15 (Note)**	–	Development and operation of dock and related ancillary facilities (Not yet commence operation)

Note: The Group is able to exercise significant influence over Sinochem Tianjin Port Petrochemical Terminal Co., Ltd. and Tianjin Port Sinochem Petrochemical Dock Co., Ltd. because it has the power to appoint one out of the five directors of these entities under the provisions stated in the Articles of Association of these entities.

19. INTERESTS IN ASSOCIATES *(continued)*

The summarised financial information in respect of the Group's associates is set out below:

	2010	2009
	HK$'000	HK$'000
Total assets	752,358	340,358
Total liabilities	(12,690)	(4,225)
Net assets	739,668	336,133
Group's share of net assets	110,950	50,420
Revenue	—	—
Loss for the year	3,988	1,359
Group's share of result for the year	598	204

20. INVENTORIES

These relate to crude oil and petrochemical products held for resale purposes.

Included in the balance are inventories of HK$332,017,000 (2009: nil) which have been pledged as security for bank loans.

21. TRADE AND BILLS RECEIVABLES

The following is an aged analysis of trade and bills receivables presented based on the invoice date at the end of the reporting period:

	2010	2009
	HK$'000	HK$'000
Trade receivables:		
0 to 30 days	**632,238**	373,866
31 to 60 days	**—**	50,797
61 to 90 days	**—**	26,317
Bills receivables		
31 to 60 days	**—**	9,767
	632,238	460,747

The credit period on sale of goods is 30 to 90 days. The Group does not hold any collateral over these balances. All trade receivables are neither past due nor impaired as at the end of the reporting period. The directors of the Company consider these trade receivables are of good credit quality as the debtors have no history of defaults and all of these balances had been subsequently settled.

In the opinion of the directors, the Group has a well established strong client portfolio where the customers have a strong financial and well established market position. The directors consider that such relationships enable the Group to limit its credit risk exposure. Before accepting any new customers, the Group will assess the potential customer's credit quality by reference to the experience of the management and defines credit limits by customer. Such credit limit is reviewed by the management periodically.

22. AMOUNT DUE FROM AN OIL TRADING COMPANY

The amount as at 31 March 2009 represented settlement amounts with an oil trading company for trading in forward and swap contracts. The amount was unsecured, non-interest bearing and was repayable within 60 days after such contracts were concluded.

23. DEPOSITS PLACED WITH BROKERS

The amount represents margin deposits placed with brokers for trading derivatives which carried interest at prevailing market interest rates ranging from 0.00% to 0.001% (2009: 0.00% to 0.686%) per annum for the year.

24. PLEDGED BANK DEPOSITS AND BANK BALANCES AND CASH

Pledged bank deposits represented the Group's deposits pledged to banks to secure short-term credit facilities granted to the Group and carried prevailing market interest and are therefore classified as current assets.

Bank balances and cash comprised cash on hand, balances in saving and current accounts, and short-term bank deposits. As at 31 March 2010, the bank balances and cash of approximately HK$422,000 (2009: HK$280,000) were denominated in Renminbi ("RMB") which is not freely convertible into other currencies.

Pledged bank deposits, balances in saving account and short-term bank deposits carried effective interest at prevailing market rates which range from 0.00% to 0.4% (2009: 0.01% to 4.00%) per annum for the year.

25. TRADE AND BILLS PAYABLES, OTHER PAYABLES AND ACCRUALS

Trade and bills payables, other payables and accruals comprised amounts outstanding for the purchase and ongoing costs.

The aged analysis of trade and bills payables presented based on the invoice date at the end of the reporting period is stated as follows:

	2010	2009
	HK$'000	HK$'000
Trade payables:		
0 to 30 days	**349,053**	160,517
61 days to 90 days	**—**	29,140
91 days to 180 days	**—**	464
Bills payables		
0 to 30 days	**20,300**	89,969
	369,353	280,090

The credit period on purchases of goods is normally 30 to 90 days. The Group has financial risk management policies in place to ensure that all payables are paid within the credit time frame.

As at 31 March 2010, included in other payables and accruals are the director fees of HK$105,000 (2009: HK$143,000) payable to all three independent non-executive directors. The balances are unsecured, non-interest bearing and repayable by the end of June 2010 (2009: end of June 2009).

26. BANK BORROWINGS

At 31 March 2010, the bank borrowings represent the trust receipt loans used to purchase inventories and short-term margin loan. The loans carry interest at variable market rates of range from 1.55% to 2.3075% and are repayable within 3 months. The bank borrowings are secured by the buildings, certain inventories and bank deposits. Details of which were set out in notes 15, 20 and 24 respectively.

27. DERIVATIVE FINANCIAL INSTRUMENTS

At the end of the reporting period, the Group has the following outstanding futures and swap contracts in order to manage the Group's price risk exposure in relation to the fluctuation of oil price for the transactions not yet completed or inventories on hand.

The major terms of these contracts are as follows:

At 31 March 2010

Notional Amount	**Expiry date**	**Strike price**
Crude oil swap contracts – long position:		
USD42,275,000	30.04.2010 to 30.06.2010	USD466 to USD475 per metric ton
USD69,670,000	30.04.2010 to 30.06.2010	USD76.30 to USD79.35 per barrel
Crude oil swap contracts – short position:		
USD47,365,000	30.04.2010 to 30.09.2010	USD467.75 to USD481.75 per metric ton
USD70,045,000	30.04.2010 to 30.06.2010	USD76 to USD79.65 per barrel
Crude oil futures contracts – long position:		
USD15,298,810	15.04.2010 to 14.05.2010	USD78.16 to USD82.22 per barrel
Crude oil futures contracts – short position:		
USD131,376,580	15.04.2010 to 14.05.2010	USD77.05 to USD83.25 per barrel

27. DERIVATIVE FINANCIAL INSTRUMENTS *(continued)*

At 31 March 2009

Notional Amount	**Expiry date**	**Strike price**
Crude oil option contract – long position:		
USD210,000	08.04.2009	USD4.2 per barrel
Crude oil futures contracts – short position:		
USD46,433,110	08.04.2009 to 18.05.2009	USD42.1 to USD54.46 per barrel

The fair values of the derivative financial instruments are estimated based on the difference between the contracted strike prices and prevailing futures prices or published oil indexes as at the end of the reporting period. Such prevailing futures prices or published oil indexes are derived from the relevant futures exchanges or oil prices publication as specified in the contracts.

Fair value changes on derivative financial instruments for the year presented in the consolidated statement of comprehensive income represent the fair value changes on all settled and unsettled trading futures, forward swap and options in relation to crude oil and refined oil products.

28. DEFERRED TAX ASSET

	Tax loss
	HK$'000
At 1 April 2008 and 2009	–
Credit to profit or loss	4,358
At 31 March 2010	**4,358**

At the end of the reporting period, the Group has estimated tax loss of approximately HK$32,975,000 (2009: HK$2,133,000) available for offset against future profits. A deferred tax asset has been recognised in respect of HK$26,411,000 (2009: nil), as the management considers it is probable that taxable profit will be available against which the tax loss can be utilised, based on the forecasted future profit streams. No deferred tax asset has been recognised in respect of the remaining HK$6,564,000 (2009: HK$2,133,000) due to the unpredictability of future profit streams. The losses may be carried forward indefinitely.

29. SHARE CAPITAL

	Notes	Number of shares	Share capital
			HK$'000
Authorised:			
Ordinary shares of HK$0.1 each at 1 April 2008	(a)	3,800,000	380
Increase on 28 November 2008	(b)	996,200,000	99,620
Ordinary shares of HK$0.1 each at 31 March 2009		1,000,000,000	100,000
Share subdivision	(f)	3,000,000,000	—
Ordinary shares of HK$0.025 each at 31 March 2010		4,000,000,000	100,000
Issued:			
Ordinary shares of HK$0.1 each at 1 April 2008	(a)	2	—
Issue of shares on Corporate Reorganisation	(c)	19,999,998	2,000
Issued on the Listing	(d)	100,000,000	10,000
Issued by capitalisation of the share premium account	(e)	280,000,000	28,000
Ordinary shares of HK$0.1 each at 31 March 2009		400,000,000	40,000
Share subdivision	(f)	1,200,000,000	—
Exercise of share options		5,860,000	147
Ordinary shares of HK$0.025 each at 31 March 2010		1,605,860,000	40,147

29. SHARE CAPITAL *(continued)*

Notes:

(a) The Company was incorporated in the Cayman Islands on 1 February 2008 with an authorised share capital of HK$380,000, divided into 3,800,000 shares of HK$0.1 each. At the date of incorporation, 2 ordinary shares of HK$0.1 were issued at nil consideration to Forever Winner.

(b) Pursuant to the resolutions passed on 28 November 2008, the authorised share capital of the Company was increased from HK$380,000 to HK$100,000,000 by the creation of additional 996,200,000 ordinary shares of HK$0.1 each.

(c) Pursuant to the Corporate Reorganisation, the Company allotted and issued 19,999,998 shares of HK$0.1 each of the Company to Forever Winner in exchange for the equity interests in the subsidiaries which were transferred to the Company on 28 November 2008.

(d) On 12th January 2009, the Company issued 100,000,000 new shares at HK$2.5 per share pursuant to the Listing and the Company's shares were listed on the Stock Exchange on the same date.

(e) Pursuant to the resolutions passed on 28 November 2008, the Company allotted and issued an aggregate of 280,000,000 shares to Forever Winner by way of capitalisation from the amount standing to the credit of the share premium account of the Company amounting to HK$28,000,000 after the Listing.

(f) Pursuant to the approval in the extraordinary general meeting held on 18 August 2009, each of the issued and unissued shares of par value HK$0.1 were subdivided into four subdivided shares of par value HK$0.025 each ("Share Subdivision").

All the shares which were issued during the year rank pari passu with the then existing shares in all respects.

30. DISPOSAL OF A SUBSIDIARY

On 26 November 2008, as part of the Corporate Reorganisation, the Group disposed of its entire interests in a subsidiary, Strong Property Limited ("Strong Property") and assigned the loan due from Strong Property, to Active Tools Group Limited ("Active Tools"), a related company in which each of Mr. Wang and Mr. Yao has 50% beneficial interests, at a cash consideration of approximately HK$32,032,000. The net assets of Strong Property at the date of disposal were as follows:

	HK$'000
Net assets disposed of:	
Property, plant and equipment	16,886
Available-for-sale investments	1,200
Other receivables, deposits and prepayments	50
Held for trading investments	7,622
Deposits placed with brokers	4,303
Bank balances and cash	2,358
Other payables and accruals	(358)
Tax payable	(29)
Total consideration, satisfied by cash	32,032
Net cash inflow arising on disposal:	
Cash consideration	32,032
Bank balances and cash disposed of	(2,358)
	29,674

31. CAPITAL AND OTHER COMMITMENTS

As at 31 March 2010, the Group had authorised but not contracted for capital expenditure of approximately RMB93,381,000 (equivalent to approximately HK$106,209,000) (2009: RMB94,287,000 (equivalent to approximately HK$106,072,000)) in respect of the construction of the petroleum and petrochemical products storage facilities on two leasehold land parcels in Nantong City, Jiangsu Province, the PRC.

As at 31 March 2010, the total registered capital of an associate, Tianjin Port Sinochem Petrochemical Dock Co., Ltd. was RMB180,000,000 (equivalent to approximately HK$204,727,000). The Group is required to pay the committed registered capital contributions of approximately RMB22,950,000 (equivalent to approximately HK$26,103,000) in the coming year.

32. OPERATING LEASE COMMITMENTS

The Group as lessee

As at 31 March 2010, the Group had outstanding commitments under non-cancellable operating lease in respect of oil storage facilities, a vessel and rented office premises of approximately HK$3,534,000 (2009: HK$16,724,000), which expire within one year. Leases are negotiated and rentals are fixed for an average of one year.

The Group as lessor

Rental income earned from leasing car parking spaces and unutilised storage area of the self-owned vessel during the year ended 31 March 2010 was approximately HK$30,635,000 (2009: HK$13,000). All of the car parking spaces and the unutilised storage area of self-owned vessel have committed tenants for one month.

At the end of the reporting period, the Group had outstanding commitments under non-cancellable operating leases in respect of car parking spaces and unutilsed storage area of the self-owned vessel as follows:

	2010	2009
	HK$'000	HK$'000
Operating leases which expire within one year	**2,973**	1

33. RETIREMENT BENEFITS SCHEMES

The Group operates a MPF Scheme under the rules and regulations of the Mandatory Provident Fund Schemes Ordinance for all its employees in Hong Kong. All the employees of the Group in Hong Kong are required to join the MPF Scheme. Contributions are made based on a percentage of the employees' salaries and are charged to consolidated statement of comprehensive income as they become payable in accordance with the rules of the MPF Scheme. The assets of the MPF Scheme are held separately from those of the Group in an independently administered fund. The Group's employer contributions vest fully with the employees when contributed into the MPF Scheme. No forfeited contribution is available to reduce the contribution payable in the future years as at the end of the reporting period.

The Group's subsidiary in Macao, in compliance with the applicable regulations of Macao, participated in a defined contribution pension scheme operated by the local government. The subsidiary is required to contribute a fixed amount for each employee. The only obligation of the Group with respect to the pension scheme is to make the specified contributions.

The Group's subsidiary in the PRC, in compliance with the applicable regulations of the PRC, participates in social insurance schemes operated by the relevant local government authorities. The insurance premium is borne by the Group on a specified proportion of the employees' salaries laid down under relevant PRC laws.

33. RETIREMENT BENEFITS SCHEMES *(continued)*

During the year, the total amount contributed by the Group to the schemes and cost charged represents contribution paid or payable to the schemes by the Group at rates or amount specified in the rules of the scheme. The amount of contributions made by the Group in respect of retirement benefit scheme during the year is disclosed in note 10.

The Group has no significant obligation apart from the contribution as above at the end of the reporting period.

34. RELATED PARTY TRANSACTIONS

The Group entered into following related party transactions during the year.

During the year, the Group paid the rental expenses of approximately HK$1,795,000 (period from 26 November 2008 to 31 March 2009: HK$914,500) to Strong Property, a company in which the controlling shareholders have beneficial interests, for the use of office premises and staff quarters.

Compensation of key management personnel

The remuneration of directors and other members of key management of the Group during the year were set out in notes 11 and 12.

The remuneration of key management personnel is determined by the directors of the Company having regard to the performance of individuals and market trends.

35. SHARE-BASED PAYMENT TRANSACTIONS

Equity-settled share option scheme

The Company's share option scheme ("Share Option Scheme") was approved and adopted by the written resolutions of the sole shareholder of the Company passed on 28 November 2008, to recognise and acknowledge the contributions of selected participants to the growth of the Group.

Under the share option scheme, the Board of Directors (the "Board") may, in its absolute discretion, offer to grant options to any employee, executive and officer of the Group, any director (including non-executive director and independent non-executive director) and any adviser, consultant, supplier, customer and/or agent of the Group whom the Board considered have contributed or will contribute to the Group.

35. SHARE-BASED PAYMENT TRANSACTIONS *(continued)*

Equity-settled share option scheme *(continued)*

The maximum number of shares in respect of which options may be granted under the Share Option Scheme must not in aggregate exceed 10% of the total number of shares in issue as at the date on which the shares of the Company are listed on the Stock Exchange, excluding for this purpose shares which would have been issuable pursuant to options which have lapsed in accordance with the terms of the Share Option Scheme (or any other share option schemes of the Company). The number of shares which may be issued upon exercise of all outstanding options granted and yet to be exercised at any time under the Share Option Scheme shall not exceed 30% of the shares in issue of the Company from time to time.

The total number of shares issued and which fall to be issued upon the exercise of the options granted under the Share Option Scheme (including both exercised and outstanding options) to any individual in any 12-month period up to the date of offer to grant shall not exceed 1% of the shares of the Company in issue as at the date of offer to grant. Any further grant of options in excess of this 1% limit shall be subject to issuance of a circular by the Company and approved by the Company's shareholders in accordance with the Share Option Scheme. Options granted to connected persons in excess of 0.1% of the Company's share capital or with a value in excess of HK$5 million must be approved in advance by the Company's shareholders.

Subject to the rules of the Share Option Scheme, options may be exercised, in whole or in part, at any time during the period from the date of acceptance of an offer of the grant of such option to the earlier of the date on which such option lapses and the tenth anniversary of the Share Option Scheme. Options granted must be accepted by the prescribed acceptance date. Upon acceptance of the option, the grantee shall pay HK$1 to the Company by way of consideration for the grant.

The exercise price is determined by the directors of the Company, and will not be less than the higher of the nominal value of the share, the closing price of the Company's shares on the date of offer; and the average closing price of the shares for the five business days immediately preceding the date of offer.

On 7 May 2009, a total of 40,000,000 share options were granted to certain employees and directors of the Group and some individuals associated with suppliers and consultants under the Share Option Scheme entitling the holders thereof to subscribe for shares of the Company at an exercise price of HK$2.58 (HK$0.645 after Share Subdivision).

Options granted are exercisable during the year starting from 8 May 2009 to 28 November 2018. The options granted under the Share Option Scheme has vesting period in three tranches of 40%, 30% and 30% of its options granted from the grant date to 8 May 2009, 8 May 2010 and 8 May 2011 respectively.

35. SHARE-BASED PAYMENT TRANSACTIONS *(continued)*

Equity-settled share option scheme *(continued)*

The following table discloses movements of the Company's share options held by employees, directors of the Group and some individuals associated with suppliers and consultants during the year:

Eligible participants	At 1.4.2009	Granted during the year	Adjusted upon the Share Subdivision	Exercise during the year	Outstanding at 31.3.2010
Directors	–	2,900,000	8,700,000	(2,560,000)	9,040,000
Employees	–	3,500,000	10,500,000	(2,160,000)	11,840,000
Others (note)	–	33,600,000	100,800,000	(1,140,000)	133,260,000
	–	40,000,000	120,000,000	(5,860,000)	154,140,000

Note:

Others represent individuals associated with suppliers and consultants who will provide consultancy services (mainly for selling and marketing aspects) to the Group on continuous basis for two years till 8 May 2011.

The number and the exercise price of options have been adjusted due to the Share Subdivision of the Company with effect from 18 August 2009. Each share option was subdivided into 4 new shares options with exercise price of one fourth of the original exercise price.

In respect of the share options exercised during the year, the weighted average share price at the dates of exercise is HK$1.346.

35. SHARE-BASED PAYMENT TRANSACTIONS *(continued)*

Equity-settled share option scheme *(continued)*

The estimated fair value of the options granted on 7 May 2009 was approximately HK$46,836,000. This fair value was calculated using the binominal model. The inputs into the model were as follows:

	Date of grant 7.5.2009
Spot price (closing price at grant date, after adjusting for the Share Subdivision)	0.645
Exercise price	0.645
Expected volatility	43.285%
Exercise multiple	2 to 2.8
Risk-free rate	2.092%
Dividend yield	0%

Due to the short listing period of the Company at the date of option grant, expected volatility was determined by using the historical volatility of comparable listed companies' share prices over the previous year as at the valuation date.

The binominal model has been used to estimate the fair value of the options. The variables and assumptions used in estimating the fair value of the share options are based on the director's best estimate. The value of an option varies with different variables of certain subjective assumptions.

The Group recognised the total expense of HK$37,074,000 for the year ended 31 March 2010 (2009: nil) in relation to share options granted by the Company.

36. PLEDGE OF ASSETS

The Group had pledged the buildings, certain inventories and bank deposits to secure certain banking facilities including bank borrowings and bills payable. Details of which were set out in notes 15, 20 and 24 respectively.

37. PARTICULARS OF SUBSIDIARIES

Particulars of the Company's subsidiaries are as follows:

Name of the Company	Place of incorporation/ establishment	Equity interest attributable to the Group 2010 %	2009 %	Issued and fully paid share capital/ registered capital	Principal activities
Strait Petrochemical Holdings Limited	Cayman Islands	**100**	100	HK$0.2	Inactive
Wide Sea	British Virgin Islands ("BVI")	**100**	100	US$2	Investment holding
Keen Star Holdings Limited	BVI	**100**	100	US$1	Investment holding
Santron Holdings Limited	BVI	**100**	100	US$10,000	Investment holding
Strong Petrochemical Limited	Hong Kong	**100**	100	HK$20,000,000	Trading of petroleum products, crude oil and petrochemical product
Strong Petrochemical (Macao)	Macao	**100**	100	MOP100,000	Trading of petroleum products, crude oil and petrochemical product
Charming Energy Holdings Limited	BVI	**100**	100	US$2	Investment holding
Teamskill Investments Limited	BVI	**100**	100	US$1	Investment holding
Smart Team Investments Limited	Hong Kong	**100**	100	HK$10,000	Investment holding

37. PARTICULARS OF SUBSIDIARIES *(continued)*

Name of the Company	Place of incorporation/ establishment	Equity interest attributable to the Group 2010 %	2009 %	Issued and fully paid share capital/ registered capital	Principal activities
南通潤德石油化工有限公司# Strong Petrochemical (Nantong) Logistics Co., Limited*	PRC	**100**	100	US$5,000,000	Provision of petroleum and petrochemical products storage services
Strong Petrochemical (Asia) Company Limited	Hong Kong	**100**	100	HK$1	Investment holding
Perlama Corporation	Panama	**100**	100	US$1	Vessel holding
Million Smart Investments Limited	BVI	**100**	–	US$1	Inactive
China Smart Team Bunkering Limited	Hong Kong	**100**	–	HK$1	Inactive

All of the subsidiaries are owned indirectly by the Company except for Wide Sea which is owned directly by the Company.

* The English name of this entity established in the PRC is for identification purpose only.

Wholly foreign owned enterprise registered in the PRC.

None of the subsidiaries had any debt securities subsisting at the end of the year or at any time during the year.

	For the year ended 31 March				
	2010	2009	2008	2007	2006
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
Revenue	**5,713,234**	5,992,151	4,211,182	5,138,697	5,328,270
Gross Profit	**434,736**	171,926	108,169	187,449	97,999
Profit before taxation	**197,250**	333,199	93,502	143,261	85,043
Profit for the year	**201,597**	329,474	92,691	135,771	81,269
Basic earnings per share					
– basic	**HK$0.13**	HK$0.26	HK$0.08	HK$0.11	HK$0.07
– diluted	**HK$0.12**	N/A	N/A	N/A	N/A

	As at 31 March				
	2010	2009	2008	2007	2006
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
Total assets	**1,687,699**	912,896	311,886	272,861	645,500
Total liabilities	**(918,556)**	(338,787)	(77,281)	(23,450)	(453,860)
Net assets	**769,143**	574,109	234,605	249,411	191,640

Note:

The Company was incorporated in the Cayman Islands on 1 February 2008 and became the holding company of the Group on 28 November 2008 pursuant to a corporate reorganization as set out in the prospectus dated 23 December 2008 issued by the Company.

The results of the Group for each of the five years end from 2006 to 2010 and the assets and liabilities of the Group as at 31 March 2006, 2007, 2008 have been prepared on a combined basis as if the Group structure had been in existence at those dates and have been extracted from the Propectus.

The calculation of the basic earnings per share for each of the five years end from 2006 to 2010 are based on the consolidated profit attributable to equity holders of the Company for the respective years.

	As at 31 March		
	2010	2009	%
	HK$'000	HK$'000	
Financial Position			
Total assets	**1,687,699**	912,896	84.87
Net assets	**769,143**	574,109	33.97
Net current assets	**433,735**	476,577	(8.99)
Bank balances and cash	**152,605**	228,149	(33.11)
Trade and bills receivables	**632,238**	460,747	37.22
Trade and bills payables	**369,353**	280,090	31.87

	For the year ended 31 March		
	2010	2009	%
	HK$'000	HK$'000	
Operating Results			
Revenue	**5,713,234**	5,992,151	(4.65)
Gross profit	**434,736**	171,926	152.86
Profit before taxation	**197,250**	333,199	(40.80)
Profit for the year	**201,597**	329,474	(38.81)
Earning per share			
– basic	**HKD 0.13**	HKD 0.26	(50.00)
– diluted	**HKD 0.12**	N/A	
Net assets value per share			
– basic	**HKD 0.48**	HKD 0.45	6.67
– diluted	**HKD 0.46**	N/A	
Key statistics	**%**	%	
GP ratio	**7.61**	2.87	4.74
Net profit margin	**3.53**	5.50	(1.97)
Return on equity	**26.21**	57.39	(31.18)

GLOSSARY

"associate(s)"	has the meaning ascribed to it under the Listing Rules
"Board"	our board of Directors
"Director(s)"	the director(s) of our Company, or any one of them, as the context requires
"Forever Winner"	Forever Winner International Ltd., a company incorporated in the BVI on 2 January 2008 with limited liability and is owned as to 50% by Jin Yao Holdings Ltd and 50% by Sino Century Holdings Limited, respectively.
"Group"	except where the context otherwise requires, references to "Group", include one or more of our Company and all of its subsidiaries. In respect of any time before our Company became the holding company of its present subsidiaries, references to the "Group", include the businesses in which the predecessors or subsidiaries or our Company were engaged in and which were subsequently assumed by our Company
"Macao"	the Macao Special Administrative Region of the People's Republic of China
"Main Board"	the stock exchange (excluding the option market) operated by the Stock Exchange which is independent from and operates in parallel with the Growth Enterprise Market of the Stock Exchange
"Mr. Wang"	Mr. Wang Jian Sheng (王健生), the chairman of the Board, an executive Director and one of our Controlling Shareholders
"Mr. Yao"	Mr. Yao Guoliang (姚國梁), our chief executive officer, an executive Director and one of our Controlling Shareholders
"Nantong Project"	the development of storage of petrochemical and petroleum products business in Nantong City, Jiangsu Province, the PRC
"PRC" or "China"	the People's Republic of China which, for the purpose of this annual report and except where the context otherwise requires, does not include Hong Kong, Macao, and Taiwan
"subsidiary(ies)"	has the meaning ascribed to it under section 2 of the Companies Ordinance
"substantial shareholder(s)"	has the meaning ascribed to it under the Listing Rules
"Tianjin Storage Project"	the establishment and operation of storage facilities for crude oil, petroleum products and petrochemical products by the Sinochem Tianjin Port Petrochemical Terminal Co., Ltd.
"Tianjin Dock Project"	the establishment and operation of logistic facilities for crude oil, petroleum products and petrochemical products by the Tianjin Port Sinochem Petrochemical Dock Co., Ltd.