中聯能源投資集團有限公司

SINO UNION ENERGY INVESTMENT GROUP LIMITED

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

Annual Report 2010

Contents

Corporate Information

EXECUTIVE DIRECTORS
Dr. Wang Tao *(Honorary Chairman)*
Mr. Wang Sen Hao
Dr. Hui Chi Ming, *G.B.S., PhD, J.P. (Chairman)*
Mr. Cheung Shing *(Deputy Chairman)*
Mr. Shen Hao
Mr. Feng Da Wei
Mr. Bian Qijun
Dr. Chui Say Hoe
Dr. Ching Men Ky, Carl
Mr. Cui Yeng Xu
Ms. Fibiolla Irianni Ohei

INDEPENDENT NON-EXECUTIVE DIRECTORS
Mr. Leung Ting Yuk
Dr. Yu Sun Say, *S.B.S., J.P.*
Mr. Ng Wing Ka

COMPANY SECRETARY
Mr. To Kwan

AUDIT COMMITTEE
Mr. Leung Ting Yuk
Dr. Yu Sun Say
Mr. Ng Wing Ka

REMUNERATION COMMITTEE
Dr. Yu Sun Say
Mr. Leung Ting Yuk
Dr. Chui Say Hoe

NOMINATION COMMITTEE
Mr. Ng Wing Ka
Dr. Yu Sun Say
Dr. Chui Say Hoe

REGISTERED OFFICE
Clarendon House
2 Church Street
Hamilton HM11
Bermuda

HEAD OFFICE AND PRINCIPAL PLACE OF BUSINESS
Units 10-12, 19/F
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Sheung Wan
Hong Kong

AUTHORISED REPRESENTATIVES
Dr. Chui Say Hoe
Mr. To Kwan

PRINCIPAL BANKERS
Shenzhen Ping An Bank
DBS Bank (Hong Kong) Limited

LEGAL ADVISER — HONG KONG
Robertsons
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99 Queen's Road Central
Hong Kong

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

BERMUDA PRINCIPAL SHARE REGISTRAR AND TRANSFER OFFICE
HSBC Bank Bermuda Limited
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Hamilton HM 11
Bermuda

HONG KONG BRANCH SHARE REGISTRAR AND TRANSFER OFFICE
Tricor Tengis Limited
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STOCK CODE
346

WEBSITE
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Chairman's Statement and Management Discussion and Analysis

For and on behalf of the Board of Directors (the "Board") of Sino Union Energy Investment Group Limited (the "Company"), I am pleased to present the annual report of the Company and its subsidiaries (the "Group") for the year ended 31 March 2010.

The Group is principally engaged in supply and procurement operation and oil, gas exploration, exploitation and operation.

DIVIDEND

The Board does not recommend the payment of any final dividend for the year ended 31 March 2010 (2009: Nil).

FINANCIAL RESULTS

The Group recorded a turnover of approximately HK$1,039,758,000 (2009: HK$1,276,639,000) for the year ended 31 March 2010. Turnover had decreased by 18.6% as compared to previous year. The reason for such decrease is mainly due to the decrease in the trading volume of the fuel oil and the suspension of the trading business of the polyurethane materials ("PU materials"). Loss attributable to shareholders was approximately HK$47,343,000 (2009: HK$1,838,419,000). Basic loss per share is HK0.78 cents (2009: HK32.28 cents). The decrease in loss is owing to the impairment loss made on the asset value of the oil field reserve in Madagascar in previous year, where no further impairment of exploration and evaluation assets is required to be made in this year.

BUSINESS REVIEW AND OUTLOOK

During the year under review, all the turnover was contributed by the trading of fuel oil which recorded HK$1,039,758,000 (2009: HK$1,218,631,000), representing a decrease of approximately 14.7% as compared to last financial year.

The distribution of fuel oil recorded a profit of approximately HK$25,045,000 (2009: HK$31,297,000) from operating activities for the year, representing a decrease of 20% as compared to previous year. The fuel oil market is highly competitive. The trading of PU material had no turnover for the year (2009: HK$58,008,000). Given the imbalance in the supply of the PU materials, with fierce competition, the margin is further driven down, where the Group's trading business of the PU materials had been suspended for awhile and shall the situation not be improved, the Group may consider to completely cease or dispose of the trading business of the PU materials.

During the year, the Group's loss of approximately HK$47,343,000 was mainly due to the impairment loss recognised in respect of intangible asset and the recognition of financial costs as equity-settled share-based payment in respect of share options issued during the year.

BUSINESS REVIEW AND OUTLOOK *(Continued)*

The Group holds two oilfield blocks in Madagascar, namely Oilfield Block 2104 and Oilfield Block 3113. Oilfield Block 2104 is an onshore oilfield site with total area of 20,100 kilometers square in Madagascar. Five wells with depth in the range of 67.5 meters to 2,153 meters were drilled in Oilfield Block 2104, and oil and gas were discovered in three wells with depth in the ranges of 450 to 2,153 meters. Oilfield Block 3113 is an onshore oilfield site with total area of 8,320 kilometers square in Madagascar. The Group entered into an investment and cooperation agreement with Shannxi Yanchang Petroleum (Group) Limited and ECO Energy (International) Investments Limited to jointly invest and develop the Oilfield Block 3113, and to share the oil and gas therein, hence a management committee was formed for such purpose by the parties (the "3113 Management Committee"). Preliminary ground construction had been done to create suitable conditions for well drilling and oil exploration, and Yunnan Kaiyuan Petroleum and Natural Gas Exploration Engineering Company Ltd ("Kaiyuan Petroleum") was commissioned for the well drilling project SKL-2 ("SKL-2 Well") in the Oilfield Block 3113. The well logging, mud logging, pipeline casing installation and well cementing works in SKL-2 well were completed and based on various technical parameters such as well logging analysis results and cyclic aftereffect, Kaiyuan Petroleum estimated that the SKL-2 well had many oil and gas reservoirs at the depth of 3,309 to 3,610 meters and the oil therein was in the desirable category of light oil. Having studied the drilling data of SKL-2 well, three more well drilling projects for the exploration of the Oilfield Block 3113 had been contracted and will be commenced soon.

On 16 July 2009, the Group entered into a sale and purchase agreement for the acquisition of 90% interests in PT Harpindo Mitra Kharisma at a total consideration of US$4 million. PTHMK is in possession of the entire interest in a production sharing contract in respect of an oilfield block namely Lampung III Block located in South Sumatra, Indonesia, with the exploration, exploitation and operating rights signed with a state-owned entity of the Indonesian government. Given the result of the due diligence on the acquisition was not satisfied, the Group had terminated the acquisition.

On 7 September 2009, the Group entered into an agreement with Mr. Jing Zhanbin ("Mr. Jing") who carries on coal mining business in China to establish a sino-foreign equity joint venture ("Joint Venture") to operate the coal trading and transportation business in China ("JV Agreement"). The Joint Venture had been established, given Mr. Jing required more time in the preparation of the trading business in particular the coordination of transportation, operation of the Joint Venture is lag behind the schedule. Mr. Jing had guaranteed on the performance of the Joint Venture in terms of turnover and profit, and we see the Joint Venture as a long term cooperation, hence we would discuss and work with Mr. Jing to accelerate the process to put it into full operation as soon as possible.

We believe the worst is past. We see the demand of oil is stably increasing with financial crisis eases and global economy shows recovery, where the global crude oil price rose from its lows to recent US$80 a barrel and is forecasted to goes up to US$90 a barrel by the end of 2010. The stable increase in oil demand and price will benefit the Group's oil trading business as well as the assets value of the Group's oilfield blocks. The management is confident and optimistic in the oilfield blocks in Madagascar and will continue to develop the oilfield blocks in the coming years, while we will continue seek for other suitable energy related investment opportunities for business expansion and growth of the Group.

EMPLOYEES AND REMUNERATION POLICY

As at 31 March 2010, the Group's total number of staff was 52 (2009: 48). Salaries of employees are maintained at a competitive level. The staff costs (excluding the equity-settled share-based payments) for the year amounted to approximately HK$15.0 million (2009: HK$13.3 million). The employees' remuneration, promotion and salary are assessed based on work performance and the prevailing market conditions.

LIQUIDITY AND FINANCIAL RESOURCES

The Group funded its operation by cash generated from its operating activities and through equity financing and debit financing, including issuance of new shares and issuance of convertible notes. As at 31 March 2010, the Group had total assets of approximately HK$8,741,994,000 (2009: HK$8,794,928,000) and current assets of approximately HK$204,786,000 (2009: HK$240,059,000). Total liabilities of the Group were approximately HK$134,605,000 (2009: HK$276,920,000), and current liabilities were approximately HK$132,839,000 (2009: HK$273,832,000), which mainly represents the trade and other payables of approximately HK$74,036,000 (2009: HK$133,736,000). The Group did not have any outstanding bank borrowings (2009: Nil) and the Group has a cash and bank balances of approximately HK$119,668,000 (2009: HK$121,168,000). The Group has adequate working capital to finance its business operation. As at 31 March 2010, the Group's gearing ratio, measured on the basis of total liabilities as a percentage of total equity, was 1.6% (2009: 3.3%), the current ratio of the Group was 1.5 (2009: 0.88) and quick ratio was 1.3 (2009: 0.78).

During the year, the 5% interest-bearing convertible notes in the principal amount of HK$100 million with a conversion price of HK$1.25 per conversion share issued to Mr. Chan Ping Che on 13 February 2009 had been fully converted on 15 June 2009, and 80,000,000 new shares of the Company were issued by the conversion. Moreover, 11,000,000 new shares of the Company were issued at an issue price of HK$0.1324 per share as a result of the exercise of share options granted on 8 November 2004.

Pursuant to the JV Agreement, the Group granted share options to Mr. Jing to subscribe for 300 million new shares at HK$0.9 per option share on 11 November 2009 ("Jing Option") under the general mandate to issue new shares granted on 25 September 2008. The Jing Option is exercisable at any time from the date of grant of the Jing Option to the day immediately preceding the first anniversary of the date of grant.

CAPITAL COMMITMENT

Pursuant to the JV Agreement, Zheng Zhou Sino Union Energy Business Development Limited ("Zheng Zhou Sino Union") was incorporated and registered as a sino-foreign equity joint venture in the PRC on 16 September 2009. Zheng Zhou Sino Union is engaged in the coal trading and transportation business, the registered capital of which is RMB66,000,000. The registered capital shared by the Group and the minority shareholder are of RMB52,800,000 and RMB13,200,000 respectively. As at 31 March 2010, the Group had injected RMB17,550,000. Other than the registered capital of Zheng Zhou Sino Union, the Group has no other material capital commitment.

PLEDGE OF ASSETS

As at 31 March 2010, none of the Group's asset was pledged (2009: Nil).

CONTINGENT LIABILITY

As at 31 March 2010, the Group did not have any contingent liabilities (2009: Nil).

FOREIGN EXCHANGE AND INTEREST RATE EXPOSURE

Since the Group's operations and investment are mostly denominated in Hong Kong dollars and United Stated dollars, the Group does not anticipate material foreign exchange exposure and risk, and no foreign exchange and interest rate risk management or related hedges were made, proper policy will be in place when the Board considers appropriate.

LITIGATION

As at 31 March 2010, the Group has no litigation.

SUBSEQUENT EVENTS

On 7 April 2010, the Group entered into an agreement with Mr. Liang Chao Wei ("Mr. Liang") for the proposed acquisition of 14 patents ("Patents") in respect of the solar power pest control products at a total consideration of HK$140 million, of which HK$130 million shall be payable by cash and HK$10 million shall be satisfied by issue of the company's shares. While later on, the Group noticed that there is an alleged claim on the duplication of patents in relation to those pest control products under the Patents, in order to avoid any potential legal risk in associated with the Patents, a supplemental agreement was entered into with Mr. Liang to terminate the acquisition of the Patents on 16 June 2010.

EXECUTIVE DIRECTORS

Dr. WANG Tao

Aged 78, was appointed as an executive Director of the Company on 15 June 2006. Dr. Wang is a professor at Nanjing University and China University of Petroleum and a Foreign Academician of the Russian Academy of Natural Sciences. He has over 40 years of experience in geological research and oilfields exploration and development. He has been acting as a vice-chairman of the World Petroleum Congress since 1994 and now serves as the head of the National Committee for the PRC under the World Petroleum Congress, the vice-chairman of the China-Arabia Friendship Association and chairman of the China Saudi Friendship Association. He acted as the chief geologist in the research institute of the Ministry of Petroleum Industry in China, managing director of China National Petroleum Corporation and minister at the Ministry of Petroleum Industry in China and subsequently took part in the exploration and development of oilfields, such as Daqing Oilfield, Shengli Oilfield, Liao River Oilfield and Xinjiang Oilfield. In recognition of his outstanding contribution towards the development of the World Petroleum Congress, Dr. Wang was awarded the "Outstanding Contribution Award" by the World Petroleum Congress on 25 September 2005.

Dr. Wang is currently an independent non-executive director of CNOOC Limited, a company listed on the Main Board of The Stock Exchange of Hong Kong Limited. Save as aforesaid, Dr. Wang did not have any directorship in other listed companies in the past three years.

Dr. Wang has entered into a service contract with the Company which does not have a specific term and can be terminated by the either party giving three month's notice in writing to the other party. He is subject to retirement by rotation at least once in every three years in accordance with the Company's Bye-laws. Dr. Wang is entitled to an annual emolument of HK$642,000 and a discretionary bonus, which is determined by the Board with reference to his duties, responsibilities and the prevailing market conditions.

Dr. Wang does not have any relationship with any other director, senior management, substantial shareholders (as defined in the Listing Rules) or controlling shareholders (as defined in the Listing Rules) of the Company.

Mr. WANG Sen Hao

Aged 77, was appointed as an executive Director of the Company on 3 August 2009. He is an expert in coal mining. Mr. Wang was graduated from Mining Faculty of Beijing School of Mines. He was Chief Engineer of Shanxi Da Tong Mining Bureau, Chief Engineer of Ministry of China Coal Industry, Governor of Shanxi Province, Vice Secretary of Shanxi Province Committee of Communist Party of China, Managing Director and Secretary of Committee of Communist Party of China of China National Coal Corporation, Minister of Ministry of China Coal Industry, the Central Committee Member of the 12th to 14th Central Committee of Communist Party of China and Standing Committee Member and Director of Social and Legal Committee of the 9th National Committee of the Chinese People's Political Consultative. He was award the 克魯賓斯基獎章 (Kelubinski Award) in the 17th World Mining Conference and has published the books of 礦井煤塵 (Coal Dust Mining Well) and 企業管理概論 (Introduction of Corporate Management). Mr. Wang was appointed as the Honorable Chairman and executive director of ABC Communications (Holdings) Limited, a company listed on the Main Board of The Stock Exchange of Hong Kong Limited, during the period from 2 June 2009 to 31 July 2009. Save as aforesaid, Mr. Wang did not have any directorship in other listed companies in the past three years.

EXECUTIVE DIRECTORS *(Continued)*

Mr. WANG Sen Hao *(Continued)*

Mr. Wang has entered into a service contract with the Company commencing on 3 August 2009 and continuing thereafter until terminated by either party giving to the other party a period of two months in advance notice in writing. He is subject to retirement by rotation at least once in every three years in accordance with the Company's Bye-laws. Mr. Wang is entitled to an annual emolument of HK$642,000 and a discretionary bonus, which is determined by the Board with reference to his duties, responsibilities and the prevailing market conditions.

Mr. Wang does not have any relationship with any other director, senior management, substantial shareholders (as defined in the Listing Rules) or controlling shareholders (as defined in the Listing Rules) of the Company.

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

Aged 46, was appointed as the Chairman and an executive Director of the Company on 2 November 2004. Dr. Hui is the founder of Gahood group of companies and Join Wisdom group of companies which are principally engaged in property development, and golf club, resort and hotel development and management in the PRC. Dr. Hui graduated form Shenzhen University with a professional diploma in Administrative Management in 1989 and was a visiting scholar of the John F. Kennedy Government School of Harvard University in the United States of America from 2002 to 2003. Dr. Hui has received Doctorates in Philosophy and Sciences from the Open International University for Complementary Medicines and Medicina Alternativa Institute in 2000 and a Doctor Honoris Causa in Economics and IFES Doctoris Honoris Causa from Institute of Far Eastern Studies, The Russian Academy of Sciences in 2002. The Russian Academy of Sciences also conferred the Honorary Doctorate and "Lo Mo' Medal to Dr. Hui in 2005. Dr. Hui serves as a member of the National Committee of the Chinese People's Political Consultative Conference, and is currently the vice president of China Society for Promotion of the Guangcai Program, standing member of All china Federation of Industry & Commence, honourable president of Beijing Federation, president of Hong Kong Association of International Investment and president of Hong Kong Guangdong Community Organisation. Dr. Hui is also a keen supporter of community service and charity organizations. He has been awarded the 推動人類和平進步獎 (Humanity & Peace Promotion Award) by the United Nations and accredited as 全國十大扶貧狀元 (Top Ten Poverty Alleviation Contributor) by the government of the PRC. In honor of Dr. Hui's contributions to humanity, the International Minor Planet Nomenclature Committee permanently named the minor planet no. 5390 as "Hui, Chi-Ming Planet". Dr. Hui did not have any directorship in other listed companies in the past three years.

Dr. Hui has entered into a service contract with the Company which does not have a specific term and can be terminated by the either party giving three month's notice in writing to the other party. He is subject to retirement by rotation at least in every three years in accordance with the Company's Bye-laws. Dr. Hui is entitled to an annual emolument of HK$1,560,000, which is determined by the Board with reference to his duties, responsibilities and the prevailing market conditions.

EXECUTIVE DIRECTORS *(Continued)*

Dr. HUI Chi Ming, *G.B.S., PhD, J.P.* *(Continued)*

Dr. Hui does not have any relationship with any other director, senior management, substantial shareholders (as defined in the Listing Rules) or controlling shareholders (as defined in the Listing Rules) of the Company.

Mr. CHEUNG Shing

Aged 57, was appointed as an executive Director of the Company on 23 February 2005. He has been deputy executive officer of the Company since February 2004. He was a staff of 中國石油齊魯石化煉油廠, the department president of 中國石油勝利油田 and the president of 中國石油中原油田 during the period between 1969 and 1993. He was the chairman of each of 華中(香港)有限公司, 河南省盛華石油化工有限公司 and Liaoning Xinmin Petrochemical Company Limited during the period between 1993 and 2004. He is current a petrochemical management economist(石油化工管理經濟師). Mr. Cheung is currently an executive director of China Oil and Gas Group Limited, a company listed on the Main Board of the Stock Exchange of Hong Kong Limited. Save as aforesaid, Mr. Cheung did not have any directorship in other listed companies in the past three years.

Mr. Cheung has entered into a service contract with the Company which does not have a specific term and can be terminated by the either party giving three month's notice in writing to the other party. He is subject to retirement by rotation at least once in every three years in accordance with the Company's Bye-laws. Mr. Cheung is entitled to an annual emolument of HK$1,040,000, which is determined by the Board with reference to his duties, responsibilities and the prevailing market conditions.

Mr. Cheung does not have any relationship with any other director, senior management, substantial shareholders (as defined in the Listing Rules) or controlling shareholders (as defined in the Listing Rules) of the Company.

Mr. SHEN Hao

Aged 57, was appointed as an executive Director of the Company on 11 January 2010. He holds a postgraduate qualification and is a senior engineer. He is currently the chairman of Shaanxi Yanchang Petroleum (Group) Limited ("Yanchang Petroleum") and is the Party Committee secretary. Mr. Shen is the leader of several government departments and state-owned enterprises which engaged in oil and natural gas exploration, exploitation and chemical and industrial coal production and operation. He has abundant leadership experience in the oil, gas, coal and chemical industries. He was the president of 陝西銅川礦務局 (Tongchuan Mining Bureau of Shaanxi). Vice general manager of 陝西省煤炭運銷(集團)有限責任公司 (Shaanxi Coal Transportation of Marketing (Group) Limited), the chairman of 陝西省彬長礦區開發建設公司 (Shaanxi Binchang Mining Development and Construction Company), the chairman of 陝西省煤業集團 (Shaanxi Coal Industrial Group) and the chairman of 陝西省煤業化工集團有限責任公司 (Shaanxi Coal Chemical and Industrial Group Limited). He was the representative of the 17th National Congress of the Communist Party of China, the representative of the 11th Provincial Party Congress, and alternate member of the Commission of Communist Party of Shaanxi Province and the representative of the 9th and 11th People's Congress of Shaanxi Province and a committee member of the 9th Chinese People's Political Consultative Conference. Mr. Shen was elected the executive vice president of China Petroleum Enterprise Association in September 2009. Mr. Shen did not have any directorship in other listed companies in the past three years.

EXECUTIVE DIRECTORS *(Continued)*

Mr. SHEN Hao *(Continued)*

Mr. Shen has entered into a service contract with the Company for a term of two years commencing from 11 January 2010 and subject to retirement at the first annual general meeting after his appointment and thereafter by rotation at least once in every three years in accordance with the Company's Bye-laws. Mr. Shen is entitled to an annual emolument of HK$695,500, which is determined by the Board with reference to his duties, responsibilities and the prevailing market conditions.

Mr. Shen is the management of Yanchang Petroleum, a substantial shareholder of the Company. Save as aforesaid, Mr. Shen does not have any relationship with any other director, senior management, substantial shareholders (as defined in the Listing Rules) or controlling shareholders (as defined in the Listing Rules) of the Company.

Mr. FENG Da Wei

Aged 53, was appointed as an executive Director of the Company on 11 January 2010. He holds a bachelor degree in Northwestern Polytechnical University in China and a master degree in chemical engineering. He is a senior engineer and has decades of leadership experiences and professional knowledge in oil and natural gas exploration, exploitation and processing, petrochemical and coal chemical. He is currently the deputy general manager of Yanchang Petroleum and is a member of the party committee secretary of the Communist Party of China. He was the vice president and president of planning office of 陝西省石油化學工業局規劃處 (Shaanxi Petroleum Chemical and Industrial Bureau) and the deputy general manager of 陝西省延長石油工業集團公司 (Shaanxi Yanchang Petroleum Industrial Group Company).

Mr. Feng has entered into a service contract with the Company for a term of two years commencing from 11 January 2010 and subject to retirement at the first annual general meeting after his appointment and thereafter by rotation at least once in every three years in accordance with the Company's Bye-laws. Mr. Feng is entitled to an annual emolument of HK$695,500, which is determined by the Board with reference to his duties, responsibilities and the prevailing market conditions.

Mr. Feng is the management of Yanchang Petroleum, a substantial shareholder of the Company. Save as aforesaid, Mr. Feng does not have any relationship with any other director, senior management, substantial shareholders (as defined in the Listing Rules) or controlling shareholders (as defined in the Listing Rules) of the Company.

EXECUTIVE DIRECTORS *(Continued)*

Mr. BIAN Qijun

Aged 52, was appointed as an executive Director of the Company on 8 February 2010. He holds a bachelor degree, professional engineer in oil exploration. Mr. Bian has been in the oil and gas exploration technique, and management of oilfield as well as arbitrate on measurement of oil and gas over a long period of time. He has extensive experience and professional authoritative in oil and gas exploration technique, management and operation of oilfield, oil well measurement and deposition. He has been working as head of division of Dagang Oilfield of PetroChina Company Limited ("PetroChina"), and has completed the important construction project and technical reformation project of Dagang Oilfield. He organized and participated in the arbitration of gas deposition and construction work of important automation of deposition project. He has been appointed by the former Industrial division of PetroChina, 中國石油天然氣集團公司 (China National Petroleum Corporation) ("CNPC") as an inspector of the oil and gas measurement and deposition, and has been appointed by CNPC as a member of the arbitration committee for the oil and gas measurement. In 2007, Mr. Bian established Yunnan Kaiyuan Oil & Gas Drilling Engineering Co., Ltd ("Yunnan Kaiyuan"), a substantial shareholder of the Company, and acted as the general manager. He organized and completed the oil gas well drilling project of Yunnan Yuxi basin, Yunnan Yanglin basin and partial of the Luliang basin. In 2008, he organized and completed the well drilling, exploration and related project in Oilfield Block XV in Mongolia and Oilfield Block 3113 in Madagascar. Mr. Bian has been working in the technical and management of oil and gas industry for a long period of time and accumulated extensive experience and obtained fruitful achievements. Mr. Bian did not have any directorship in other listed companies in the past three years.

Mr. Bian has entered a service contract with the Company for a term of two years commencing from 8 February 2010 and subject to retirement at the first annual general meeting after his appointment and thereafter by rotation at least once in every three years in accordance with the Company's Bye-laws. Mr. Bian is entitled to an annual emolument of HK$695,500, which is determined by the Board with reference to his duties, responsibilities and the prevailing market conditions.

Save for being the general manager of Yunnan Kaiyuan, Mr. Bian does not have any relationship with any other director, senior management, substantial shareholders (as defined in the Listing Rules) or controlling shareholders (as defined in the Listing Rules) of the Company.

Dr. CHUI Say Hoe

Aged 62, was appointed as an executive Director of the Company on 2 November 2004. He is also a member of each of the Remuneration Committee and the Nomination Committee of the Company. He has been the executive director and general manager of Sun Hoe Company Limited, a company engaged in medicine distribution and trading business, since 1978. Dr. Chui is also a director of The Honourable Mr. Tsui Sze Man (GBM) Foundation For the Development of Technology and Education in Myanmar Ltd., since 2000. He is also a director of The Mirror Post Cultural Enterprises Co., Ltd., since 2009. Before joining Sun Hoe Company Limited, Dr. Chui worked in a commercial bank in Hong Kong for about 5 years. Dr. Chui has more than 20 years experience in commerce and general business management. Dr. Chui obtained a Diploma from Technologies, Universite de Paris XIII, Paris, France in 1990. He was granted Honorary Doctorate of Management from Morrison University, Nevada, U.S.A. on 8 January 2005. Dr. Chui was a member of Post-Release Supervision Board, HKSAR, from 30 November 2005 to 30 November 2007. He is now an adjudicator of the Registration of Persons Tribunal. Dr. Chui was awarded The World Outstanding Chinese Award by Word Outstanding Chinese Association in year 2005. Dr. Chui did not have any directorship in other listed companies in the past three years.

EXECUTIVE DIRECTORS *(Continued)*

Dr. CHUI Say Hoe *(Continued)*

Dr. Chui has entered into a service contract with the Company which does not have a specific term and can be terminated by the either party giving three month's notice in writing to the other party. He is subject to retirement by rotation at least once in every three years in accordance with the Company's Bye-laws. Dr. Chui is entitled to an annual emolument of HK$695,500, which is determined by the Board with reference to his duties, responsibilities and the prevailing market conditions.

Dr. Chui does not have any relationship with any other director, senior management, substantial shareholders (as defined in the Listing Rules) or controlling shareholders (as defined in the Listing Rules) of the Company.

Dr. CHING Men Ky, Carl

Aged 66, was appointed as an executive Director of the Company on 25 October 2007. Dr. Ching was graduated from Tak Ming College with a Bachelor Degree in Business and was awarded with an Honorable Doctorate Degree from Beijing International Business School in the PRC. Dr. Ching has years of experience in business management. He has also been participating in various social activities. He has been acting as the executive director of United World Chinese Association and the President of Asian Basketball Association. In recognition of the contributions to the community of Dr. Ching, he was awarded the Peace Messenger from the United Nation of International Week of Science and Peace in 2000. Dr. Ching is currently an independent non-executive director of Greater China Holdings Limited, a company listed on the Main Board of the Stock Exchange of Hong Kong Limited. Save as aforesaid, Dr. Ching did not have any directorship in other listed companies in the past three years.

Dr. Ching has entered into a service contract with the Company which does not have a specific term and can be terminated by the either party giving three month's notice in writing to the other party. He is subject to retirement by rotation at least once in every three years in accordance with the Company's Bye-laws. Dr. Ching is entitled to an annual emolument of HK$642,000, which is determined by the Board with reference to his duties, responsibilities and the prevailing market conditions.

Dr. Ching does not have any relationship with any other director, senior management, substantial shareholders (as defined in the Listing Rules) or controlling shareholders (as defined in the Listing Rules) of the Company.

EXECUTIVE DIRECTORS *(Continued)*

Mr. CUI Yeng Xu

Aged 47, was appointed as an executive Director of the Company on 15 June 2006. Mr. Cui obtained a bachelor's degree form the Faculty of Chinese in Liaoning University. He has worked for various Chinese enterprises and several government departments and has over 20 years of experience in the management of enterprises and government departments. Mr. Cui did not have any directorship in other listed companies in the past three years.

Mr. Cui has entered into a service contract with the Company which does not have a specific term and can be terminated by the either party giving three month's notice in writing to the other party. He is subject to retirement by rotation at least once in every three years in accordance with the Company's Bye-laws. Mr. Cui is entitled to an annual emolument of HK$695,500, which is determined by the Board with reference to his duties, responsibilities and the prevailing market conditions.

Mr. Cui does not have any relationship with any other director, senior management, substantial shareholders (as defined in the Listing Rules) or controlling shareholders (as defined in the Listing Rules) of the Company.

Ms. Fibiolla Irianni OHEI

Aged 32, was appointed as an executive Director of the Company on 12 May 2009. She graduated from the University of Diponnegoro Semarang, Central Java, Indonesia with a Degree of Master in Economics and Study of Development. She has over five years of managerial experience. She is the Consultant of the President of Indonesia, Susilo Banbang Yudhoyono. Ms. Ohei is responsible for the strategic planning of the Company and exploration of the business opportunities in Indonesia. Ms. Ohei did not have any directorship in other listed companies in the past three years.

Ms. Ohei has entered into a service contract with the Company for a term of one year commencing from 12 May 2009 and may be extended for such period as the Company and Ms. Ohei may agree in writing thereafter until terminated by either party by giving not less than one month's prior notice in writing to the other party. Ms. Ohei is subject to retirement by rotation at least once in every three years in accordance with the Company's Bye-laws. Ms. Ohei is entitled to annual emoluments of HK$600,000, which is determined by the Board with reference to her duties, responsibilities and the prevailing market conditions.

Ms. Ohei does not have any relationship with any other director, senior management, substantial shareholders (as defined in the Listing Rules) or controlling shareholders (as defined in the Listing Rules) of the Company.

INDEPENDENT NON-EXECUTIVE DIRECTORS

Mr. LEUNG Ting Yuk

Aged 35, was appointed as an independent non-executive Director of the Company on 3 December 2009. He is also the chairman of the Audit Committee of the Company and a member of the Remuneration Committee of the Company. Mr. Leung holds a bachelor of Commerce with major in accounting in University of Wollongong, Australia. He is a member of the Certified Practice Accountants Australia and the Hong Kong Institute of Certified Public Accountants. He has over 9 years' experience in accounting and auditing. Mr. Leung is currently the chief financial officer and company secretary of China 33 Media Group Limited ("China 33 Media"). Mr. Leung is responsible for the preparation of China 33 Media's financial statements as well as the reviews and development of the effective financial policies and control procedures in China 33 Media. Mr. Leung did not have any directorship in other listed companies in the past three years.

Mr. Leung has not entered into any service contract with the Company and has no fixed term of service with the Company. He is subject to retirement at the first annual general meeting after his appointment and thereafter by rotation at least once in every three years in accordance with the Company's Bye-laws. Mr. Leung is entitled to annual emoluments of HK$128,400, which is determined by the Board with reference to his duties, responsibilities and the prevailing market conditions.

Mr. Leung does not have any relationship with any other director, senior management, substantial shareholders (as defined in the Listing Rules) or controlling shareholders (as defined in the Listing Rules) of the Company.

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

Aged 71, was appointed as an independent non-executive Director of the Company on 7 January 2005. He is also a member of each of the Audit Committee and the Nomination Committee of the Company and the chairman of the Remuneration Committee of the Company. Dr. Yu holds a honorary doctoral degree in Economics from Charles Darwin University of Australia. He is the chairman of H.K.I. Group of Companies. Dr. Yu is also now the President of The Chinese Manufacturers' Association of Hong Kong, the standing committee member of The Chinese General Chamber of Commerce, the council member of the Hong Kong Trade Development Council and the honorary chairman of The Mirror Post Cultural Enterprises Co., Ltd.. Dr. Yu is also a standing committee member of the National Committee of the Chinese People's Political Consultative Conference. Dr. Yu is currently an independent non-executive director of Tongda Group Holdings Limited and Wong's International (Holdings) Limited, both companies listed on the Main Board of The Stock Exchange of Hong Kong Limited. Save as aforesaid, Dr. Yu did not have any directorship in other listed companies in the past three years.

Dr. Yu has entered into a service contract with the Company which does not have a specific term and can be terminated by the either party giving three month's notice in writing to the other party. He is subject to retirement by rotation at least once in every three years in accordance with the Company's Bye-laws. Dr. Yu is entitled to annual emoluments of HK$128,400, which is determined by the Board with reference to his duties, responsibilities and the prevailing market conditions.

Dr. Yu does not have any relationship with any other director, senior management, substantial shareholders (as defined in the Listing Rules) or controlling shareholders (as defined in the Listing Rules) of the Company.

INDEPENDENT NON-EXECUTIVE DIRECTORS *(Continued)*

Mr. NG Wing Ka

Aged 41, was appointed as an independent non-executive Director of the Company on 7 January 2005. He is also a member of the Audit Committee of the Company. Mr. Ng graduated with a Bachelor of Laws degree and a Post-graduated Certified in Laws Degree from The University of Hong Kong. He is the partner of George Tung, Jimmy Ng & Valent Tse, Solicitors. He is now the legal adviser as to Hong Kong laws of the Foreign Economics and Trade Committee of the People's Government of Chongqing City (重慶市對外經濟貿易委員會) and 中豪律師事務所 in Chongqing City, the PRC. Mr. Ng is also the general committee member of The Chinese Manufacturers' Association of Hong Kong and Hong Kong Chinese Importers' & Exporter's Association and a member of the Chinese People's Political Consultative Conference of Chongqing City, the PRC. Mr. Ng did not have any directorship in other listed companies in the past three years.

Mr. Ng has entered into a service contract with the Company which does not have a specific term and can be terminated by the either party giving three month's notice in writing to the other party. He is subject to retirement by rotation at least once in every three years in accordance with the Company's Bye-laws. Mr. Ng is entitled to annual emoluments of HK$128,400, which is determined by the Board with reference to his duties, responsibilities and the prevailing market conditions.

Mr. Ng does not have any relationship with any other director, senior management, substantial shareholders (as defined in the Listing Rules) or controlling shareholders (as defined in the Listing Rules) of the Company.

COMPANY SECRETARY

Mr. TO Kwan

Aged 36, was appointed as the company secretary of the Company on 5 March 2010. Mr. To is a member of Hong Kong Institute of Certified Public Accountants and a member of CPA Australia.

Report of the Directors

The directors have pleasure in submitting their report together with the audited consolidated financial statements of the Company and of the Group for the year ended 31 March 2010.

CHANGE OF COMPANY NAME

Pursuant to the special resolution passed at the annual general meeting of the Company held on 31 August 2009 and approved by the Registrar of Companies in Bermuda and Registrar of Companies in Hong Kong, the Company has changed its name to "Sino Union Energy Investment Group Limited" in English and, for identification purpose adopted "中聯能源投資集團有限公司" as its Chinese name with effect from 1 September 2009.

PRINCIPAL ACTIVITIES

The principal activity of the Company is investment holding. Details of the principal activities of the subsidiaries are set out in Note 24 to the consolidated financial statements.

SEGMENT INFORMATION

As analysis of the Group's turnover and contribution to results by principal activities and geographical area of operations for the year ended 31 March 2010 is set out in Note 7 to the consolidated financial statements.

RESULTS AND APPROPRIATIONS

The results of the Group for the year ended 31 March 2010 and the state of affairs of the Company and of the Group at that date are set out in the consolidated financial statements on pages 32 to 34.

The directors do not recommend the payment of any dividend in respect of the year (2009: Nil).

SUMMARY OF FINANCIAL INFORMATION

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

Results

	Year ended 31 March				
	2010	2009	2008	2007	2006
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
Turnover	**1,039,758**	1,276,639	1,712,962	554,686	577,729
(Loss)/profit before taxation	**(44,795)**	(1,834,729)	1,935,739	10,872	2,986
Taxation	**(2,548)**	(4,066)	(6,370)	(2,809)	(2,381)
(Loss)/profit for the year from					
Continuing operation	**(47,343)**	(1,838,795)	1,929,369	8,063	605
Discontinued operation	**—**	—	—	—	14,962
Net (loss)/profit attributable to					
— Owners of the Company	**(47,343)**	(1,838,419)	1,929,369	8,063	15,567
— Minority interests	**—**	(376)	—	—	—
	(47,343)	(1,838,795)	1,929,369	8,063	15,567

Assets and Liabilities

	At 31 March				
	2010	2009	2008	2007	2006
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
Non-current assets	**8,537,208**	8,554,869	5,880,792	624	541
Current assets	**204,786**	240,059	535,345	291,151	231,301
Total assets	**8,741,994**	8,794,928	6,416,137	291,775	231,842
Current liabilities	**(132,839)**	(273,832)	(236,453)	(79,690)	(55,319)
Non-current liabilities	**(1,766)**	(3,088)	(2,650)	—	(83)
Total liabilities	**(134,605)**	(276,920)	(239,103)	(79,690)	(55,402)
Total equity	**8,607,389**	8,518,008	6,177,034	212,085	176,440

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

PROPERTY, PLANT AND EQUIPMENT

Details of movements in the property, plant and equipment of the Group during the year are set out in Note 18 to the consolidated financial statements.

SHARE CAPITAL AND SHARE OPTIONS

Details of movements in the Company's share capital during the year and details of the Company's share option scheme are set out in Note 28 to the consolidated financial statements.

RESERVES

Details of movements in the reserves of the Company and of the Group during the year are set out in Note 29 to the consolidated financial statements.

PRE-EMPTIVE RIGHTS

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

PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES OF THE COMPANY

For the year ended 31 March 2010, neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the Company's listed securities.

DISTRIBUTABLE RESERVES

At 31 March 2010, the Company's reserves available for distribution and/or distribution in specie, calculated in accordance with the Companies Act of Bermuda, amounted to HK$3,670,291,000. This amount included the Company's contributed surplus in the amount of HK$54,045,000 at 31 March 2010, which may only be distributed in certain circumstances. In addition, the Company's share premium account, in the amount of HK$3,734,942,000 at 31 March 2010, may be distributed in the form of fully paid bonus shares.

MAJOR CUSTOMERS AND SUPPLIERS

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

(1) The aggregate amount of sales attributable to the Group's five largest customers represented 100% of the Group's total sales for the year. The amount of sales to the Group's largest customer included therein represented approximately 100%.

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

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

MATERIAL RELATED PARTY AND CONNECTED TRANSACTIONS

Details of the related party transactions of the Group are set out in Note 41 to the consolidated financial statements respectively.

PENSION SCHEMES AND COSTS

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

At 31 March 2010, the Group did not have any significant obligations for long service payments to its employees pursuant to the requirements under the Employment Ordinance, Chapter 57 of the Laws of Hong Kong.

DIRECTORS

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

Executive Directors

Dr. Wang Tao *(Honorary Chairman)*
Mr. Wang Sen Hao *(appointed on 3 August 2009)*
Dr. Hui Chi Ming, *G.B.S., PhD, J.P. (Chairman)*
Mr. Cheung Shing *(Deputy Chairman)*
Ms. Fibiolla Irianni Ohei *(appointed on 12 May 2009)*
Mr. Shen Hao *(appointed on 11 January 2010)*
Mr. Feng Da Wei *(appointed on 11 January 2010)*
Mr. Bian Qijun *(appointed on 8 February 2010)*
Dr. Chui Say Hoe
Dr. Ching Men Ky, Carl
Mr. Cui Yeng Xu

Non-Executive Directors

Mr. Chow Charn Ki, Kenneth *(retired on 31 August 2009)*
Dr. Fok Chun Wan, Ian *(resigned on 25 September 2009)*

Independent Non-Executive Directors

Mr. Leung Ting Yuk *(appointed on 3 December 2009)*
Dr. Yu Sun Say, *S.B.S., J.P.*
Mr. Ng Wing Ka
Mr. Edmund Siu *(resigned on 1 December 2009)*

DIRECTORS *(Continued)*

Mr. Feng Da Wei, Mr. Shen Hao and Mr. Bian Qijun were appointed as executive Directors and Mr. Leung Ting Yuk was appointed as an independent non-executive Director of the Company after the annual general meeting of the Company held on 31 August 2009, and they are subject to re-election at the forthcoming annual general meeting ("2010 AGM") pursuant to the Company's Bye-law 86(2). Mr. Feng Da Wei, Mr. Shen Hao and Mr. Leung Ting Yuk being eligible, offered themselves for re-election, and Mr. Bian Qijun confirmed that he will not offer himself for re-election.

Pursuant to the Company's Bye-law 87, Mr. Wang Sen Hao, Mr. Cheung Shing, Dr. Chui Say Hoe and Dr. Yu Sun Say will retire by rotation at the 2010 AGM. Mr. Cheung Shing and Dr. Chui Say Hoe being eligible, offered themselves for re-election, and Mr. Wang Sen Hao and Dr. Yu Sun Say confirmed that they will not offer themselves for re-election.

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

DIRECTORS' BIOGRAPHIES

Biographical details of the Directors of the Company are set out on pages 7 to 15 of the annual report.

DIRECTORS' SERVICE CONTRACTS

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

Save as disclosed above, no director proposed for re-election at the 2010 AGM has a service contract with the Company which is not determinable by the Company within one year without payment of compensation, other than statutory compensation.

DIRECTORS' INTERESTS IN CONTRACTS

Save as disclosed in Note 41 to the consolidated financial statements, no Director had a material interest, whether directly or indirectly, in any contract of significance to the business of the Group to which the Company or any of its subsidiaries was a party during the year.

DIRECTORS' INTERESTS IN SHARE CAPITAL

At 31 March 2010, the interests and short positions of the Directors and chief executives in the share capital of the Company and its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance (the "SFO")) as recorded in the register required to be kept by the Company under Section 352 of the SFO or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers ("the Model Code") were as follows:

Interests and short positions in shares, underlying shares and debentures of the Company

Name of Director	Nature of interest	Long position/ Short position	Number of ordinary shares of the Company held	Approximate percentage of the issued ordinary share capital of the Company
Dr. Hui Chi Ming	Interest of controlled corporations *(Note)*	Long position	1,507,959,756	24.67%

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

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

DIRECTORS' RIGHTS TO ACQUIRE SHARES OR DEBENTURES

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

SHARE OPTION SCHEME

The Company operates a share option scheme (the "Scheme"), further details of which are set out in Note 28 to the consolidated financial statements.

SUBSTANTIAL SHAREHOLDERS

As at 31 March 2010, the interests of persons, other than a Director or chief executive of the Company, in the shares of the Company as recorded in the register maintained pursuant to Section 336 of the SFO were as follows:

Interests and short positions of substantial shareholders in shares and underlying shares of the Company

Name	Capacity	Long position/ Short position	Number of ordinary shares of the Company held	Approximate percentage of the issued ordinary share capital of the Company
Dr. Hui Chi Ming	Interest of Controlled Corporations	Long position	1,507,959,756	24.67%
Golden Nova Holdings Limited *(Note)*	Beneficial Interest	Long position	993,827,401	16.26%
Shaanxi Yanchang Petroleum (Group) Limited	Beneficial Interest	Long position	917,019,547	15.00%
Right Up Holdings Limited *(Note)*	Beneficial Interest	Long position	320,000,000	5.23%
Yunnan Kaiyuan Oil & Gas Drilling Engineering Co., Limited	Beneficial Interest	Long position	305,673,200	5.00%

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

Save as disclosed above, the Company had not been notified of any other interests or short positions in the shares and underlying shares of the Company representing 5% or more of the issued share capital of the Company as at 31 March 2010.

EVENTS AFTER THE REPORTING PERIOD

Details of the significant events after the reporting period of the Group are set out in Note 42 to the consolidated financial statements.

MODEL CODE FOR SECURITIES TRANSACTIONS

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

Having made specific enquiry of all Directors of the Company, they confirmed that they have complied with the required standards as set out in the Model Code as its code of conduct regarding directors' securities transactions with the Company for the year ended 31 March 2010.

CORPORATE GOVERNANCE

The Company is committed to maintaining a high standard of corporate governance practices. Information on the corporate governance practices adopted by the Company is set out in the "Corporate Governance Report" on pages 24 to 29.

SUFFICIENCY OF PUBLIC FLOAT

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

AUDITORS

A resolution will be submitted to the 2010 AGM to re-appoint Messrs. HLB Hodgson Impey Cheng as auditors of the Company.

On behalf of the Board

Dr. Chui Say Hoe
Executive Director

Hong Kong, 27 July 2010

CORPORATE GOVERNANCE PRACTICE

The Board is committed to achieve a high standard of corporate governance with a view to enhance the management of the Company as well as to safeguard the interests of the shareholders as a whole in terms of transparency, independence, accountability, responsibilities and fairness. In the opinion of the Board, the Company had complied with the code provision set out in the Code on Corporate Governance Practices ("CG Code") in Appendix 14 to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules") throughout the year ended 31 March 2010, except for the following:

1. code provision A.2.1 of the CG Code provides that the roles and responsibilities of chairman and chief executive officer should be divided. The Company has not appointed a chief executive officer and the roles and functions of the chief executive officer have been performed by the Board collectively; and

2. code provision A.4.1 of the CG Code provides that the non-executive directors should be appointed for a specific term. The non-executive Directors of the Company are not appointed for a specific term but they are subject to retirement by rotation at least once every three years in accordance with the Bye-Laws.

Save as mentioned above, in the opinion of the Directors, the Company had met with the CG Code during the year ended 31 March 2010.

DIRECTORS' SECURITIES TRANSACTIONS

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers as set out in Appendix 10 to the Listing Rules (the "Model Code"). Having made specific enquiry of all Directors, the Directors confirmed that they had complied with the required standard set out in the Model Code throughout the year ended 31 March 2010.

AUDITORS' REMUNERATION

Auditors' remuneration for the year amounted to a total of approximately HK$1,933,000, of which HK$500,000 was incurred for audit service and approximately HK$1,433,000 for non-audit services, including the taxation services and professional fees for circulars.

BOARD OF DIRECTORS

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

(a) eleven executive directors, namely Dr. Wang Tao, Mr. Wang Sen Hao, Dr. Hui Chi Ming, Mr. Cheung Shing, Mr. Shen Hao, Mr. Feng Da Wei, Mr. Bian Qijun, Dr. Chui Say Hoe, Dr. Ching Men Ky, Carl, Mr. Cui Yeng Xu and Ms. Fibiolla Irianni Ohei;

(b) three independent non-executive directors ("INED") required under Rule 3.10(1) of the Listing Rules, namely Mr. Leung Ting Yuk, Dr. Yu Sun Say and Mr. Ng Wing Ka which represent approximately 21% of the Board. One of the INEDs have appropriate professional qualifications and accounting and related financial expertise required under Rule 3.10(2) of the Listing Rules.

BOARD OF DIRECTORS *(Continued)*

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

Each of the Directors keeps abreast of his/her responsibilities as a Director of the Company and of the conduct, business activities and development of the Company. All Directors are updated from time to time with development in the laws and regulations applicable to the Company and each of the INEDs has made annual confirmation that he complied with the independence criteria set out in Rule 3.13 of the Listing Rules. The Directors consider that all the three INEDs are independent under these independence criteria and are capable to effectively exercise independent judgment.

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

The principal functions of the Board are to make decision on the objectives, strategic plans, budgets and management structure of the Company; to oversee the management of the business and affairs of the Group; to supervise the management of the business and affairs with the objective of enhancing the Company and shareholders' value with the proper delegation of the power to the management for its day-to-day operation of the Company, implementation of the budgets and strategic plans and development of the organization of the Company for implementing the Board's decision. During the year under review, the Board has reviewed, inter alia, the performance of the Group and formulated business strategy of the Group; reviewed and approved the interim and annual results of the Group for the year ended 31 March 2010; reviewed the operations of the Group and reviewed internal controls taken by the Group.

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

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

BOARD OF DIRECTORS *(Continued)*

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

Details of the attendance of the Board for the year ended 31 March 2010 were as follows:

Directors	Attendance
Dr. Wang Tao *(Honorary Chairman)*	0/10
Mr. Wang Sen Hao *(appointed on 3 August 2009)**	0/8
Dr. Hui Chi Ming, *G.B.S., PhD, J.P. (Chairman)*	4/10
Mr. Cheung Shing *(Deputy Chairman)*	10/10
Mr. Shen Hao *(appointed on 11 January 2010)***	0/2
Mr. Feng Da Wei *(appointed on 11 January 2010)****	0/2
Mr. Bian Qijun *(appointed on 8 February 2010)*****	0/1
Dr. Chui Say Hoe	10/10
Dr. Ching Men Ky, Carl	3/10
Mr. Cui Yeng Xu	0/10
Ms. Fibiolla Irianni Ohei *(appointed on 12 May 2009)*	0/10
Dr. Fok Chun Wan *(resigned on 25 September 2009)*#	1/4
Mr. Chow Charn Ki, Kenneth *(retired on 31 August 2009)*##	0/3
Mr. Leung Ting Yuk *(appointed on 3 December 2009)******	4/4
Dr. Yu Sun Say, *S.B.S., J.P.*	4/10
Mr. Ng Wing Ka	3/10
Mr. Edmund Siu *(resigned on 1 December 2009)*###	2/5

* Mr. Wang Sen Hao was appointed as an executive Director of the Company on 3 August 2009, and 8 Board meetings were held after his appointment.

** Mr. Shen Hao was appointed as an executive Director of the Company on 11 January 2010, and 2 Board meetings were held after his appointment.

*** Mr. Feng Da Wei was appointed as an executive Director of the Company on 11 January 2010, and 2 Board meetings were held after his appointment.

**** Mr. Bian Qijun was appointed as an executive Director of the Company on 8 February 2010, and 1 Board meeting was held after his appointment.

***** Mr. Leung Ting Yuk was appointed as an independent non-executive Director of the Company on 3 December 2009, and 4 Board meetings were held after his appointment.

Dr. Fok Chun Wan, Ian resigned as a non-executive Director of the Company on 25 September 2009, and 4 Board meetings were held before his resignation.

Mr. Chow Charn Ki, Kenneth retired as a non-executive Director of the Company at the annual general meeting of the Company held on 31 August 2009, and 3 Board meetings were held before his retirement.

Mr. Edmund Siu resigned as an independent non-executive Director of the Company on 1 December 2009, and 5 Board meetings were held before his resignation.

CHAIRMAN AND CHIEF EXECUTIVE OFFICER

The Company has not appointed a chief executive officer and the roles and responsibilities of the chief executive officer are performed by the Board collectively. The Chairman is responsible for overseeing all Board functions, while the executive Directors and senior management under the leadership of the Chairman to oversee the day-to-day operations of the Group and implementing the strategies and policies approved by the Board.

NON-EXECUTIVE DIRECTORS

All non-executive directors are not appointed for a specific term but they are subject to retirement by rotation at least once every three years in accordance with the Bye-Laws. Details of change in the Board during the year are set out on the "Report of the Directors".

DIRECTOR'S RESPONSIBILITY FOR THE FINANCIAL STATEMENTS

The financial statements of the Company for the year ended have been reviewed by the Audit Committee and audited by the external auditors, HLB Hodgson Impey Cheng. The Directors acknowledge their responsibility for preparing the financial statements of the Group which give a true and fair view. The Directors' responsibilities for the accounts are set out in the Independent Auditors' Report on pages 30 and 31.

BOARD COMMITTEES

Audit Committee

The Audit Committee currently comprises three independent non-executive directors, namely Dr. Yu Sun Say, Mr. Ng Wing Ka, Mr. Leung Ting Yuk and Mr. Leung Ting Yuk is the chairman of the Audit Committee. Given below are the main duties of the audit committee:

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

(b) Reviewing the systems of internal control;

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

(d) Reviewing the audited financial statements and the annual report of the Company for the year ended 31 March 2010.

During the financial year ended 31 March 2010, the Audit Committee held 2 meetings.

Name of Directors	Number of attendance
Mr. Leung Ting Yuk*	1/1
Dr. Yu Sun Say	2/2
Mr. Ng Wing Ka	2/2
Mr. Edmund Siu#	1/1

* Mr. Leung Ting Yuk was appointed as the Chairman of the Audit Committee of the Company on 3 December 2009, and 1 Audit Committee's meeting was held after his appointment.

\# Mr. Edmund Siu resigned as the Chairman of the Audit Committee of the Company on 1 December 2009, and 1 Audit Committee's meeting was held before his resignation.

BOARD COMMITTEE *(Continued)*

Remuneration Committee

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

The Remuneration Committee currently comprises two independent non-executive Directors, namely Dr. Yu Sun Say and Mr. Leung Ting Yuk, and an executive director, Dr. Chui Say Hoe. Dr. Yu Sun Say is the chairman of the Remuneration Committee of the Company.

During the financial year ended 31 March 2010, the Remuneration Committee held 2 meetings.

Name of Directors	Number of attendance
Dr. Yu Sun Say	1/2
Mr. Leung Ting Yuk*	1/2
Dr. Chui Say Hoe	2/2
Mr. Edmund Siu#	0/0

* Mr. Leung Ting Yuk was appointed as a member of the Remuneration Committee on 3 December 2009, and 2 Remuneration Committee's meetings were held after his appointment.

\# Mr. Edmund Siu resigned as a member of the Remuneration Committee on 1 December 2009, and no meeting was held before his resignation.

Nomination Committee

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

The Nomination Committee currently comprises two independent non-executive directors, namely Dr. Yu Sun Say and Mr. Ng Wing Ka, and an executive director, Dr. Chui Say Hoe. Mr. Ng Wing Ka is the Chairman of the Nomination Committee of the Company.

During the financial year ended 31 March 2010, the Nomination Committee held 2 meetings.

Name of Directors	Number of attendance
Mr. Ng Wing Ka	0/2
Dr. Yu Sun Say	2/2
Dr. Chui Say Hoe	2/2

Operational Committee

The Operational Committee of the Board of Directors of the Company was established on 27 July 2010, and will meet on ad hoc basis to exercise the powers, authorities and discretion of the Board in accordance with its terms of reference.

The Operational Committee comprises three executive Directors, namely Mr. Cheung Shing, Dr. Chui Say Hoe and Mr. Ching Men Ky, Carl.

INTERNAL CONTROL

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

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

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

— Monitoring the strategic plan and performance

— Designing an effective accounting and information system

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

COMMUNICATION WITH SHAREHOLDERS

During the year under review, the Group has proactively enhanced its corporate transparency and communications with its shareholders and the investment community through its annual and interim reports. Constantly being updated in a timely manner, the Company maintains its website at www.sunpec.com on which press releases, announcements and financial and other information relating to the Company and its business are disclosed. The annual report together with the annual general meeting circular which contains the notice of the annual general meeting is distributed to all the shareholders at least 20 clear business days before the meeting.

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 the Audit, Nomination and Remuneration Committees are pleased to answer shareholder's questions.

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

Pursuant to Rule 13.39(4) of the Listing Rules, any vote of shareholders at a general meeting must be taken by poll.

HLB 國衛會計師事務所
Hodgson Impey Cheng

Chartered Accountants
Certified Public Accountants

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

TO THE SHAREHOLDERS OF
SINO UNION ENERGY INVESTMENT GROUP LIMITED
(FORMERLY KNOWN AS SINO UNION PETROLEUM & CHEMICAL INTERNATIONAL LIMITED)
(Incorporated in Bermuda with limited liability)

We have audited the consolidated financial statements of Sino Union Energy Investment Group Limited (the "Company") and its subsidiaries (collectively referred to as the "Group") set out on pages 32 to 98, which comprise the consolidated and company statement of financial position as at 31 March 2010, and the consolidated statement of comprehensive income, consolidated statement of changes in equity and 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.

AUDITORS' RESPONSIBILITY

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

AUDITORS' RESPONSIBILITY *(Continued)*

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

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

OPINION

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

HLB Hodgson Impey Cheng
Chartered Accountants
Certified Public Accountants

Hong Kong, 27 July 2010

Consolidated Statement of Comprehensive Income

For the year ended 31 March 2010

	Notes	2010 HK$'000	2009 HK$'000
Turnover	8	**1,039,758**	1,276,639
Cost of sales		**(1,001,552)**	(1,228,109)
Gross profit		**38,206**	48,530
Other revenue	8	**530**	481
Other gains and losses	9	**(17,792)**	(1,834,110)
Selling and distribution costs		**(9,878)**	(11,693)
Administrative expenses		**(35,907)**	(36,754)
Equity-settled share-based payments	28	**(18,000)**	—
Loss from operating activities	10	**(42,841)**	(1,833,546)
Finance costs	13	**(1,954)**	(1,183)
Loss before taxation		**(44,795)**	(1,834,729)
Taxation	14	**(2,548)**	(4,066)
Loss for the year		**(47,343)**	(1,838,795)
Other comprehensive income			
Exchange differences on translating foreign operations		**4,637**	5,850
Other comprehensive income for the year, net of tax		**4,637**	5,850
Total comprehensive expense for the year		**(42,706)**	(1,832,945)
Loss attributable to:			
Minority interests		**—**	(376)
Owners of the Company		**(47,343)**	(1,838,419)
		(47,343)	(1,838,795)
Total comprehensive expense attributable to:			
Minority interests		**54**	(376)
Owners of the Company		**(42,760)**	(1,832,569)
		(42,706)	(1,832,945)
Loss per share	17		
Basic, HK cents		**(0.78)**	(32.28)
Diluted, HK cents		**(0.78)**	(32.28)

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

Consolidated Statement of Financial Position

At 31 March 2010

	Notes	2010 HK$'000	2009 HK$'000
ASSETS			
Non-current assets			
Property, plant and equipment	18	2,176	2,177
Prepaid lease payments	19	916	936
Investment property	20	9,360	12,000
Intangible asset	21	43,000	58,000
Exploration and evaluation assets	22	8,481,756	8,481,756
		8,537,208	8,554,869
Current assets			
Trade receivables	25	53,921	92,584
Prepayments, deposits and other receivables	26	16,162	26,307
Amount due from a minority shareholder	27	15,035	—
Cash and bank balances		119,668	121,168
		204,786	240,059
Total assets		8,741,994	8,794,928
EQUITY			
Capital and reserves attributable to the Company's owners			
Share capital	28	122,269	120,449
Reserves	29	8,470,085	8,397,559
Equity attributable to owners of the Company		8,592,354	8,518,008
Minority interests		15,035	—
Total equity		8,607,389	8,518,008
LIABILITIES			
Current liabilities			
Trade and other payables	30	74,036	133,736
Tax payable		30,779	27,374
Amount due to a holding company	31	—	2,911
Amounts due to related companies	32	15,700	13,524
Amount due to a director	33	12,324	—
Convertible notes	34	—	96,287
		132,839	273,832
Non-current liability			
Deferred taxation	35	1,766	3,088
Total liabilities		134,605	276,920
Total equity and liabilities		8,741,994	8,794,928
Net current assets/(liabilities)		71,947	(33,773)
Total assets less current liabilities		8,609,155	8,521,096

Approved by the board of directors on 27 July 2010 and signed on its behalf by:

Dr. Chui Say Hoe
Director

Mr. Cheung Shing
Director

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

Statement of Financial Position

At 31 March 2010

	Notes	2010 HK$'000	2009 HK$'000
ASSETS			
Non-current asset			
Interests in subsidiaries	24	**5,865,006**	5,832,043
Current assets			
Prepayments and other receivables		**16**	16
Cash and bank balances		**93**	10
		109	26
Total assets		**5,865,115**	5,832,069
EQUITY			
Capital and reserves attributable to the Company's owners			
Share capital	28	**122,269**	120,449
Reserves	29	**5,558,350**	5,468,559
Total equity		**5,680,619**	5,589,008
LIABILITIES			
Current liabilities			
Amounts due to subsidiaries	24	**177,935**	139,784
Amounts due to related companies	32	**2,462**	5,333
Amount due to a director	33	**1,199**	–
Other payables		**2,900**	1,044
Convertible notes	34	**–**	96,287
		184,496	242,448
Non-current liability			
Deferred taxation	35	**–**	613
Total liabilities		**184,496**	243,061
Total equity and liabilities		**5,865,115**	5,832,069
Net current liabilities		**(184,387)**	(242,422)
Total assets less current liabilities		**5,680,619**	5,589,621

Approved by the board of directors on 27 July 2010 and signed on its behalf by:

Dr. Chui Say Hoe
Director

Mr. Cheung Shing
Director

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

Consolidated Statement of Changes in Equity

For the year ended 31 March 2010

	Attributable to owners of the Company											
		Reserves										
	Share capital HK$'000	Share premium HK$'000 (Note i)	Contribution surplus HK$'000 (Note ii)	Convertible notes reserve HK$'000	Exchange reserve HK$'000	Revaluation reserve HK$'000 (Note iii)	Reserve on acquisition of additional interests in a subsidiary HK$'000	Share option reserve HK$'000	Retained profits HK$'000	Subtotal HK$'000	Minority interests HK$'000	Total HK$'000
At 1 April 2008	92,835	3,648,151	3,156	–	14,243	385,000	–	–	2,033,649	6,084,199	–	6,177,034
Net loss for the year	–	–	–	–	–	–	–	–	(1,838,419)	(1,838,419)	(376)	(1,838,795)
Other comprehensive income for the year	–	–	–	–	5,850	–	–	–	–	5,850	–	5,850
Total comprehensive income/(expense) for the year	–	–	–	–	5,850	–	–	–	(1,838,419)	(1,832,569)	(376)	(1,832,945)
Equity component of convertible notes	–	–	–	281,844	–	–	–	–	–	281,844	–	281,844
Deferred tax arising on issue of convertible notes	–	–	–	(8,842)	–	–	–	–	–	(8,842)	–	(8,842)
Conversion of convertible notes	6,667	701,588	–	(269,447)	–	–	–	–	–	432,141	–	438,808
Consideration shares	20,013	1,054,213	–	–	–	–	–	–	–	1,054,213	–	1,074,226
Issue of ordinary shares	714	99,302	–	–	–	–	–	–	–	99,302	–	100,016
Issue shares expenses	–	(330)	–	–	–	–	–	–	–	(330)	–	(330)
Issue of ordinary shares upon exercise of share options	220	1,236	–	–	–	–	–	–	–	1,236	–	1,456
Acquisition of subsidiaries	–	–	–	–	–	–	–	–	–	–	3,024,612	3,024,612
Acquisition of additional interests in subsidiaries	–	–	–	–	–	–	2,286,365	–	–	2,286,365	(3,024,236)	(737,871)
At 31 March 2009 and 1 April 2009	120,449	5,504,160	3,156	3,555	20,093	385,000	2,286,365	–	195,230	8,397,559	–	8,518,008
Net loss for the year	–	–	–	–	–	–	–	–	(47,343)	(47,343)	–	(47,343)
Other comprehensive income for the year	–	–	–	–	4,583	–	–	–	–	4,583	54	4,637
Total comprehensive income/(expense) for the year	–	–	–	–	4,583	–	–	–	(47,343)	(42,760)	54	(42,706)
Conversion of convertible notes	1,600	99,605	–	(3,555)	–	–	–	–	–	96,050	–	97,650
Issue of ordinary shares upon exercise of share options	220	1,236	–	–	–	–	–	–	–	1,236	–	1,456
Equity-settled share-based payments	–	–	–	–	–	–	–	18,000	–	18,000	–	18,000
Incorporation of a subsidiary	–	–	–	–	–	–	–	–	–	–	14,981	14,981
At 31 March 2010	**122,269**	**5,605,001**	**3,156**	**–**	**24,676**	**385,000**	**2,286,365**	**18,000**	**147,887**	**8,470,085**	**15,035**	**8,607,389**

Consolidated Statement of Changes in Equity

For the year ended 31 March 2010

Note:

(i) The share premium account of the Group includes (i) shares issued at premium of approximately HK$3,734,942,000 (2009: HK$3,634,101,000); and (ii) special reserve of approximately HK$1,870,059,000 (2009: HK$1,870,059,000). Included in the share premium debited amount of approximately HK$650,774,000 represents the difference between the fair value and the contracted value of the consideration shares paid for acquisitions of subsidiaries during the year ended 31 March 2009.

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

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

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

Consolidated Statement of Cash Flows

For the year ended 31 March 2010

	2010 *HK$'000*	2009 *HK$'000*
Cash flows from operating activities		
Loss before taxation	**(44,795)**	(1,834,729)
Adjustments for:		
Interest income	**(311)**	(471)
Depreciation	**905**	669
Amortisation of prepaid lease payments	**20**	19
Impairment loss recognised in respect of goodwill	**–**	2,364
Impairment loss recognised in respect of intangible asset	**15,000**	191,842
Fair value changes on investment property	**2,640**	285
Impairment loss recognised in respect of exploration and evaluation assets	**–**	3,757,059
Impairment loss recognised in respect of other receivables	**152**	2,234
Equity-settled share-based payments	**18,000**	–
Excess of acquirer's interest in fair value of acquiree's identifiable net assets over cost	**–**	(2,103,419)
Gain on disposal of a subsidiary	**–**	(16,255)
Loss on disposal of property, plant and equipment	**410**	63
Finance costs	**1,954**	1,183
Operating (loss)/profit before working capital changes	**(6,025)**	844
Decrease in trade receivables	**38,511**	51,537
Decrease in prepayments, deposits and other receivables	**10,145**	134,663
Decrease in trade and other payables	**(60,755)**	(52,127)
Increase/(decrease) in amounts due to related companies	**2,176**	(4,691)
Decrease in amount due to a holding company	**(2,911)**	–
Increase in amount due to a director	**12,324**	–
Cash (used in)/generated from operations	**(6,535)**	130,226
Interest received	**311**	471
Net cash (outflow)/inflow from operating activities	**(6,224)**	130,697
Cash flows from investing activities		
Purchase of property, plant and equipment	**(1,314)**	(985)
Additions of prepaid lease payments	**–**	(974)
Net cash outflow from acquisition of subsidiaries, net	**–**	(420,919)
Capital expenditure in relation to exploration and evaluation assets	**–**	(22,100)
Net cash outflow from investing activities	**(1,314)**	(444,978)

Consolidated Statement of Cash Flows

For the year ended 31 March 2010

	2010 *HK$'000*	2009 *HK$'000*
Cash flows from financing activities		
Proceeds from issue of shares	–	100,016
Issue share expense	–	(330)
Proceeds from exercise of share option	1,456	1,456
Proceeds from issue of convertible notes	–	100,000
Net cash inflow from financing activities	1,456	201,142
Net decrease in cash and cash equivalents	(6,082)	(113,139)
Cash and cash equivalents at the beginning of the year	121,168	228,457
Effect of exchange rate changes on the balance of cash held in foreign currencies	4,582	5,850
Cash and cash equivalents at the end of the year	119,668	121,168
Analysis of balances of cash and cash equivalents		
Cash and bank balances	119,668	121,168

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

1. CORPORATE INFORMATION

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

The Company acts as an investment holding company while its subsidiaries are engaged in supply and procurement operation and oil, gas exploration, exploitation and operation.

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

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

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

In the current year, the Group has applied, for the first time, a number of new standards, amendments and interpretations (the "new HKFRSs") issued by the Hong Kong Institute of Certified Public Accountants (the "HKICPA") which are effective for the Group's financial year beginning 1 April 2009. A summary of the new HKFRSs are set out as below:

HKAS 1 (Revised)	Presentation of Financial Statements
HKAS 23 (Revised)	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)	Financial Instruments: Disclosures — 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 on or after 1 July 2009
HKFRSs (Amendments)	Improvements to HKFRSs issued in 2009 in relation to the amendment to paragraph 80 of HKAS 39

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

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

HKFRS 8 Operating Segments

HKFRS 8 is a disclosure standard that has resulted in a redesignation of the Group's reportable segments (see Note 7).

HKAS 1 (Revised) Presentation of Financial Statements

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

Improving Disclosures about Financial Instruments (Amendments to HKFRS 7 Financial Instruments: Disclosures)

The amendments to HKFRS 7 enhance the disclosures required in relation to fair value measurements in respect of financial instruments which are measured at fair value. The amendments also expand and amend the disclosures required in relation to liquidity risk. 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 adopted the following new and revised standards, amendments and interpretations that have been issued but are not yet effective.

HKFRSs (Amendments)	Amendments to HKFRS 5 as part of Improvements to HKFRSs issued in 2008[1]
HKFRSs (Amendments)	Improvements to HKFRSs issued in 2009[2]
HKFRSs (Amendments)	Improvements to HKFRSs issued in 2010[6]
HKAS 24 (Revised)	Related Party Disclosures[6]
HKAS 27 (Revised)	Consolidated and Separate Financial Statements[1]
HKAS 32 (Amendment)	Classification of Rights Issues[4]
HKAS 39 (Amendment)	Eligible Hedged Items[1]
HKFRS 1 (Revised)	First-time Adoption of Hong Kong Financial Reporting Standards[1]
HKFRS 1 (Amendments)	Additional Exemptions for First-time Adopters[3]
HKFRS 1 (Amendments)	Limited Exemptions from Comparative HKFRS 7 Disclosures for First-time Adopters[5]
HKFRS 2 (Amendment)	Group Cash-settled Share-based Payment Transactions[3]
HKFRS 3 (Revised)	Business Combinations[1]
HKFRS 9	Financial Instruments[7]
HK(IFRIC) — Int 14 (Amendment)	Prepayments of a Minimum Funding Requirements[6]
HK(IFRIC) — Int 17	Distributions of Non-cash Assets to Owners[1]
HK(IFRIC) — Int 19	Extinguishing Financial Liabilities with Equity Instruments[5]

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 January 2010
4 Effective for annual periods beginning on or after 1 February 2010
5 Effective for annual periods beginning on or after 1 July 2010
6 Effective for annual periods beginning on or after 1 January 2011
7 Effective for annual periods beginning on or after 1 January 2013

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

HKAS 27 (Revised) *Consolidated and Separate Financial Statements* requires the effects of all transactions with minority interest to be recorded in equity if there is no change in control and these transactions will no longer result in goodwill or gains and losses. The standard also specifies the accounting when control is lost. Any remaining interest in the entity is remeasured to fair value, and a gain or loss is recognised in profit or loss. The Group will apply HKAS 27 (Revised) prospectively to transactions with minority interest from 1 April 2010.

HKFRS 3 (Revised) *Business Combinations* continues to apply the acquisition method to business combinations, with some significant changes. For example, all payments to purchase a business are to be recorded at fair value at the acquisition date, with contingent payments classified as debt subsequently remeasured through the income statement. There is a choice on an acquisition-by-acquisition basis to measure the non-controlling interest in the acquiree's net assets. All acquisition-related costs should be expensed. The Group will apply HKFRS 3 (Revised) prospectively to all business combinations from 1 April 2010.

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 investment 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 will affect the classification and measurement of the Group's financial assets.

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

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The consolidated financial statements have been prepared on the historical cost basis except for investment property and certain financial assets and financial liabilities that are measured at fair values, as explained in the accounting policies set out below.

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

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

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

(a) Basis of consolidation

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

The results of subsidiaries acquired or disposed of during the year are included in the consolidated 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.

(b) Business combination

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

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

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

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

(b) Business combination *(Continued)*

Acquisition of additional interests in a subsidiary

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

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

(c) Impairment of non-financial assets (other than goodwill)

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

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

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

(d) Revenue recognition

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

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

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

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

(e) Property, plant and equipment

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

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

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

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

(f) Investment property

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

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

(g) Exploration and evaluation assets

Exploration and evaluation assets are recognised at cost on initial recognition. Subsequent to initial recognition, exploration and evaluation assets are stated at cost less any accumulated impairment losses. No amortisation is provided on the exploration and evaluation assets.

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

When the technical feasibility and commercial viability of extracting oil resource become demonstrable, any previously recognised exploration and evaluation assets would be reclassified as intangible assets or property, plant and equipment. After reclassification, amortisation will be provided for the respective assets consistent with the relevant accounting policy.

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

(h) Leasing

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

The Group as lessee

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

Leasehold land

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

(i) Foreign currencies translation

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

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

For the purposes of presenting the consolidated financial statements, the assets and liabilities of the Group's foreign operations are translated into the presentation currency of the Group (i.e. Hong Kong dollars) at the rate of exchange prevailing at the 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 as a separate component of equity (the translation reserve). Such exchange differences are recognised in the consolidated statement of comprehensive income in the period in which the foreign operation is disposed of.

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

(i) Foreign currencies translation *(continued)*

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

(j) Retirement benefits schemes

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

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

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

(k) Share-based payment expenses

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

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

(k) Share-based payment expenses *(continued)*

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

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

(l) Taxation

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

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

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

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

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

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

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

(m) Intangible asset

Intangible asset acquired in a business combination

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

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

(n) Financial instruments

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

Financial assets

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

Effective interest method

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

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

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

(n) Financial instruments *(continued)*

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. At the end of each reporting period subsequent to initial recognition, loans and receivables (including trade receivables, other receivables, amount due from a minority shareholder and cash and bank balances) are carried at amortised cost using the effective interest method, less any identified impairment losses (see accounting policy in respect of impairment loss of financial assets below).

Impairment of financial assets

Financial assets are impaired where there is objective evidence that, as a result of one or more events that occurred after the initial recognition of the financial asset, the estimated future cash flows of the financial assets have been impacted.

Objective evidence of impairment could include:

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

For certain categories of financial asset, such as trade receivables, assets that are assessed not to be impaired individually are subsequently assessed for impairment on a collective basis. Objective evidence of impairment for a portfolio of receivables could include the Group's past experience of collecting payments, an increase in the number of delayed payments in the portfolio past the average credit period of 30 days, observable changes in national or local economic conditions that correlate with default on receivables.

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

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

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

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

(n) Financial instruments *(continued)*

Impairment of financial assets *(continued)*

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

Financial liabilities and equity

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

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

Effective interest method

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

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

Other financial liabilities

Other financial liabilities including trade and other payables, amount due to a holding company, amounts due to related companies and amount due to a director are subsequently measured at amortised cost, using the effective interest rate method.

Convertible notes

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

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

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

(n) Financial instruments *(continued)*

Convertible notes *(continued)*

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

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

Equity instruments

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

Derecognition

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

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

(o) Provisions

Provisions are recognised when the Group has a present obligation as a result of a past event, and it is probable that the Group will be required to settle that obligation. Provisions are measured at the directors' best estimate of the expenditure required to settle the obligation at the end of the reporting period, and are discounted to present value where the effect is material.

(p) Cash and cash equivalents

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

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

(q) Related party transactions

Parties are considered to be related to the Group if:

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

b. the party is an associate;

c. the party is a jointly-controlled entity;

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

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

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

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

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

(r) Contingent liabilities and contingent assets

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

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

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

(s) Segment reporting

Operating segments, and the amounts of each segment item reported in the consolidated financial statements, are identified from the financial information provided regularly to the Group's chief operating decision maker for the purposes of allocating resources to, and assessing the performance of, the Group's various lines of business and geographical locations.

Individually material operating segments are not aggregated for financial reporting purposes unless the segments have similar economic characteristics and are similar in respect of the nature of products and services, the nature of production processes, the type or class of customers, the methods used to distribute the products or to provide the services, and the nature of the regulatory environment. Operating segments which are not individually material may be aggregated if they share a majority of these criteria.

4. KEY SOURCES OF ESTIMATION UNCERTAINTY

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

(a) Income taxes

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

(b) Impairment of exploration and evaluation assets

Exploration and evaluation assets are reviewed for possible impairment when events or changes in circumstances indicate that the carrying amount may not be recoverable. Determination as to whether and how much an asset is impaired involve management estimates and judgements such as future prices of oil and production profile. The impairment estimates and judgements such as future prices of oil and production profile. The impairment reviews and calculations are based on assumptions may allow the Group to avoid the need to impair any assets, whereas unfavourable changes may cause the assets to become impaired. The recoverable amount of exploration and evaluation assets has been determined based on market approach, comparable transactions (Note 22).

(c) Fair value of investment property

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

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

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

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

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

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

If information on current or recent prices of investment property is not available, the fair value of investment property is determined using discounted cash flow valuation techniques. The Group uses assumptions that are mainly based on market conditions existing at the end of each reporting period.

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

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

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

(d) Useful lives and impairment of property, plant and equipment

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

(e) Impairment of intangible asset

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

The carrying amount of intangible asset at the end of the reporting period was approximately HK$43,000,000 (2009: HK$58,000,000) after an impairment loss of approximately HK$15,000,000 (2009: HK$191,842,000) was recognised during the year. Details of the impairment loss calculation are provided in Note 21.

5. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

(a) Categories of financial instruments

	2010 HK$'000	2009 HK$'000
Financial assets		
Loan and receivables (including cash and bank balances)		
— Trade receivables	53,921	92,584
— Other receivables	317	555
— Amount due from a minority shareholder	15,035	—
— Cash and bank balances	119,668	121,168
	188,941	214,307
Financial liabilities		
Amortised costs		
— Trade and other payables	74,036	133,736
— Convertible notes	—	96,287
— Amount due to a holding company	—	2,911
— Amounts due to related companies	15,700	13,524
— Amount due to a director	12,324	—
	102,060	246,458

(b) Financial risk management objectives and policies

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

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

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

Market risk

The Group's activities expose it primarily to the financial risks of changes in foreign exchange risk and interest rate risk.

Market risk exposures are measured by sensitivity analysis. There has been no changes to the Group's exposure to market risk or the manner in which it manages and measures the risk.

(i) Foreign exchange risk

The Group's operates mainly in both Hong Kong, the PRC and Madagascar and majority of transactions are denominated in Hong Kong dollars and United States dollars. Therefore, the Group is not exposed to foreign exchange risk. Hong Kong dollars are pegged to the United States dollars and the foreign exchange exposures between them are considered limited. The Group does not have any formal hedging policies.

(ii) Interest rate risk

The Group considers that there is no significant cash flow interest rate risk and fair value interest rate risk as the Group does not have variable rate and fixed rate borrowings. The Group did not enter into interest rate swap to hedge against its exposures to changes in fair values of the borrowings.

Credit risk

The carrying amounts of trade receivables and other receivables included in the consolidated statements of financial position represent the Group's maximum exposure to credit risk in relation to the Group's financial assets. No other financial assets carry a significant exposure to credit risk.

The Group's concentration of credit risk by geographical location is mainly in the PRC. The Group also has concentration of credit risk by customers as approximately 100% and 100% of total trade receivables was due from a major customer as at 31 March 2010 and 2009 respectively.

In order to minimise the credit risk, the management of the Group has credit approvals and other monitoring procedures to ensure that follow-up action is taken on a timely basis and adequate impairment losses are made for irrecoverable amounts overdue. In this regards, the directors of the Company consider that the Group's credit risk is significantly reduced.

Substantially all of the Group's cash and cash equivalents are mainly deposited in the state controlled PRC banks and international banks which the directors of the Company assessed the credit risk to be insignificant.

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

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

Liquidity risk

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

(c) Fair value estimation

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

(i) The fair value of financial assets and financial liabilities with standard terms and conditions and traded in active markets are determined with reference to quoted market bid prices and ask prices respectively.

(ii) The fair value of other financial assets and financial liabilities (excluding derivative instruments) are determined in accordance with generally accepted pricing models (e.g. discounted cash flow analysis using observable and/or unobservable inputs).

(iii) The fair value of derivative instruments are calculated using quoted prices. Where such prices are not available, a discounted cash flow analysis is performed using the applicable yield curve for the duration of the instruments for non-optional derivatives, and option pricing models for optional derivatives.

The Group's 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.

(i) Level 1 fair value measurements are those derived from quoted prices (unadjusted) in active markets for identical assets and liabilities.

(ii) 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 liabilities, either directly (i.e. as prices) or indirectly (i.e. derived from prices).

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

No analysis is disclosed since the Group has no financial instruments that are measured subsequent to initial recognition at fair value at the end of the reporting period.

6. CAPITAL RISK MANAGEMENT

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

The capital structure of the Group consists of debts which include convertible notes and equity, comprising issued capital, reserves and retained profits.

Consistent with others in the industry, the Group monitors capital on the basis of the gearing ratio. The gearing ratio is calculated as total debts divided by total equity. During the years ended 31 March 2010 and 31 March 2009, the Group's strategy was to maintain a reasonable gearing ratio. The gearing ratio at 31 March 2010 and 2009 were as follows:

	As at 31 March 2010 *HK$'000*	As at 31 March 2009 *HK$'000*
Total debt	–	96,287
Total equity	8,592,354	8,518,008
Gearing ratio	N/A	1.13%

Total debt comprises of convertible notes (Note 34). The gearing ratio is not applicable as at 31 March 2010 because the Group did not have any debt as at 31 March 2010.

7. SEGMENT INFORMATION

The Group has adopted HKFRS 8 *Operating Segments* effective from 1 April 2009. HKFRS 8 requires operating segments to be identified on the basis of internal reports about components of the Group that are regularly reviewed by the chief operating decision maker in order to allocate resources to segments and to assess 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 risk and returns approach, with the entity's "system of internal financial reporting to key management personnel" serving only as the starting point for the identification of such segments. The application of HKFRS 8 has resulted in redesignation of the Group's reportable segments as compared with the primary reportable segments determined in accordance with HKAS 14 as below.

Specifically, in prior years, segment information reported externally was analysed on the basis of the types of goods supplied provided by the Group. However, information reported to the Group's chief operating decision maker is more specifically focused on the category of the operation for each type of goods. The principal categories of operation for these goods are supply and procurement operation and oil, gas exploration, exploitation and operation. The Group's operating and reportable segments under HKFRS 8 are therefore as follows:

(a) the supply and procurement operation segment involves trading of oil related products and other mineral resources products; and

(b) the oil, gas exploration, exploitation and operation segment involves oil, gas exploration, exploitation and operation in Madagascar. During the years ended 31 March 2010 and 2009, this segment did not generate any revenue or profit to the Group.

7. SEGMENT INFORMATION *(Continued)*

Segments revenue and results

The Group

	Supply and procurement operation		Oil, gas exploration, exploitation and operation		Consolidated	
	2010 HK$'000	2009 HK$'000	2010 HK$'000	2009 HK$'000	2010 HK$'000	2009 HK$'000
Segment revenue:						
Sales to external customers	1,039,758	1,276,639	–	–	1,039,758	1,276,639
Segment results	28,450	36,233	(24,069)	(3,955,060)	4,381	(3,918,827)
Other revenue					530	481
Equity-settled share-based payments					(18,000)	–
Excess of acquirer's interest in fair value of acquiree's identifiable net assets over cost					–	2,103,419
Gain on disposal of a subsidiary					–	16,255
Fair value changes on investment property					(2,640)	(285)
Impairment loss recognised in respect of goodwill					–	(2,364)
Impairment loss recognised in respect of other receivables					–	(2,234)
Unallocated expenses					(27,112)	(29,991)
Loss from operating activities					(42,841)	(1,833,546)
Finance costs					(1,954)	(1,183)
Loss before taxation					(44,795)	(1,834,729)
Taxation					(2,548)	(4,066)
Loss for the year					(47,343)	(1,838,795)

Revenue reported above represents generated from external customers. There were no inter-segment sales during the year (2009: Nil)

Segment profit/(loss) represents the profit earned by each segment without allocation of interest income and corporate expenses including directors' salaries, finance costs, equity-settled share-based payments and taxation. This is the measure reported to the chief operating decision maker for the purpose of resource allocation and assessment of segment performance.

7. SEGMENT INFORMATION *(Continued)*

Segments assets and liabilities

The Group

	Supply and procurement operation		Oil, gas exploration, exploitation and operation		Consolidated	
	2010 HK$'000	2009 HK$'000	2010 HK$'000	2009 HK$'000	2010 HK$'000	2009 HK$'000
Segment assets	168,914	237,560	8,528,008	8,541,388	8,696,922	8,778,948
Unallocated assets					45,072	15,980
Total assets					8,741,994	8,794,928
Segment liabilities	62,324	85,776	31,561	60,070	93,885	145,846
Unallocated liabilities					40,720	131,074
Total liabilities					134,605	276,920

For the purpose of monitoring segment performance and allocating resources between segments:

- all assets are allocated to reportable segments other than investment property, amount due from a minority shareholder and other financial assets.
- all liabilities are allocated to reportable segments other than amount due to a holding company, amounts due to related companies, amount due to a director, convertible notes, other financial liabilities and deferred taxation.

Other segment information

	Supply and procurement operation		Oil, gas exploration, exploitation and operation		Total	
	2010 HK$'000	2009 HK$'000	2010 HK$'000	2009 HK$'000	2010 HK$'000	2009 HK$'000
Other segment information:						
Depreciation	–	–	758	255	758	255
Amortisation	–	–	20	19	20	19
Capital expenditure	–	–	1,256	1,635	1,256	1,635
Impairment loss recognised in respect of exploration and evaluation assets	–	–	–	3,757,059	–	3,757,059
Impairment loss recognised in respect of intangible asset	–	–	15,000	191,842	15,000	191,842
Impairment loss recognised in respect of other receivables	–	–	152	–	152	–

7. SEGMENT INFORMATION *(Continued)*

Revenue from major products and services

The Group's revenue from its major products and services were as follows:

	2010 HK$'000	2009 HK$'000
PU materials	–	58,008
Fuel oil	1,039,758	1,218,631
	1,039,758	1,276,639

Geographical information

The Group operates in three principal geographical areas – the PRC, Hong Kong and Madagascar.

The Group's revenue from external customers and information about its non-current assets by geographical location are detailed below:

	Revenue from external customers		Non-current assets	
	2010 HK$'000	2009 HK$'000	2010 HK$'000	2009 HK$'000
The PRC	1,039,758	1,276,639	22	189
Hong Kong	–	–	217	253
Madagascar	–	–	8,536,969	8,554,427
	1,039,758	1,276,639	8,537,208	8,554,869

Information about major customer

Included in revenues arising from trading of fuel oil products of approximately HK$1,039,758,000 (2009: HK$1,218,631,000) are all revenues arose from the Group's largest customer which account for 10% or more of the Group's total revenue.

8. TURNOVER AND OTHER REVENUE

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

An analysis of the Group's turnover and other revenue are as follows:

	The Group	
	2010	2009
	HK$'000	*HK$'000*
Turnover		
Sale of fuel oil related products and other products	**1,039,758**	1,276,639
Other revenue		
Bank interest income	**311**	471
Others	**219**	10
	530	481

9. OTHER GAINS AND LOSSES

	The Group	
	2010	2009
	HK$'000	*HK$'000*
Gain on disposal of a subsidiary *(Note 38)*	**–**	16,255
Excess of acquirer's interest in fair value of acquiree's identifiable net assets over cost *(Note 36)*	**–**	2,103,419
Fair value changes on investment property *(Note 20)*	**(2,640)**	(285)
Impairment loss recognised in respect of intangible asset *(Note 21)*	**(15,000)**	(191,842)
Impairment loss recognised in respect of exploration and evaluation assets *(Note 22)*	**–**	(3,757,059)
Impairment loss recognised in respect of goodwill *(Note 23)*	**–**	(2,364)
Impairment loss recognised in respect of other receivables *(Note 26)*	**(152)**	(2,234)
	(17,792)	(1,834,110)

10. LOSS FROM OPERATING ACTIVITIES

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

	2010 *HK$'000*	2009 *HK$'000*
Cost of inventories sold	**1,001,552**	1,228,109
Auditors' remuneration	**500**	400
Depreciation of property, plant and equipment	**905**	669
Amortisation of prepaid lease payments	**20**	19
Minimum lease payments under operating leases in respect of rented premises	**1,578**	1,710
Loss on disposal of property, plant and equipment	**410**	63
Staff costs (including Directors' remuneration – *Note 11*)		
— Salaries and wages	**14,782**	13,153
— Mandatory provident fund contributions	**199**	166
— Equity-settled share-based payments	**18,000**	—
	32,981	13,319

11. DIRECTORS' REMUNERATION

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

Name of directors

	Fees		Salaries and bonuses		Mandatory provident fund contributions		Total	
	2010	2009	2010	2009	2010	2009	2010	2009
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
Executive directors								
Dr. Wang Tao	–	–	642	625	–	–	642	625
Mr. Wang Sen Hao (appointed on 3 August 2009)	–	–	425	–	–	–	425	–
Dr. Hui Chi Ming	–	–	1,560	1,200	12	8	1,572	1,208
Mr. Cheung Shing	–	–	775	685	12	12	787	697
Mr. Shen Hao (appointed on 11 January 2010)	–	–	161	–	–	–	161	–
Mr. Feng Da Wei (appointed on 11 January 2010)	–	–	161	–	–	–	161	–
Mr. Bian Qijun (appointed on 8 February 2010)	–	–	107	–	–	–	107	–
Dr. Chui Say Hoe	–	–	696	685	12	12	708	697
Mr. Ching Men Ky, Carl	–	–	642	632	–	12	642	644
Mr. Cui Yeng Xu	–	–	696	685	–	–	696	685
Ms. Fibiolla Irianni Ohei (appointed on 12 May 2009)	–	–	532	–	–	–	532	–
Mr. Tsang Kwok Man (retired on 25 September 2008)	–	–	–	311	–	6	–	317
Non-executive directors								
Mr. Chow Cham Ki, Kenneth (retired on 31 August 2009)	54	126	–	–	–	–	54	126
Mr. Fok Chun Wan, Ian (resigned on 25 September 2009)	500	1,200	–	–	–	–	500	1,200
Independent non-executive directors								
Dr. Yu Sun Say	128	126	–	–	–	–	128	126
Mr. Ng Wing Ka	128	126	–	–	–	–	128	126
Mr. Leung Ting Yuk (appointed on 3 December 2009)	43	–	–	–	–	–	43	–
Mr. Edmund Siu (resigned on 1 December 2009)	86	126	–	–	–	–	86	126
	939	1,704	6,397	4,823	36	50	7,372	6,577

11. DIRECTORS' REMUNERATION *(Continued)*

The remuneration of the directors fell with the following bands:

	Number of directors	
	2010	2009
HK$		
Nil — 1,000,000	**16**	10
1,000,001 — 1,500,000	**—**	2
1,500,001 — 2,000,000	**1**	—

Included in the directors' remuneration were fees of approximately HK$939,000 (2009: HK$1,704,000) paid to independent non-executive directors and non-executive directors. No fees were paid to executive directors during the year (2009: Nil).

During the year, no bonus was paid to the directors (2009: Nil). No directors waived or agreed to waive any remuneration during the year (2009: Nil). In addition, no emoluments were paid by the Group to the directors as an inducement to join, or upon joining the Group, or as compensation for loss of office (2009: Nil).

During the year, no share options to subscribe for ordinary shares of the Company were granted to the directors under the Company's share option scheme (2009: Nil).

12. FIVE HIGHEST PAID INDIVIDUALS

The five highest paid individuals during the year included four (2009: four) directors, details of whose remuneration are set out in Note 11 above. The remuneration of the remaining one (2009: one) non-director, highest paid individual, which each fell within nil to HK$1,000,000 band, is as follows:

	The Group	
	2010	2009
	HK$'000	*HK$'000*
Basic salaries and bonuses	**696**	822
Mandatory provident fund contributions	**12**	12
	708	834

During the year, no bonus was paid to the five highest paid individuals of the Group (2009: Nil). No emoluments were paid by the Group to any of the five highest paid individuals as an inducement to join, or upon joining the Group, or as a compensation for loss of office (2009: Nil).

During the year, no share options to subscribe for ordinary shares of the Company were granted to employees under the Company's share option scheme (2009: Nil).

13. FINANCE COSTS

	The Group	
	2010	2009
	HK$'000	*HK$'000*
Effective interest on convertible notes wholly repayable within five years	**1,954**	1,183

14. TAXATION

(a) No provision for Hong Kong profits tax has been made as the Group did not have assessable profits for the year (2009: Nil). Taxes on profits assessable elsewhere have been calculated at the rates of tax prevailing in the countries in which the Group operates, based on existing legislation, interpretations and practices in respect thereof.

	The Group	
	2010	2009
	HK$'000	*HK$'000*
Current taxation		
Charge for the year — Overseas	**3,405**	4,331
Deferred taxation *(Note 35)*		
Convertible notes	**(148)**	(90)
Revaluation of investment property	**(709)**	(175)
	(857)	(265)
Total tax charged for the year	**2,548**	4,066

14. TAXATION *(Continued)*

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

The Group — for the year ended 31 March 2010

	Hong Kong		The PRC		Macau		Madagascar		Total	
	HK$'000	%	*HK$'000*	%	*HK$'000*	%	*HK$'000*	%	*HK$'000*	%
Loss before taxation	(61,346)		(42)		28,308		(11,715)		(44,795)	
Tax at applicable income tax rate	(10,119)	(16.5)	(10)	(25.0)	3,397	12.0	(2,721)	(23.0)	(9,453)	(21.1)
Tax effect of expenses and income not deductible or taxable	5,445	8.9	(78)	(185.7)	–	–	–	–	5,367	12.0
Unrecognised temporary difference	(142)	(0.2)	–	–	–	–	(607)	(5.2)	(749)	(1.7)
Change in tax rate	–	–	–	–	–	–	(102)	(0.9)	(102)	(0.2)
Tax effect of tax loss not recognised	4,668	7.6	88	210.7	8	–	2,721	23.0	7,485	16.7
Tax charge for the year	(148)	(0.2)	–	–	3,405	12.0	(709)	(6.1)	2,548	5.7

The Group — for the year ended 31 March 2009

	Hong Kong		The PRC		Macau		Madagascar		Total	
	HK$'000	%	*HK$'000*	%	*HK$'000*	%	*HK$'000*	%	*HK$'000*	%
Profit/(loss) before taxation	(1,864,726)		243		36,053		(6,299)		(1,834,729)	
Tax at applicable income tax rate	(307,680)	(16.5)	61	25.0	4,326	12.0	(1,510)	(24.0)	(304,803)	(16.6)
Tax effect of expenses and income not deductible or taxable	302,029	16.2	(111)	(45.7)	–	–	23	0.4	301,941	16.5
Unrecognised temporary difference	5,658	0.3	39	16.0	5	0.0	1,398	22.2	7,100	0.4
Change in tax rate	–	–	–	–	–	–	(107)	(1.7)	(107)	0.0
Tax effect of tax loss not recognised	(97)	–	11	4.5	–	–	21	(0.3)	(65)	0.0
Tax charge for the year	(90)	–	–	–	4,331	12.0	(175)	(2.8)	4,066	0.2

15. NET LOSS FROM ORDINARY ACTIVITIES ATTRIBUTABLE TO OWNERS OF THE COMPANY

The net loss from ordinary activities attributable to owners of the Company dealt with in the financial statements of the Company for the year ended 31 March 2010 was approximately HK$25,495,000 (2009: HK$9,603,000).

16. DIVIDENDS

The directors do not recommend the payment of any dividend for the year ended 31 March 2010 (2009: Nil).

17. LOSS PER SHARE

The calculation of the basic and diluted loss per share attributable to owners of the Company is based on the following data:

	2010 ***HK$'000***	2009 *HK$'000*
Loss		
Loss attributable to owners of the Company for the purpose of basic loss per share	**(47,343)**	(1,838,419)

The weighted average number of ordinary shares for the purpose of basic and diluted loss per share for the year ended 31 March 2010 was approximately 6,094,855,000 (2009: 5,696,037,000).

Diluted loss per share for the years ended 31 March 2010 and 2009 was the same as the basic loss per share. The Company's convertible notes and share options were not included in the calculation of diluted loss per share because the effect of the Company's convertible notes and share options were anti-dilutive.

The denominators used are the same as those detailed above for both basic and diluted loss per share for the year ended 31 March 2010 and 2009.

18. PROPERTY, PLANT AND EQUIPMENT

The Group

	Furniture, fixtures and equipment HK$'000	Motor vehicles HK$'000	Total HK$'000
Cost:			
At 1 April 2008	2,097	661	2,758
Additions	814	171	985
Acquisition of a subsidiary	280	468	748
Disposals	(97)	—	(97)
Exchange difference	2	—	2
At 31 March 2009 and 1 April 2009	3,096	1,300	4,396
Additions	189	1,125	1,314
Disposals	(1,886)	—	(1,886)
At 31 March 2010	1,399	2,425	3,824
Accumulated depreciation:			
At 1 April 2008	1,451	132	1,583
Charge for the year	410	259	669
Eliminated on disposals	(34)	—	(34)
Exchange difference	1	—	1
At 31 March 2009 and 1 April 2009	1,828	391	2,219
Charge for the year	353	552	905
Eliminated on disposals	(1,476)	—	(1,476)
At 31 March 2010	705	943	1,648
Net book value:			
At 31 March 2010	**694**	**1,482**	**2,176**
At 31 March 2009	1,268	909	2,177

19. PREPAID LEASE PAYMENTS

	The Group	
	2010	2009
	HK$'000	*HK$'000*
The Group's prepaid lease payments comprise:		
Land outside Hong Kong under medium term lease	**935**	955
Analysed for reporting purposes as:		
Current assets (include in prepayments, deposits and other receivables) *(Note 26)*	**19**	19
Non-current assets	**916**	936
	935	955
Analysed for reporting purposes as:		
At the beginning of the year	**955**	—
Additions	**—**	974
Amortisation for the year	**(20)**	(19)
At the end of the year	**935**	955

Amortisation on prepaid lease payments of approximately HK$20,000 (2009: HK$19,000) have been charged to the consolidated statement of comprehensive income for the year.

20. INVESTMENT PROPERTY

The Group	HK$'000
Fair value	
At 1 April 2008	12,285
Fair value changes	(285)
At 31 March 2009 and 1 April 2009	12,000
Fair value changes	(2,640)
At 31 March 2010	**9,360**

The fair value of the Group's investment property at 31 March 2010 has been arrived at on the basis of a valuation carried out on that date by Ascent Partners Group Limited ("Ascent Partners"), independent qualified professional valuer not connected with the Group. Ascent Partners is a fellow member of the Royal Institution of Chartered Surveyors and has appropriate qualifications and recent experiences in the valuation of similar properties in the relevant locations. The valuation was arrived at by reference to comparable market approach.

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

The carrying amount of investment property shown above comprises:

	2010	2009
	HK$'000	*HK$'000*
Land outside Hong Kong:		
Long term lease	9,360	12,000

21. INTANGIBLE ASSET

The Group

	Petroleum related business license HK$'000
Cost	
At 1 April 2008, 31 March 2009, 1 April 2009 and 31 March 2010	249,842
Impairment	
At 1 April 2008	—
Impairment loss recognised	191,842
At 31 March 2009 and 1 April 2009	191,842
Impairment loss recognised	15,000
At 31 March 2010	206,842
Carrying amount	
At 31 March 2010	**43,000**
At 31 March 2009	58,000

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

During the year, the Group carried out a review of the recoverable amount of its intangible asset, having regard to its petroleum related business license. The review led to the recognition of an impairment loss of approximately HK$15,000,000 (2009: HK$191,842,000), that has been recognised in the consolidated statement of comprehensive income. The recoverable amount of the intangible asset has been determined based on a value in use calculation which uses cash flow projections based on financial budgets approved by the directors of the Company covering a five-year period. Cash flow projections during the budget period is based on the some expected gross margins during the budget period. The discount rate used in measuring value in use was 17.36% (2009: 11.29%).

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

22. EXPLORATION AND EVALUATION ASSETS

The Group

	Exploration rights *HK$'000* *(Note i)*	Evaluation costs *HK$'000* *(Note ii)*	Total *HK$'000*
Cost			
At 1 April 2008	5,507,575	107,551	5,615,126
Acquisition of a subsidiary	6,589,484	12,105	6,601,589
Additions	—	22,100	22,100
At 31 March 2009, 1 April 2009 and 31 March 2010	12,097,059	141,756	12,238,815
Impairment			
At 1 April 2008	—	—	—
Impairment loss recognised	3,757,059	—	3,757,059
At 31 March 2009, 1 April 2009 and 31 March 2010	3,757,059	—	3,757,059
Carrying amount			
At 31 March 2010	**8,340,000**	**141,756**	**8,481,756**
At 31 March 2009	8,340,000	141,756	8,481,756

22. EXPLORATION AND EVALUATION ASSETS *(Continued)*

Note:

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

ii. The evaluation costs represent expenditure paid for provision of services on activities relating to evaluation of the technical feasibility and commercial viability of extracting oil and gas in Oilfield Block 2104 and Oilfield Block 3113.

iii. The Group entered into an investment and cooperation agreement with Shaanxi Yanchang Petroleum (Group) Limited ("Yanchang Petroleum") and ECO Energy (International) Investments Limited ("ECO") on exploration, exploitation and operation in Oilfield 3113. Pursuant to the investment and cooperation agreement, the capital investment of Oilfield Block 3113 shall be contributed by Yanchang Petroleum, the Group and ECO in the proportion of 40%, 31% and 29% respectively.

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

v. The Group has adopted HKFRS 6 *Exploration for and Evaluation of Mineral Resources* and HKAS 36 *Impairment of Assets* which require the Group to assess any impairment at each reporting date. The directors of the Company are of the opinion that no further impairment of exploration and evaluation assets was required as at 31 March 2010.

   The Group is required to assess at each reporting date any indicator that a previously recognised impairment loss no longer exists or has decreased. If there is such an indication, management should estimate the recoverable amount and determine whether any impairment reversal is appropriate. The recoverable amount of exploration and evaluation assets are referenced to the fair value assessed by BMI Appraisals Limited as at 31 March 2010 and 2009.

   The current increase in oil price during the year ended 31 March 2010 is considered to be short-term and such fluctuation in oil price is a normal feature of oil commodity market. The directors of the Company are of the opinion that the current short-term price movements do not result in an impairment reversal for the long-life exploration rights.

   Due to the significant drop in the current market oil price for the year ended 31 March 2009, the Group carried out a review of the recoverable amount of its exploration rights. The review led to the recognition of an impairment loss of approximately HK$3,757,059,000 that has been recognised in the consolidated statement of comprehensive income. The recoverable amounts of the exploration rights have been determined based on their fair values less cost to sell. The market approach provides an indication of value by comparing the exploration rights to similar transactions that have been sold in the market, with appropriate adjustments for the differences between the exploration rights and the comparable transactions.

23. GOODWILL

The Group	*HK'000*
Cost	
At 1 April 2008, 31 March 2009, 1 April 2009 and 31 March 2010	2,389
Amortisation and impairment	
At 1 April 2008	25
Impairment loss recognised during the year	2,364
At 31 March 2009, 1 April 2009 and 31 March 2010	2,389
Carrying value	
At 31 March 2010	–
At 31 March 2009	–

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

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

	2010	2009
	HK$'000	*HK$'000*
Property holding	–	–

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

Note:

i. During the years ended 31 March 2010 and 2009, property holding does not constitute a separate segment to the Group's business.

24. INTERESTS IN SUBSIDIARIES

The Company

	2010 HK$'000	2009 HK$'000
Unlisted shares, at cost	4,847,082	4,847,081
Amounts due from subsidiaries	1,064,161	1,023,478
	5,911,243	5,870,559
Less: Provision for impairment loss on amounts due from subsidiaries *(Note)*	(46,237)	(38,516)
	5,865,006	5,832,043
Amounts due to subsidiaries	177,935	139,784

The amounts due from subsidiaries are unsecured, interest-free and have no fixed terms of repayment. In the opinion of the directors of the Company, the Company will not demand for repayment within one year from the end of the reporting period and the amounts are therefore shown as non-current assets.

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

Note:

The directors of the Company estimate the investment costs and the amounts due from subsidiaries by discounting their future cash flow at the prevailing market borrowing rate. In view of the net liabilities position of the Company's subsidiaries as at 31 March 2010, the directors of the Company considered that the amounts due from subsidiaries would not be recoverable, and thus they conclude it is appropriate to make provision for impairment loss on amounts due from subsidiaries. The movement of provision for impairment loss on amounts due from subsidiaries are as follows:

	2010 HK$'000	2009 HK$'000
At the beginning of the year	38,516	48,333
Impairment loss recognised	7,721	—
Reversal of impairment loss recognised	—	(9,817)
At the end of the year	46,237	38,516

24. INTERESTS IN SUBSIDIARIES *(Continued)*

The Company *(Continued)*

Particulars of the subsidiaries of the Company as at 31 March 2010 were as follows:

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

24. INTERESTS IN SUBSIDIARIES *(Continued)*

The Company *(Continued)*

Name of company	Place of incorporation/ establishment	Issued and fully paid-up share/registered capital	Percentage of equity attributable to the Company *Direct*	*Indirect*	Principal activities
Panaview Trading Limited	Macau	Ordinary US$1	–	100	Provision of administrative services to fellow subsidiaries
Liaohe Energy Limited	BVI	Ordinary US$1	–	100	Inactive
Deno Group Limited	BVI	Ordinary US$100	–	100	Inactive
深圳中聯石油化工有限公司*	The PRC	Paid-up capital US$150,000	–	100	Provision of marketing and technical support services in the PRC
Reachasia Group Limited	BVI	Ordinary US$100	–	100	Inactive
Madagascar Energy International Limited	BVI	Ordinary US$1,000	93	7	Oil and gas exploration, exploitation and operation
Dolaway Group Limited	BVI	Ordinary US$100	100	–	Investment holding
Madagascar Energy International Gas Station Group Ltd	Madagascar	Ordinary Ar.10,000,000	100	–	Import, transportation and distribution of petroleum
Sino Union Petroleum and Chemical Import & Export Group Limited (formerly known as Perfect Quality Group Limited)	BVI	Ordinary US$1,000	–	100	Trading of fuel oil

24. INTERESTS IN SUBSIDIARIES *(Continued)*

The Company *(Continued)*

Name of company	Place of incorporation/ establishment	Issued and fully paid-up share/registered capital	Percentage of equity attributable to the Company *Direct*	*Indirect*	Principal activities
Better Step Group Ltd	BVI	Ordinary US$100	100	—	Inactive
Double High Group Ltd	BVI	Ordinary US$100	100	—	Inactive
Rich Theme Holdings Limited	BVI	Ordinary US$100	—	100	Inactive
Madagacar Petroleum International Limited	BVI	Ordinary US$1,000	—	100	Oil and gas exploration, exploitation and operation
Allied Harvest Holdings Limited	BVI	Ordinary US$100	—	100	Inactive
Forever Mind Limited	HK	Ordinary HK$1	—	100	Inactive
Indonesia Petroleum Holdings Company Limited	BVI	Ordinary US$100	—	100	Inactive
Bestwill Capital Holdings Limited	BVI	Ordinary US$100	—	100	Inactive
King Pearl Investment Limited	HK	Ordinary HK$100,000,000	—	100	Inactive
Zheng Zhou Sino Union Energy Business Development Limited*	PRC	Ordinary RMB66,000,000	—	80	Inactive
Sino Union Coal and Coke Group Limited	BVI	Ordinary US$1,000	—	100	Inactive
Sino Union Energy International Limited	BVI	Ordinary US$1,000	—	100	Inactive

24. INTERESTS IN SUBSIDIARIES *(Continued)*

The Company *(Continued)*

Name of company	Place of incorporation/ establishment	Issued and fully paid-up share/registered capital	Percentage of equity attributable to the Company *Direct*	*Indirect*	Principal activities
Sino Compass Holdings Limited	BVI	Ordinary US$100	100	—	Inactive
Shine Elite Holdings Limited	BVI	Ordinary US$100	100	—	Inactive

* 深圳中聯石油化工有限公司 and Zheng Zhou Sino Union Energy Business Development Limited are wholly foreign owned enterprise established in the PRC.

25. TRADE RECEIVABLES

The Group

Trade receivables, which generally have credit terms of 30 days (2009: 30-90 days), are recognised and carried at the original invoiced amount less provision for impairment loss. It is the Group's policy to provide full impairment loss for all receivables over 1 year because historical experience is such that receivables that are past due beyond 1 year are generally not recoverable.

An aged analysis of trade receivables as at the end of the reporting period, based on the invoice date, is as follows:

	2010 *HK$'000*	2009 *HK$'000*
0 to 30 days	**53,921**	92,584

Based on past experience, the directors of the Company believe that no impairment loss is necessary in respect of these balances as there has not been a significant change in credit quality and the balances are still considered fully recoverable. There is no trade debtors which are past due at the end of the reporting period but not impaired.

26. PREPAYMENTS, DEPOSITS AND OTHER RECEIVABLES

The Group

	2010 *HK$'000*	2009 *HK$'000*
Trade deposits	15,502	25,356
Other deposits	324	377
Prepaid lease payments *(Note 19)*	19	19
Other receivables	2,703	2,789
	18,548	28,541
Less: Impairment loss in respect of other receivables	(2,386)	(2,234)
	16,162	26,307

Note:

During the year, the Group carried out a review on recoverable amounts of other receivables. The review led to the recognition of an impairment loss of other receivables of approximately HK$152,000 (2009: HK$2,234,000), that has been recognised in the consolidated statement of comprehensive income. The impairment loss recognised is due to the financial difficulties of the debtors, the directors of the Company considered that such amounts would not be recoverable.

Movement in the provision for impairment loss recognised in respect of other receivables is summarised as follows:

	2010 *HK$'000*	2009 *HK$'000*
Balance at the beginning of the year	2,234	—
Impairment loss recognised during the year	152	2,234
Balance at the end of the year	2,386	2,234

In determining the recoverability of other receivables, the Group considers any change in credit quality of the other receivables from the date credit was initially granted up to the end of the reporting period. The impairment loss recognised represents the difference between the carrying amount of the specific other receivables and the present value of the expected recoverable amount.

27. AMOUNT DUE FROM A MINORITY SHAREHOLDER

The amount represents the outstanding capital to be injected by the minority shareholder to a subsidiary. The capital should be injected by a minority shareholder within two years since the incorporation date of a subsidiary.

Zheng Zhou Sino Union Energy Business Development Limited ("Zheng Zhou Sino Union") is incorporated and registered as a sino-foreign equity joint venture in the PRC on 16 September 2009. The registered capital of Zheng Zhou Sino Union is RMB66,000,000. The registered capital shared by the Group and the minority shareholder is RMB52,800,000 (approximately HK$60,139,000) and RMB13,200,000 (approximately of HK$15,022,000) respectively. The outstanding registered capital was not yet injected by the Group and the minority shareholder is RMB35,250,000 (approximately HK$40,150,000) and RMB13,200,000 (approximately HK$15,035,000) respectively as at 31 March 2010.

Zheng Zhou Sino Union was engaged in trading and transportation of coal for a period of ten years from 16 September 2009 to 15 September 2019. Pursuant to the joint venture agreement, Mr. Jing Zhanbin ("Mr. Jing") guaranteed that (i) he shall ensure the conditions in relation to the operation of the coal trading and transportation business of Zheng Zhou Sino Union be fulfilled and (ii) Zheng Zhou Sino Union shall have an annual coal trading volume of not less than 6 million tones, an annual turnover of not less than RMB4,000 million and an annual net profit after tax not less than RMB200 million. Any shortfall in the guaranteed profits shall be compensated by Mr. Jing to Zheng Zhou Sino Union on a dollar-to-dollar basis. For further details, please refer to the Company's announcement dated on 1 September 2009.

28. SHARE CAPITAL

The Company

Shares

	Number of shares		Share capital	
	2010	2009	**2010**	2009
	'000	*'000*	***HK$'000***	*HK$'000*
Authorised:				
Ordinary shares of HK$0.02 each	**10,000,000**	10,000,000	**200,000**	200,000
Issued and fully paid:				
At the beginning of the year, ordinary shares of HK$0.02 each	**6,022,464**	4,641,756	**120,449**	92,835
Issue of shares *(Note i)*	**–**	35,720	**–**	714
Consideration shares *(Note ii)*	**–**	1,000,655	**–**	20,013
Conversion of convertible notes *(Note iii)*	**80,000**	333,333	**1,600**	6,667
Exercise of share options *(Note iv)*	**11,000**	11,000	**220**	220
At the end of the year, ordinary shares of HK$0.02 each	**6,113,464**	6,022,464	**122,269**	120,449

28. SHARE CAPITAL *(Continued)*

The Company *(Continued)*

Shares *(Continued)*

Note:

(i) On 17 April 2008, the Company entered into a subscription agreement with an independent third party, pursuant to which the independent third party has conditionally agreed to subscribe for and the Company has conditionally agreed to allot and issue 35,720,000 shares in cash at the subscription price of HK$2.8 per share. For details, please refer to the Company's announcement dated 22 April 2008.

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

On 17 April 2008, the Group entered into a sale and purchase agreement with Smart Rich Energy Finance (Holdings) Limited ("Smart Rich Energy") and Dorson Group Limited ("Dorson") pursuant to which the Group has conditionally agreed to acquire, and Smart Rich Energy has conditionally agreed to procure Dorson, and Dorson has agreed to sell 36% equity interest in Madagascar Petroleum International Limited ("MPIL") at a total consideration of HK$810,000,000. The acquisition was completed on 7 August 2008. The consideration for the acquisition was satisfied by (i) HK$100,000,000 in cash; (ii) HK$710,000,000 by issue of 253,571,428 new shares at HK$2.8 per share. For further details, please refer to the Company's circular dated 16 May 2008.

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

(iii) On 15 June 2009, Mr. Chan Ping Che, the holder of the convertible notes as mentioned in Note 34(b), has converted HK$100,000,000 convertible note, representing the whole principal amount of convertible notes, at conversion price of HK$1.25 per share. As a result of the conversion, a total of 80,000,000 ordinary shares have been allotted and duly issued and the aggregate outstanding principal of the convertible note has been reduced to nil. These shares issued rank pari passu in all respects with the existing shares.

On 8 April 2008, Sukapeak the holder of the convertible notes as mentioned in Note 34(a), has converted HK$480,000,000 of the principal of the convertible notes, representing the whole principal amount of the convertible notes, at conversion price of HK$1.44 per share. As a result of the conversion, a total of 333,333,333 ordinary shares have been allotted and duly issued and the aggregate outstanding principal of the convertible notes has been reduced to nil. For further details, please refer to the Company's circular dated 12 March 2008. These shares issued rank pari passu in all respects within the existing shares.

(iv) During the years ended 31 March 2010 and 2009, the Company issued 11,000,000 shares of HK$0.02 each at an issue price of HK$0.1324 per share on exercise of share options which were granted on 8 November 2004. These shares issued rank pari passu in all respects with the existing shares.

28. SHARE CAPITAL *(Continued)*

The Company *(Continued)*

Share Option

Share Option Scheme

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

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

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

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

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

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

28. SHARE CAPITAL *(Continued)*

The Company *(Continued)*

Share Option Scheme *(Continued)*

The following table discloses movements in the Company's share options during the year ended 31 March 2010:

Name or category of participant	Number of share options: At 1 April 2009	Granted during the year	Exercised during the year	Lapsed during the year	At 31 March 2010	Date of grant of share options* *(dd/mm/yy)*	Exercise period of share options *(dd/mm/yy)*	Exercise price of share options *HK$*	Price of Company's share at grant date of share options *HK$*
Employees other than directors									
In aggregate	40,000,000	–	(11,000,000)	–	29,000,000	8/11/2004	8/11/2004 to 7/11/2014	0.1324	0.13

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

28. SHARE CAPITAL *(Continued)*

The Company *(Continued)*

Share Option Scheme *(Continued)*

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

Name or category of participant	Number of share options: At 1 April 2008	Granted during the year	Exercised during the year	Lapsed during the year	At 31 March 2009	Date of grant of share options* *(dd/mm/yy)*	Exercise period of share options *(dd/mm/yy)*	Exercise price of share options *HK$*	Price of Company's share at grant date of share options *HK$*
Director									
Mr. Tsang Kwok Man	11,000,000	–	11,000,000	–	–	8/11/2004	8/11/2004 to 7/11/2014	0.1324	0.13
Employees other than directors									
In aggregate	40,000,000	–	–	–	40,000,000	8/11/2004	8/11/2004 to 7/11/2014	0.1324	0.13
	51,000,000		11,000,000		40,000,000				

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

Notes:

During the years ended 31 March 2010 and 2009, the Company did not grant any options under the Scheme of the Company.

At 31 March 2010, the number of shares in respect of which share options had been granted and remained outstanding under the Scheme was 29,000,000, representing 0.47% of the shares of the Company in issue at that date.

At 31 March 2009, the number of shares in respect of which share options had been granted and remained outstanding under the Scheme was 40,000,000, representing 0.66% of the shares of the Company in issue at that date.

Options pursuant to the general mandate granted on 25 September 2008

In return for the cooperation with Mr. Jing to establish Zheng Zhou Sino Union, the Company granted an option to Mr. Jing to subscribe for 300,000,000 new shares at HK$0.9 per option share ("Jing Option"). The Jing Option is exercisable at any time from the date of grant of the option to the day immediately preceding the first anniversary of grant of the option.

The option shares were issued under the general mandate granted to the directors at the annual general meeting of the Company held on 25 September 2008.

28. SHARE CAPITAL *(Continued)*

The Company *(Continued)*

Options pursuant to the general mandate granted on 25 September 2008 *(Continued)*

The following table disclose movement in the Jing Option during the year ended 31 March 2010:

Name or category of participant	Number of share options: At 1 April 2009	Granted during the year	Exercised during the year	Lapsed during the year	At 31 March 2010	Date of grant of share options* *(dd/mm/yy)*	Exercise period of share options *(dd/mm/yy)*	Exercise price of share options *HK$*	Price of Company's share at grant date of share options *HK$*
Director of a subsidiary *(Note a)*	–	300,000,000	–	–	300,000,000	11/11/2009	11/11/2009 to 10/11/2010	0.9	0.69

Notes:

(a) At 31 March 2010, the number of shares in respect of which share options had been granted and remained outstanding under general mandate was 300,000,000, representing 4.91% of the shares of the Company in issue at that date.

During the year ended 31 March 2009, the Company did not grant any options under general mandate.

The fair value of the share options granted during the year ended 31 March 2010 were priced using Binomial Option Pricing Model. The variables and assumptions used in computing the fair value of the share options are based on the directors' best estimate. The value of a share option varies with different variable of certain subjective assumptions.

Expected volatility was determined by using the historical volatility of the Company's share price volatility.

Inputs into the model:

Grant date share price	HK$0.69
Exercise price	HK$0.9
Expected volatility	72%
Option life	1 year
Dividend yield	0.0%
Risk-free interest rate	0.12%

29. RESERVES

The Group

The amounts of the Group's reserves and the movements therein for the current and prior years are presented in the consolidated statement of changes in equity on page 35 of the consolidated financial statements.

The Company

	Share premium HK$'000 (Note i)	Contribution surplus HK$'000 (Note ii)	Convertible notes reserve HK$'000 (Note iii)	Share Option reserve HK$'000	Accumulated loss HK$'000	Total HK$'000
At 1 April 2008	3,648,151	54,045	–	–	(83,598)	3,618,598
Equity component of convertible notes	–	–	281,844	–	–	281,844
Deferred tax liabilities of convertible notes	–	–	(8,842)	–	–	(8,842)
Conversion of convertible notes	701,588	–	(269,447)	–	–	432,141
Consideration shares	1,054,213	–	–	–	–	1,054,213
Issue of ordinary shares upon exercise of share options	1,236	–	–	–	–	1,236
Issue of ordinary shares	99,302	–	–	–	–	99,302
Issue share expenses	(330)	–	–	–	–	(330)
Net loss for the year	–	–	–	–	(9,603)	(9,603)
At 31 March 2009 and 1 April 2009	5,504,160	54,045	3,555	–	(93,201)	5,468,559
Conversion of convertible notes	99,605	–	(3,555)	–	–	96,050
Issue of ordinary shares upon exercise of share options	1,236	–	–	–	–	1,236
Equity-settled share-based payments	–	–	–	18,000	–	18,000
Net loss for the year	–	–	–	–	(25,495)	(25,495)
At 31 March 2010	5,605,001	54,045	–	18,000	(118,696)	5,558,350

29. RESERVES *(Continued)*

The Company *(Continued)*

Notes:

(i) The share premium account of the Company includes (i) shares issued at premium of approximately HK$3,734,942,000 (2009: HK$3,634,101,000), and (ii) special reserve of approximately HK$1,870,059,000 (2009: HK$1,870,059,000) included in the share premium, debited amount of approximately HK$650,774,000 represents the difference between the fair value and the contracted value of the consideration shares paid for acquisitions of subsidiaries during the year ended 31 March 2009.

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

(iii) The convertible notes reserve represents the equity components of convertible notes. Convertible notes issued are split into their liability and equity components at initial recognition. The fair value of the liability component was calculated using a market interest rate for an equivalent non-convertible note. The value of the equity conversion component, calculated with reference to valuation carried out by an independent valuer not connected to the Group. For further details, please refer to Note 34 to the consolidated financial statements.

(iv) The Company had distributable reserves of approximately HK$3,670,291,000 at 31 March 2010 (2009: HK$3,594,945,000), which included the Company's contribution surplus in the amount of approximately HK$54,045,000 (2009: HK$54,045,000). Under the Companies Act of Bermuda, the contribution surplus is distributable to owners of the Company in certain circumstances. In addition, the Company's share premium account, in the amount of approximately HK$3,734,941,000 at 31 March 2010 (2009: HK$3,634,101,000), may be distributed in the form of fully paid bonus shares.

30. TRADE AND OTHER PAYABLES

The Group

	2010 *HK$'000*	2009 *HK$'000*
Trade payables	**36,989**	63,188
Other payables	**37,047**	70,548
	74,036	133,736

An aged analysis of the trade payables at the end of the reporting period, based on invoice date, is as follows:

	2010 *HK$'000*	2009 *HK$'000*
0 to 30 days	**36,989**	63,188

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

31. AMOUNT DUE TO A HOLDING COMPANY

The Group

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

32. AMOUNTS DUE TO RELATED COMPANIES

The Group and the Company

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

33. AMOUNT DUE TO A DIRECTOR

The Group and the Company

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

34. CONVERTIBLE NOTES

The Group and the Company

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

On 8 April 2008, Sukapeak has fully converted the convertible notes into ordinary shares of the Company. For further details, please refer to the Note 28(iii) to the consolidated financial statements.

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

The movement of the liability component of the convertible notes during the year ended 31 March 2009 is set out below:

	The Group and the Company *HK$'000*
Fair value of convertible notes issued on 8 April 2008	708,255
Equity component	(277,587)
Liability component on initial recognition on 8 April 2008	430,668
Conversion of convertible notes	(430,668)
At 31 March 2009	–

34. CONVERTIBLE NOTES *(Continued)*

The Group and the Company *(Continued)*

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

On 15 June 2009, Mr. Chan Ping Che has fully converted the convertible note into ordinary shares of the Company. For further details, please refer to the Note 28(iii) to the consolidated financial statements.

The effective interest rate of the liability component is 8.87%.

The movement of the liability component of the convertible note during the years ended 31 March 2010 and 2009 is set out below:

	The Group and the Company HK$'000
Proceeds of issue	100,000
Equity component	(4,257)
Liability component on initial recognition on 13 February 2009	95,743
Interest charged	1,183
Interest payable	(639)
At 31 March 2009 and 1 April 2009	96,287
Conversion of convertible note	(97,186)
Interest charged	1,954
Interest payable	(1,055)
At 31 March 2010	**–**

Note:

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

The directors consider that the carrying amount of the convertible note as at 31 March 2009 is as follows:

	Carrying amount HK$'000	Fair value HK$'000
Convertible note	96,287	96,912

35. DEFERRED TAXATION

The Group

	Convertible notes HK$'000	Investment property HK$'000	Total HK$'000
At 1 April 2008	—	2,650	2,650
Charged to equity for the year	8,842	—	8,842
Reversal of deferred tax liabilities due to conversion of convertible notes	(8,139)	—	(8,139)
Effect of change in tax rate	—	(107)	(107)
Credited to consolidated statement of comprehensive income for the year	(90)	(68)	(158)
At 31 March 2009 and 1 April 2009	613	2,475	3,088
Reversal of deferred tax liabilities due to conversion of convertible notes	(465)	—	(465)
Effect of change in tax rate	—	(102)	(102)
Credited to consolidated statement of comprehensive income for the year	(148)	(607)	(755)
At 31 March 2010	**—**	**1,766**	**1,766**

The Company

	Convertible notes HK$'000
At 1 April 2008	—
Charged to equity for the year	8,842
Reversal of deferred tax liabilities due to conversion of convertible notes	(8,139)
Credited to statement of comprehensive income for the year	(90)
At 31 March 2009 and 1 April 2009	613
Reversal of deferred tax liabilities due to conversion of convertible notes	(465)
Credited to statement of comprehensive income for the year	(148)
At 31 March 2010	**—**

The Group and the Company did not have any significant unprovided deferred tax liabilities at 31 March 2010 (2009: Nil).

36. ACQUISITIONS OF SUBSIDIARIES

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

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

The acquisition also constitutes a connected transaction under the Listing Rules.

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

	Acquiree's carrying amount	Fair value adjustments	Fair value
	HK$'000	*HK$'000*	*HK$'000*
Net assets acquired:			
Property, plant and equipment	748	–	748
Prepayments	415	–	415
Other deposits	2	–	2
Cash and bank balances	97	–	97
Amounts due from related companies	4,113	–	4,113
Amounts due to related companies	(14)	–	(14)
Accruals	(13,294)	–	(13,294)
Exploration and evaluation assets	5,012,105	1,589,484	6,601,589
	5,004,172	1,589,484	6,593,656
Minority interests			(3,024,612)
Excess of acquirer's interest in fair value of acquiree's identifiable net assets over cost *(note i)*			(2,103,419)
			1,465,625
Total consideration satisfied by:			
Cash consideration			120,000
Issue of shares *(note iii)*			636,354
Issue of convertible notes *(note iv)*			708,255
Acquisition-related costs			1,016
Total consideration			1,465,625

Net cash outflow arising on acquisition:	*HK$'000*
Cash and bank acquired	97
Cash consideration	(120,000)
Acquisition-relation costs	(1,016)
	(120,919)

36. ACQUISITIONS OF SUBSIDIARIES *(Continued)*

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

Notes:

(i) In the opinion of the directors of the Company, the excess of acquirer's interest in fair value of acquiree's identifiable net assets over cost arose in the business combination is mainly attributable to the increase in the fair value of the right in exploration, exploitation and operation in the Oilfield Block 2104 in Madagascar as a result of increase in the international crude oil price subsequent to entering into the sales and purchases agreement. The excess was recognised in the consolidated statement of comprehensive income immediately. The Company has reassessed the fair value of acquiree's identifiable net assets and considered the values of net assets are measured reliably.

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

(iii) The share considerations for acquisition of Better Step Group were settled through issue of 427,083,333 shares. The fair values of the share consideration were determined in accordance with the quoted market price of the Company's share of HK$1.49 as at the completion date of the acquisition.

(iv) The fair value of the convertible notes issued has been arrived at on the basis of a valuation carried out on the completion date of the acquisition by Ascent Partners, an independent qualified professional valuers not connected with the Group. The valuation was arrived at by reference to discounted cash flow method and Black-Scholes method.

37. ACQUISITION OF ADDITIONAL INTERESTS IN A SUBSIDIARY

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

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

38. DISPOSAL OF A SUBSIDIARY

For the year ended 31 March 2009

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

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

39. OPERATING LEASE ARRANGEMENTS

At 31 March 2010, the Group had no minimum lease payments as the leasing of office premises of the Group are in monthly basis:

	The Group	
	2010 *HK$'000*	2009 *HK$'000*
Within one year	–	117

40. CAPITAL COMMITMENTS AND CONTINGENT LIABILITIES

Pursuant to the agreement, Zheng Zhou Sino Union was incorporated and registered as a sino-foreign equity joint venture in the PRC on 16 September 2009. The registered capital of which is RMB66,000,000. The registered capital shared by the Group is RMB52,800,000 (approximately HK$60,139,000). As at 31 March 2010, the Group had injected RMB17,550,000 (approximately HK$19,989,000). The amount of outstandings capital injection as at 31 March 2010 is RMB35,250,000 (approximately HK$40,150,000).

As at 31 March 2010, the Group and the Company had no contingent liabilities (2009: Nil).

41. MATERIAL RELATED PARTIES TRANSACTIONS

Save as disclosed elsewhere in the consolidated financial statements, during the year ended 31 March 2010, the Group had entered into the following transactions with related parties which, in the opinion of the directors, were carried out in the ordinary course of the Group's business.

Remuneration for key personnel management, including emoluments paid to the Company's directors and certain of the highest paid employees, as disclosed in Notes 11 and 12 to the consolidated financial statements, are as follows:

Key management personnel

	2010 HK$'000	2009 HK$'000
Salaries and allowance	7,336	6,527
Mandatory provident fund contributions	36	50
	7,372	6,577

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

Name of related parties	Relationship	Nature of transactions	2010 HK$'000	2009 HK$'000
Gahood Holdings Limited	A director of the Company has beneficial interests	Rent and management fee paid	1,560	–
Sukapeak	A director of the Company has beneficial interests	Acquisition of subsidiaries *(note i)*	–	1,465,625
Smart Rich and Dorson	A director of the Company has beneficial interest	Acquisition of subsidiaries *(note i)*	–	389,071
Right Up	A director of the Company has beneficial interest	Acquisition of subsidiaries *(note i)*	–	348,800

Note:

i. For further details for the acquisitions of subsidiaries from Sukapeak, Smart Rich Energy, Dorson and Right Up, please refer to Note 36 to the consolidated financial statements.

42. EVENTS AFTER THE REPORTING PERIOD

On 7 April 2010, the Group entered into an agreement with Mr. Liang Chao Wei ("Mr. Liang") for the proposed acquisition of 14 patents ("Patents") in respect of the solar power pest control products at a total consideration of HK$140 million, of which HK$130 million shall be payable by cash and HK$10 million shall be satisfied by issue of the company's shares. While later on, the Group noticed that there is an alleged claim on the duplication of patents in relation to those pest control products under the Patents, in order to avoid any potential legal risk in associated with the Patents, a supplemental agreement was entered into with Mr. Liang to terminate the acquisition of the Patents on 16 June 2010.

For details, please refer to the Company's announcement on 9 April 2010 and 16 June 2010.

43. NON-CASH TRANSACTIONS

The Company granted 300,000,000 share options pursuant to the general mandate granted on 25 September 2008 to Mr. Jing of the Company during the year ended 31 March 2010 and an employee exercised 11,000,000 share options during the year ended 31 March 2010 as disclosed in Note 28 to the consolidated financial statements.

The considerations for the acquisition of entire share capital of Better Step, MPIL and Double High during the year ended 31 March 2009 comprised of consideration shares issued, convertible notes issued as disclosed in Notes 36, 28 and 34 to the consolidated financial statements.

44. COMPARATIVE FIGURES

As a result of the application of HKAS 1 (Revised), "Presentation of Financial Statements", certain comparative figures have been adjusted to conform to the current year's presentation and to provide comparative amounts in respect of items disclosed for the first time in 2009. Further details of these developments are disclosed in Note 2.

45. AUTHORISATION FOR ISSUE OF CONSOLIDATED FINANCIAL STATEMENTS

The consolidated financial statements were approved and authorised for issue by the board of directors on 27 July 2010.