



PetroAsian
中亚能源

PetroAsian Energy Holdings Limited

(Incorporated in the Cayman Islands with limited liability) (HKEx stock code: 850)



Interim Report 2010



PetroAsian
中亚能源
储油罐
500m³



UNAUDITED INTERIM RESULTS

The Board of Directors (the “Board”) of PetroAsian Energy Holdings Limited (the “Company”) is pleased to present the unaudited interim results for the six months ended 30 September 2010 of the Company and its subsidiaries (collectively referred to as the “Group”), together with the comparative figures for the last corresponding period.

CONDENSED CONSOLIDATED INCOME STATEMENT

For the six months ended 30 September 2010

(Expressed in Hong Kong dollars)

	Notes	(Unaudited) 30 September 2010 HK\$'000	(Unaudited) 30 September 2009 HK\$'000
Revenue	4	119,131	159,027
Cost of sales		(105,921)	(145,585)
Gross profit		13,210	13,442
Other income		3,233	447
Other gains and losses	5	5,521	2,288
Selling and distribution costs		(1,194)	(6,642)
Administrative expenses		(60,301)	(31,228)
Share-based payments		(32,342)	(47,611)
Amortisation of other intangible assets		(290)	(53,847)
Share of results of associates		(1,348)	(229)
Finance costs		(1,539)	(1,383)
Loss before income tax		(75,050)	(124,763)
Income tax expense	6	(18)	(1,157)
Loss for the period	7	(75,068)	(125,920)
Loss for the period attributable to:			
Owners of the Company		(76,347)	(101,555)
Non-controlling interests		1,279	(24,365)
		(75,068)	(125,920)
Dividends	8	–	–
Loss per share:	9		
Basic		HK(2.08) cents	HK(4.12) cents
Diluted		N/A	N/A

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the six months ended 30 September 2010

(Expressed in Hong Kong dollars)

	(Unaudited) 30 September 2010 HK\$'000	(Unaudited) 30 September 2009 HK\$'000
Loss for the period	(75,068)	(125,920)
Other comprehensive income:		
Exchange differences arising on translation of foreign operations	1,197	590
Total comprehensive expense for the period	(73,871)	(125,330)
Total comprehensive expense for the period attributable to:		
Owners of the Company	(75,275)	(101,316)
Non-controlling interests	1,404	(24,014)
	(73,871)	(125,330)



CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 30 September 2010

(Expressed in Hong Kong dollars)

	Notes	(Unaudited) 30 September 2010 HK\$'000	(Audited) 31 March 2010 HK\$'000
Non-current assets			
Property, plant and equipment	10	179,863	99,901
Prepaid lease payments		3,290	2,748
Investment properties		37,821	38,415
Other intangible assets	11	2,043,107	2,043,397
Interest in associates	12	106,055	71,846
Deposits paid for a jointly controlled operation		1,287	53,515
Deposits paid for long-term assets		76,748	4,966
		2,448,171	2,314,788
Current assets			
Inventories		9,101	21,033
Prepaid lease payments		55	652
Trade and other receivables	13	166,236	117,147
Held-for-trading investments		37,135	33,334
Derivative financial assets		865	1,318
Tax recoverable		11,024	8,038
Bank balances and cash		181,268	393,225
		405,684	574,747
Current liabilities			
Trade and other payables	14	75,207	90,767
Derivative financial liabilities		47,094	70,416
Tax liabilities		2,453	2,379
Bank borrowings		24,529	24,615
		149,283	188,177
Net current assets		256,401	386,570
Total assets less current liabilities		2,704,572	2,701,358

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION *(Continued)*

		(Unaudited) 30 September 2010 HK\$'000	(Audited) 31 March 2010 HK\$'000
	Notes		
Capital and reserves			
Share capital	15	37,299	36,261
Reserves		2,604,772	2,591,736
Equity attributable to owners of the Company		2,642,071	2,627,997
Non-controlling interests		5,541	4,137
Total equity		2,647,612	2,632,134
Non-current liabilities			
Bank borrowings		56,490	68,754
Deferred tax liabilities		470	470
		56,960	69,224
		2,704,572	2,701,358



CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

For the six months ended 30 September 2010

(Expressed in Hong Kong dollars)

	(Unaudited) 30 September 2010 HK\$'000	(Unaudited) 30 September 2009 HK\$'000
Net cash used in operating activities	(69,119)	(41,966)
Investing activities		
Deposits paid for acquisition of long term assets	(71,782)	(65,905)
Acquisition of an associate	(35,557)	(12,226)
Advance to the controlling shareholder of the possible acquisition of a long term asset	(28,571)	–
Increase in deposits paid for a jointly controlled operation	(25,676)	–
Purchase of property, plant and equipment	(16,587)	(6,188)
Proceeds from sale of property, plant and equipment	265	29
Other investing activities	1,360	4,347
Net cash used in investing activities	(176,548)	(79,943)
Financing activities		
Proceeds from placement of new shares	–	71,763
Proceeds from issue of new shares upon exercise of share options	27,795	45,151
Proceeds from issue of new shares upon exercise of warrants	15,489	750
Proceeds from placing of warrants	2,500	–
New bank loan raised	–	19,369
Repayment of bank loans	(12,350)	–
Net cash from financing activities	33,434	137,033
Net (decrease) increase in cash and cash equivalents	(212,233)	15,124
Cash and cash equivalents at 1 April	393,225	30,585
Effect of foreign exchange rate changes	276	473
Cash and cash equivalents at 30 September	181,268	46,182
Balances of cash and cash equivalents represented by:		
Bank balances and cash	181,268	46,182

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the six months ended 30 September 2010

(Expressed in Hong Kong dollars)

	Attributable to owners of the Company										Non-controlling interests	Total equity
	Share capital	Share premium	Merger reserve	Statutory reserve	Other reserve	Share option reserve	Warrant reserve	Exchange reserve	Retained earnings	Total		
Note	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Balance at 1 April 2010 (audited)	36,261	1,485,836	3,248	236	552,012	9,409	2,407	12,770	525,818	2,627,997	4,137	2,632,134
Loss for the period	-	-	-	-	-	-	-	-	(76,347)	(76,347)	1,279	(75,068)
Exchange differences arising on translation of foreign operations	-	-	-	-	-	-	-	1,072	-	1,072	125	1,197
Total comprehensive income (expense) for the period	-	-	-	-	-	-	-	1,072	(76,347)	(75,275)	1,404	(73,871)
Share-based payments	-	-	-	-	-	32,342	-	-	-	32,342	-	32,342
Issue of new shares upon exercise of share options	697	34,360	-	-	-	(7,262)	-	-	-	27,795	-	27,795
Issue of new shares upon exercise of warrants	341	29,170	-	-	-	-	(299)	-	-	29,212	-	29,212
Lapse of share options	-	-	-	-	-	(1,946)	-	-	1,946	-	-	-
	1,038	63,530	-	-	-	23,134	(299)	-	1,946	89,349	-	89,349
Balance at 30 September 2010 (unaudited)	37,299	1,549,366	3,248	236	552,012	32,543	2,108	13,842	451,417	2,642,071	5,541	2,647,612



CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY (Continued)

Note	Attributable to owners of the Company										Non-controlling interests	Total equity
	Share capital	Share premium	Merger reserve (Note a)	Statutory reserve	Other reserve (Note b)	Share option reserve (Note c)	Warrant reserve	Exchange reserve (Note d)	Retained earnings	Total		
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Balance at 1 April 2009 (audited)	19,857	627,660	3,248	236	(120)	41,171	1,768	17,598	758,363	1,469,781	820,454	2,290,235
Loss for the period	-	-	-	-	-	-	-	-	(101,555)	(101,555)	(24,365)	(125,920)
Exchange differences arising on translation of foreign operations	-	-	-	-	-	-	-	239	-	239	351	590
Total comprehensive income (expense) for the period	-	-	-	-	-	-	-	239	(101,555)	(101,316)	(24,014)	(125,330)
Share-based payments	-	-	-	-	-	47,611	-	-	-	47,611	-	47,611
Issue of new shares upon exercise of share options	2,192	42,959	-	-	-	-	-	-	-	45,151	-	45,151
Issue of new shares for acquisition of an associate (e)	2,389	45,389	-	-	-	-	-	-	-	47,778	-	47,778
Issue of warrants	-	-	-	-	-	-	770	-	-	770	-	770
Issue of new shares upon placing	2,250	70,872	-	-	-	-	-	-	-	73,122	-	73,122
Transaction costs attributable to issue of shares	-	(1,359)	-	-	-	-	(20)	-	-	(1,379)	-	(1,379)
Incorporation of a non-wholly owned subsidiary	-	-	-	-	-	-	-	-	-	-	4	4
Dividend paid to non-controlling interests	-	-	-	-	-	-	-	-	-	-	(980)	(980)
Lapse of share options	-	-	-	-	-	(29,804)	-	-	29,804	-	-	-
	6,831	157,861	-	-	-	17,807	750	-	29,804	213,053	(976)	212,077
Balance at 30 September 2009 (unaudited)	26,688	785,521	3,248	236	(120)	58,978	2,518	17,837	686,612	1,581,518	795,464	2,376,982



CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY *(Continued)*

Note:

- (a) The Group's merger reserve represents the difference between the aggregate of the nominal value of the share capital of the subsidiaries acquired pursuant to the Group reorganisation completed on 26 October 2002 over the nominal value of share capital of the Company issued in exchange there for.
- (b) Other reserve represents the difference between the amounts paid or received for any transaction related to the change of shareholding in a subsidiary without the overall gain or loss of control in that subsidiary and the non-controlling interest being acquired or disposed of.
- (c) The share option reserve represents the fair value of the actual or estimated number of unexercised share options granted to employees of the Company recognised in accordance with the accounting policy adopted for share-based payments.
- (d) The exchange reserve comprises all foreign exchange differences arising from the translation of the financial statements of foreign operations.
- (e) On 25 September 2008, the Company entered into a sale and purchase agreement to acquire a 43% interest in Profit Success Industries Limited and its subsidiaries and the acquisition was completed on 23 April 2009, the Company issued 238,888,888 consideration shares and HK\$22,222,222 in cash portion at completion.



NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

1 CORPORATE INFORMATION

The Company was incorporated as an exempted company with limited liability in the Cayman Islands. The shares of the Company are listed on the Main Board of The Stock Exchange of Hong Kong Limited (“Stock Exchange”). The address of its principal place of business is Suite 3601, Tower 6, The Gateway, Harbour City, Tsim Sha Tsui, Kowloon, Hong Kong.

The principal activities of the Group are manufacture and sale of paints, blended solvents and plastic colorants and trading of chemical materials, provision of painting services, exploitation and sale of crude oil and lease of investment properties and the sale of properties held for trading.

2 BASIS OF PREPARATION

The condensed consolidated financial statements have been prepared in accordance with the applicable disclosure requirements of Appendix 16 to the Rules Governing the Listing of Securities on the Stock Exchange (the “Listing Rules”) and with Hong Kong Accounting Standard 34 “Interim Financial Reporting” issued by the Hong Kong Institute of Certified Public Accountants (the “HKICPA”).

3 PRINCIPAL ACCOUNTING POLICIES

The condensed consolidated financial statements have been prepared on the historical cost basis, except for certain properties and financial instruments, which are measured at fair values.

The accounting policies used in the condensed consolidated financial statements are consistent with those followed in the preparation of the Group’s annual financial statements for the year ended 31 March 2010, except as described below.

In the current period, the Group has applied, for the first time, a number of new and revised standards, amendments and interpretations (“new or revised HKFRSs”) issued by the HKICPA.



3 PRINCIPAL ACCOUNTING POLICIES (Continued)

As part of Improvements to HKFRSs issued in 2009, HKAS 17 Leases has been amended in relation to the classification of leasehold land. Before the amendment to HKAS 17, the Group was required to classify leasehold land as operating leases and to present leasehold land as prepaid lease payments in the condensed consolidated statement of financial position. The amendment to HKAS 17 has removed such a requirement. The amendment requires that the classification of leasehold land should be based on the general principles set out in HKAS 17, that is, whether or not substantially all the risks and rewards incidental to ownership of a leased asset have been transferred to the lessee.

In accordance with the transitional provisions set out in the amendment to HKAS 17 Leases, the Group reassessed the classification of unexpired leasehold land as at 1 January 2010 based on information that existed at the inception of these leases, and considered that the application of which had no material effect on the condensed consolidated financial statements of the Group for the current or prior accounting periods. The application of the other new and revised HKFRSs had no effect on the condensed consolidated financial statements of the Group for the current or prior accounting periods.

The Group has not early applied the following new and revised standards, amendments or interpretations that have been issued but are not yet effective.

HKFRSs (Amendments)	Improvements to HKFRSs 2010 ¹
HKAS 24 (Revised)	Related Party Disclosures ²
HKFRS 1 (Amendment)	Limited Exemption from Comparative HKFRS 7 Disclosures for First-time Adopters ⁴
HKFRS 7 (Amendment)	Disclosures – Transfers of Financial Assets ⁵
HKFRS 9	Financial Instruments ³
HK(IFRIC)-Int 14 (Amendment)	Prepayments of a Minimum Funding Requirements ²
HK(IFRIC)-Int 19	Extinguishing Financial Liabilities with Equity Instruments ⁴

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

² Effective for annual periods beginning on or after 1 January 2011

³ Effective for annual periods beginning on or after 1 January 2013

⁴ Effective for annual periods beginning on or after 1 July 2010

⁵ Effective for annual periods beginning on or after 1 July 2011



3 PRINCIPAL ACCOUNTING POLICIES *(Continued)*

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

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

4 REVENUE AND SEGMENT INFORMATION

The Group's operating segments, based on information reported to the Group's chief operating decision maker (i.e. Chief Executive Officer) for the purpose of resource allocation and performance assessment are as follows:

- manufacture and sale of paints, blended solvents and plastic colorants and trading of chemical materials ("paints, blended solvents, chemical materials and plastic colorants");
- provision of painting services ("service contract");
- exploitation and sale of crude oil ("crude oil"); and
- lease of investment properties and the sale of properties held for trading ("property investment").

Information regarding the above segments is reported below.

4 REVENUE AND SEGMENT INFORMATION *(Continued)*

The following is an analysis of the Group's revenue and results by operating segment for the period under review:

	(Unaudited)						
	Six months ended 30 September 2010						
	Paints, blended solvents, chemical materials and plastic colorants	Service contract	Crude oil	Property investment	Segment total	Eliminations	Consolidated
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Segment revenue							
External sales	97,480	8,831	2,990	9,830	119,131	-	119,131
Inter-segment sales (note)	3,638	-	-	-	3,638	(3,638)	-
Total	101,118	8,831	2,990	9,830	122,769	(3,638)	119,131
Segment results							
Segment (loss) profit	(17,728)	3,478	(24,766)	1,766	(37,250)	-	(37,250)
Unallocated expenses							(35,342)
Unallocated other income							429
Share of results of associates							(1,348)
Finance costs							(1,539)
Loss before income tax							<u>(75,050)</u>



4 REVENUE AND SEGMENT INFORMATION (Continued)

(Unaudited)
Six months ended 30 September 2009

	Paints, blended solvents, chemical materials and plastic colorants HK\$'000	Service contract HK\$'000	Crude oil HK\$'000	Property investment HK\$'000	Segment total HK\$'000	Eliminations HK\$'000	Consolidated HK\$'000
Segment revenue							
External sales	132,155	16,509	1,153	9,210	159,027	-	159,027
Inter-segment sales (note)	12,056	775	-	-	12,831	(12,831)	-
Total	144,211	17,284	1,153	9,210	171,858	(12,831)	159,027
Segment results							
Segment (loss) profit	(16,114)	1,223	(59,491)	117	(74,265)	-	(74,265)
Unallocated expenses							(48,901)
Interest income							15
Share of results of associates							(229)
Finance costs							(1,383)
Loss before income tax							(124,763)

Note: Inter-segment sales are charged at prevailing market prices.

4 REVENUE AND SEGMENT INFORMATION *(Continued)*

The accounting policies of the operating segments are the same as the Group's accounting policies. Segment (loss) profit represents the loss made or profit earned by each segment without allocation of incomes or expenses which are not recurring in nature and unrelated to the Group's operating performance, bank interest income, central administration costs, directors' emoluments, share of results of associates, changes in fair value of held-for-trading investments and derivative financial instruments and finance costs. This is the measure reported to the chief operating decision maker that is the directors of the Company for the purposes of resource allocation and performance assessment.

The following is an analysis of the Group's assets by operating segment:

	(Unaudited) As at 30 September 2010 HK\$'000	(Audited) As at 31 March 2010 HK\$'000
Segment assets		
Paints, blended solvents, chemical materials and plastic colorants	168,992	138,337
Service contract	25,944	14,403
Crude oil	2,197,188	2,119,872
Property investment	12,962	46,197
Total segment assets	2,405,086	2,318,809
Unallocated	448,769	570,726
Consolidated assets	2,853,855	2,889,535

For the purpose of monitoring segment performances and allocating resources between segments, all assets are allocated to operating segments other than, interest in associates, deposit paid for a jointly controlled operation, deposit paid for long-term assets, held-for-trading investments, derivative financial assets, tax recoverable, bank balances and cash and other corporate assets.



5 OTHER GAINS AND LOSSES

	(Unaudited) Six months ended 30 September 2010 HK\$'000	(Unaudited) Six months ended 30 September 2009 HK\$'000
Impairment loss recognised on trade and other receivables	(45)	–
Exchange loss, net	(197)	(17)
Gain (loss) from changes in fair value of derivative financial instruments (note)	8,552	(4,875)
Loss on disposal of property, plant and equipment	(271)	(20)
(Loss) gain from change in fair value of held-for-trading investment	(2,495)	12,642
Property, plant and equipment written off	(23)	(5,270)
Others	–	(172)
	5,521	2,288

Note: The amount in the current period includes the gain from changes in fair value of warrant classified as derivative financial instruments of HK\$13,800,000 (six months ended 30 September 2009: nil).

6 INCOME TAX EXPENSES

Hong Kong profit tax was recognised based on management's best estimate of the annual income tax rate expected for the full financial year. The estimated annual tax rate is 16.5% (six months ended 30 September 2009: 16.5%) for the six months ended 30 September 2010.

Taxation on PRC operation is calculated on the estimated assessable profits for the period at the rate of taxation prevailing in the PRC in which the Group operates.

	(Unaudited) Six months ended 30 September 2010 HK\$'000	(Unaudited) Six months ended 30 September 2009 HK\$'000
Hong Kong Profits Tax	–	–
PRC Enterprise Income Tax	18	1,157
	18	1,157

The Group had no significant unprovided deferred taxation during the period and at 30 September 2010 (six months ended 30 September 2009: nil).



7 LOSS FOR THE PERIOD

Loss for the period has been arrived at after charging the following items:

	(Unaudited) Six months ended 30 September 2010 HK\$'000	(Unaudited) Six months ended 30 September 2009 HK\$'000
Amortisation of other intangible assets	290	53,847
Release of prepaid lease payments	55	286
Depreciation	4,209	8,888
Allowance for write-down of inventories (included in cost of inventories)	66	133

8 DIVIDENDS

The Board does not recommend the payment of an interim dividend for the six months ended 30 September 2010 (Six month ended 30 September 2009: Nil).

9 LOSS PER SHARE

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

	(Unaudited) Six months ended 30 September 2010 HK\$'000	(Unaudited) Six months ended 30 September 2009 HK\$'000
<u>Loss per share</u>		
Loss for the purpose of calculating basic and diluted loss per share	(76,347)	(101,555)

9 LOSS PER SHARE (Continued)

	2010 '000	2009 '000
<u>Number of shares</u>		
Weighted average number of ordinary shares for the purposes of calculating basic loss per share	3,675,651	2,462,414

No diluted losses per share have been presented for both periods because the share options and warrants outstanding had anti-dilutive effects in the calculation of diluted loss per share.

10 PROPERTY, PLANT AND EQUIPMENT

During the period, the Group has spent approximately HK\$82,901,000 (six months ended 30 September 2009: HK\$6,188,000) on the acquisition of property, plant and equipment, HK\$66,314,000 (six months ended 30 September 2009: nil) of which was acquired through the utilisation of deposit paid for a jointly controlled operation in respect of the 51% participating interest and 52.96% payment interest in Ksar Hadada Permit for the oil and gas exploitation in Tunisia. The carrying amount of property, plant and equipment that were disposed of and written off are approximately HK\$536,000 (six months ended 30 September 2009: HK\$49,000) and HK\$23,000 (six months ended 30 September 2009: HK\$5,270,000) respectively.

11 OTHER INTANGIBLE ASSETS

Other intangible assets represent the Group's exploitation rights in respect of two oil fields for oil exploitation in the location of Heilongjiang Province of the People's Republic of China expiring in 2027 and 2028 respectively. During the period, amortisation of other intangible assets amounting to HK\$290,000 (six months ended 30 September 2009: HK\$53,847,000) was charged to profit or loss.

Subsequent to the six months ended 30 September 2009, the directors reviewed the amortisation method of the oil exploitation rights and considered that there had been a significant change in the expected pattern of consumption of the future economic benefits embodied in such rights. Accordingly, the amortisation method had been changed from the straight-line method to the unit-of-production method since then.



12 INTERESTS IN ASSOCIATES

	(Unaudited) 30 September 2010 HK\$'000	(Audited) 31 March 2010 HK\$'000
Cost of investments in associates (note)	108,261	72,704
Share of post-acquisition loss and other comprehensive expense	(2,206)	(858)
	106,055	71,846

Note:

On 22 April 2010, the Company entered into a sale and purchase agreement to acquire a 37.55% interest in Mobile Telecom Network (Holdings) Limited ("Mobile Telecom"). Mobile Telecom was incorporated in the Cayman Islands and the issued shares are listed on the Growth Enterprise Market of the Stock Exchange. Mobile Telecom is principally engaged in development, provision and sales of mobile internet communication, telecommunication and related services. The acquisition was completed on 22 April 2010. The consideration for the acquisition was HK\$35,557,000 in cash. On the date of acquisition, the fair value of the net assets of Mobile Telecom approximated to HK\$10,065,000, the goodwill arising from the acquisition of this associate was therefore amounted to HK\$25,492,000 and was included in the cost of investments in associates.

On 25 September 2008, the Company entered into a sale and purchase agreement to acquire a 43% interest in Profit Success Industries Limited ("Profit Success") and its subsidiaries, a major associate group of the Company. Profit Success was incorporated in the British Virgin Islands and engaged in the business of exploration and exploitation of vanadium mine. The acquisition was completed on 23 April 2009. The consideration for the acquisition was HK\$77,167,000, comprising payment in cash of HK\$22,222,000 and the issue of 238,889,000 shares which have a fair value of HK\$54,945,000 based on the share price of HK\$0.23 at the date of acquisition.

On 4 August 2009, Lee Shing Mining Co., Ltd. ("Lee Shing Mining") was incorporated in Hong Kong of which the Group injected HK\$4,300 as capital and held 43% equity interest in it accordingly.

On 15 December 2009, the principal subsidiary of Profit Success was transferred to Lee Shing Mining, resulting in no financial impact to the Group. Subsequently on 22 March 2010, the Group disposed of its 43% equity interest in Profit Success for a consideration of HK\$335. The carrying value of the net assets of Profit Success attributable to the Group on the date of disposal was amounted to HK\$4,467,000.

13 TRADE AND OTHER RECEIVABLES

	(Unaudited) 30 September 2010 HK\$'000	(Audited) 31 March 2010 HK\$'000
Trade receivables	59,560	64,269
Less: allowance for doubtful debts	(6,255)	(6,132)
	53,305	58,137
Bills receivable	1,766	2,326
Other receivables, deposits and prepayments (note)	127,155	72,984
Less: allowance for other receivables	(15,990)	(16,300)
	111,165	56,684
	166,236	117,147

Note: The amount includes a loan advance of RMB25,000,000 (equivalent to HK\$28,571,000) to one of the controlling shareholders holding 30% equity interest of the Group's possible acquisition of 52% of the participating interest in Modamuji Sag, Hailaer oilfield oil and gas project (the "Project"), which was solely for the purpose of financing the 3D seismic data collection, drilling and exploration work of the Project. The amount is secured by the borrower's 30% equity interest in the Project, carries interest at prevailing market rate and repayable within six months.

The Group operates a controlled credit policy and allows an average credit period of 30-90 days to its trade customers.



13 TRADE AND OTHER RECEIVABLES (Continued)

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

Aged analysis of trade receivables net of impairment

	(Unaudited) 30 September 2010 HK\$'000	(Audited) 31 March 2010 HK\$'000
Less than 1 month	23,797	23,355
1 month to 3 months	16,602	15,782
More than 3 months but less than 1 year	7,671	15,821
Over 1 year	5,235	3,179
	53,305	58,137

Aged analysis of bills receivable net of impairment

	(Unaudited) 30 September 2010 HK\$'000	(Audited) 31 March 2010 HK\$'000
Less than 1 month	1,600	2,326
1 month to 3 months	166	–
	1,766	2,326

14 TRADE AND OTHER PAYABLES

	(Unaudited) 30 September 2010 HK\$'000	(Audited) 31 March 2010 HK\$'000
Trade payables	19,602	12,710
Bills payable	14,126	33,744
Other payables and accruals	41,479	44,313
	75,207	90,767

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

Aged analysis of trade payables

	(Unaudited) 30 September 2010 HK\$'000	(Audited) 31 March 2010 HK\$'000
Less than 1 month	15,455	8,510
1 month to 3 months	1,104	998
More than 3 months but less than 1 year	2,111	549
Over 1 year	932	2,653
	19,602	12,710

Aged analysis of bills payable

Less than 1 month	14,126	–
1 month to 3 months	–	33,744
	14,126	33,744



15 SHARE CAPITAL

	Number of shares '000	Share capital HK\$'000
Ordinary shares of HK\$0.01 each Authorised:	8,000,000	80,000
Issued and fully paid:		
At 1 April 2009	1,985,733	19,857
Exercise of share options	219,200	2,192
Placement of new shares	225,000	2,250
Issue of new shares for acquisition of an associate	238,889	2,389
At 30 September 2009	2,668,822	26,688
Exercise of share options	227,356	2,274
Exercise of warrants	14,563	146
Placement of new shares	440,000	4,400
Issue of new shares for acquisition of a subsidiary	275,330	2,753
At 31 March 2010	3,626,071	36,261
Exercise of share options	69,700	697
Exercise of warrants	34,176	341
At 30 September 2010	3,729,947	37,299

Warrants

As at 30 September 2010, there were outstanding non-listed warrants and listed warrants carrying subscription rights up to HK\$543,102,000 (31 March 2010: HK\$179,962,000) and HK\$74,474,000 (31 March 2010: HK\$76,239,000) in aggregate respectively, equivalent to the aggregate subscription price for a total of 505,758,000 (31 March 2010: 209,258,000) shares of non-listed warrants and 155,156,000 (31 March 2010: 158,832,000) shares of listed warrants on the basis of the subscription price ranging from HK\$0.45 to HK\$1.35 (31 March 2010: from HK\$0.45 to HK\$0.86) and the subscription price of HK\$0.48 (31 March 2010: HK\$0.48) respectively.

16 SHARE-BASED PAYMENTS

The Company has a share option scheme for eligible directors and employees of the Group. Details of the share options outstanding during the current period are as follows:

Outstanding at 1 April 2009	280,440,000
Granted during the year (note i)	299,772,000
Exercised during the year (note ii)	(446,556,000)
Lapsed during the year (note iii)	(50,040,000)
	<hr/>
Outstanding at 31 March 2010	83,616,000
Granted during the period (note i)	211,800,000
Exercised during the period (note ii)	(69,700,000)
Lapsed during the period (note iii)	(13,600,000)
	<hr/>
Outstanding at 30 September 2010	<u>212,116,000</u>

Notes:

- (i) During the six months period ended 30 September 2010, options were granted on 3 May and 4 May. The estimated fair value of the options granted on both dates is HK\$0.1527. During the year ended 31 March 2010, options were granted on 29 April, 13 May, 16 July, 24 July, 14 August and 31 August. The estimated fair values of the options granted on those dates are HK\$0.0879, HK\$0.0962, HK\$0.1373, HK\$0.1596, HK\$0.1431 and HK\$0.0941 respectively.
- (ii) The weighted average closing share prices at the date of exercise for the share options during the period was HK\$0.8207 (year ended 31 March 2010: HK\$0.7702).
- (iii) The lapse represented the share options granted to the eligible directors and employees of the Group in the previous years, which were lapsed upon their maturities during the year/period.



16 SHARE-BASED PAYMENTS *(Continued)*

These fair values were calculated using Black-Scholes option pricing model. The inputs into the model were as follows:

Grant date	Share price HK\$	Exercise price HK\$	Expected volatility	Option life	Expected dividend yield	Risk-free interest rate
3 May 2010	1.22	1.25	48.03%	0.5 year	-	0.12%
4 May 2010	1.22	1.248	48.03%	0.5 year	-	0.13%

Expected volatility was determined by using the historical volatility of the Company's share price over the expected life of the option. The expected life used in the model has been adjusted, based on management's best estimate, for the effects of non-transferability, exercise restrictions and behavioural considerations.

Share option expenses of HK\$32,342,000 (six months ended 30 September 2009: HK\$47,611,000) was recognised for the six months ended 30 September 2010.

17 CAPITAL COMMITMENTS

The Group had capital expenditure commitments in respect of investments in projects, properties under construction and acquisition of properties, plant and equipment as shown below:

	(Unaudited) 30 September 2010 HK\$'000	(Audited) 31 March 2010 HK\$'000
Contracted but not provided for		
– development expenditure of the Work Programme in Tunisia	20,925	46,500
– property, plant and equipment	15,187	–
	36,112	46,500
Authorised but not contracted for		
– acquisition of a company engaged in oil technology consultancy service	41,380	41,380

18 RELATED PARTY TRANSACTIONS

Save as disclosed elsewhere in the consolidated financial statements, the Group had the following significant related party transactions:

	(Unaudited) Six months ended 30 September 2010 HK\$'000	(Unaudited) Six months ended 30 September 2009 HK\$'000
Rental expenses paid to Luen Yat Enterprises Company Limited ("Luen Yat")	–	315
Consultancy fee paid to Mr. Poon Sau Tin	288	–

Mr. Poon Sau Tin has beneficial interest in the Company. Mr. Poon Sum is the director and has beneficial interest in the Company. Luen Yat is related to the Group by virtue of the interests of Mr. Poon Sau Tin and Mr. Poon Sum.

19 PLEDGE OF ASSETS

At the end of the reporting period, the Group pledged the following assets to secure the Group's bank borrowings granted by certain banks:

- (a) first legal charges over leasehold land and buildings held by the Group with a total carrying values of HK\$2,414,000 (31 March 2010: HK\$2,445,000);
- (b) first legal charges over trade and other receivables held by a wholly-owned subsidiary of the Group with a total carrying amount of HK\$14,490,000 (31 March 2010: HK\$34,482,000);
- (c) a registered all monies first share charge over the Group's 51% (31 March 2010: 51%) equity interest in a subsidiary as the pledge used to secure the Group's bank borrowings.



20 CONTINGENT LIABILITIES

Contingencies on Hong Kong Profits Tax

In the prior years, the Hong Kong Inland Revenue Department (the "IRD") had made some enquiries on the taxability of profits of certain subsidiaries of the Company in respect of Hong Kong Profits Tax since the year of assessment 1996/97. In addition, the IRD had commenced a tax audit on these subsidiaries since 2007 which covers the years of assessment from 1996/97 to 2007/08. The Company had made the response and provided the relevant information to address the IRD's enquires and no conclusion was made by the IRD up to the approval date of the consolidated financial statements. The IRD issued protective assessments to certain subsidiaries with tax payable amounting to approximately HK\$28,735,000 (in which approximately HK\$7,917,000 are duplications). The Group filed objections against such assessments on the grounds that these assessments were excessive, and that the income under assessment neither arose in, nor was derived from, Hong Kong.

The Group had purchased tax reserve certificate of approximately HK\$7,635,000 (31 March 2010: HK\$4,700,000) at the IRD's request as of the date of this report.

In the opinion of the management, the IRD's enquiries are still at the stage of collation of evidence and the Company has reasonable ground to justify its position as the management considers that the subsidiaries were not carrying on business in Hong Kong or the profits were derived by the subsidiaries outside Hong Kong.

In the event that all the relevant profits at this stage would be treated by the IRD as chargeable to Hong Kong Profits Tax, the estimated tax liabilities without considering penalty arising from the tax audit in respect of such circumstances would be approximately HK\$21,000,000 (31 March 2010:HK\$21,000,000), HK\$11,000,000 (31 March 2010:HK\$ 11,000,000) out of which had been indemnified by Mr. Poon Sum, the director, for those potential liabilities incurred prior to the listing of the Company in 2002. If there is additional tax payable upon the settlement of the tax audit, the IRD may also impose a penalty of maximum three times of the tax undercharged. After taking into account of the professional advice from its tax representative, the management considers that there is no reasonable basis to determine the accurate amount of additional tax and penalty at this stage under the tax audit. Accordingly, no provision for such potential liabilities has been made in the consolidated financial statements. Management is considering various approaches in the best interest of the Group to resolve the dispute with the IRD.



20 CONTINGENT LIABILITIES *(Continued)*

Environmental contingencies

Due to the underground oil exploitation method adopted by the Group, the Group has not incurred any significant expenditure on environmental rehabilitation since its establishment. There is, however, no assurance that stringent environmental policies and/or standard on environmental rehabilitation will not be implemented by the relevant authorities in the PRC in the future which require the Group to undertake environment measures.

The financial position of the Group may be adversely affected by any environment liabilities, which may be imposed under such new environment policies and/or standards.

21 EVENT AFTER THE END OF THE INTERIM PERIOD

On 19 October 2010, the Company entered into the placing agreement with the vendor and the placing agent pursuant to which the placing agent agreed to place, on a best effort basis, the placing shares comprising up to 400,000,000 shares at the placing price of HK\$0.55 per placing share on behalf of the vendor to not fewer than six places and the vendor conditionally agreed to subscribe for, or to procure the subscription of, shares comprising up to 400,000,000 new shares at the placing price.

All conditions under the subscription agreement have been fulfilled and completion of the subscription took place on 1 November 2010.



MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS REVIEW

During the six months ended 30 September 2010, the Group's turnover amounted to approximately HK\$119,131,000 (2009: HK\$159,027,000), representing a decrease of HK\$39,896,000 or 25% compared to the corresponding period of last year. The Group incurred a loss for the period amounting to approximately HK\$75,068,000 during the current period under review (2009: HK\$125,920,000). Basic loss per share for the current period amounts to HK2.08 cents (2009: HK4.12 cents).

The decrease in the Group's turnover was mainly attributable to the reduction in business activities in relation to paints, blended solvents, chemical materials and plastic colorants which recorded a turnover of approximately HK\$97,480,000 for the six months ended 30 September 2010 (2009: HK\$132,155,000), which represents a decrease of approximately HK\$34,675,000 or some 26%. The above operating results fully reflect the successful business restructuring of the Group in the first quarter of the year in that it had disposed of its operations in relation to the manufacturing and distribution of paints, blended solvents and chemical materials and had suspended the operations of plastic colorants which had faced fierce competition in the market as well as escalating production costs resulting in a decline in gross profit margin and operating profit. The Group's loss for the period was mainly a result of the loss from change in fair value of held-for-trading investment of HK\$2,495,000 (2009: gain of HK\$12,642,000) and share-based payments of HK\$32,342,000 (2009: HK\$47,611,000).

Tunisia operations

On 8 June 2009, the Group, as purchaser, entered into an agreement with both Petroceltic Ksar Hadada Limited (a wholly owned subsidiary of Petroceltic International plc) and Independent Resources (Ksar Hadada) Limited (a wholly owned subsidiary of Independent Resources plc), as vendors, regarding the sale and purchase of 51% participating interests and 52.96% paying interests in Ksar Hadada Permit ("the Permit"), onshore Tunisia, North Africa. The Group's contractual commitments for the Tunisia exploration project involve the acquisition of 100 kilometers of 2D seismics, followed with the drilling of two exploration wells, at a projected cost of US\$14.5 million. Parties to the Permit has the right to two periods of renewal each of three years. The first renewal period of the Permit began on 20 April 2008 and the second renewal period will commence on 20 April 2011 upon completion of the aforesaid contractual commitments.



As of 5 December 2009, seismic operations were satisfactorily completed. The 107 kilometers of 2D seismics had been acquired with good processing results by CGG Veritas, a French geophysical firm with world known expertise in seismic operations.

The Group along with its partners selected Compagne Tunisienne de Forage ("CTF") as its contracted drilling company. On 1 August 2010, the first exploratory well Oryx-1 was drilled to a depth of 1,140 meters. While fair oil shows were observed at the top of the Upper Triassic Rehach dolomite, poor fluorescence shows were observed in the targeted Ordovician Bir Ben Tartar Reservoir. Full logging suite and borehole imaging ("FMI") were ran. Results indicated that there was no significant oil saturation present in this reservoir. Therefore, saved from setting production casing and further testings, the Oryx-1 exploratory well was plugged and abandoned on 6 August 2010. Post-drilling evaluation suggested that the Oryx-1 well had penetrated the upper & lower Ordovician reservoir units, but no gas and very poor shows were observed. Petro-physical evaluation indicates 0 meter of net pay. Well failure is mainly due to the erosion of top seal as trap integrity is compromised, which explains the cross-fault juxtaposition and hydraulic communication with fresh water Triassic reservoirs as detected. In this connection, it is difficult to envisage "attic" or down dip oil potential.

The CTF-06 rig was moved to the Ordovician Sidi Toui prospect to fulfill the work program drilling commitment to drill one well to the Cambro-Ordovician reservoir. The Sidi Toui-4 ("ST-4") well was spudded on 26 August 2010 to a true vertical depth ("TVD") of 1,009 meters sub-sea (measured depth 1,603 meters). It was drilled at a high deviation angle within the reservoir section and orthogonal to the regional maximum stress plane so as to maximize the penetration to the targeted Bir Ben Tartar Unit with well bottomed in the Azzel Member as planned. The objective Bin Ben Tartar reservoir was successfully drilled for 306 meters measured depth at an average deviation angle of 72 degrees from vertical. Infrequent poor shows from cutting fluorescence described in the upper 14 meters of the Bir Ben Tartar sandstones, total gas throughout is less than 0.5% and also poor association gas and shows with fractures. Full logging suite and borehole imaging were ran. Post drilling petro-physical evaluation indicated tight reservoir of less than 5 meters measured depth (less than 1 meter TVD) net reservoir with little porosity of bigger than 4%. FMI log indicates some open fracture but fracture porosity with hydrocarbon storage potential is limited. Well failure is due to poor reservoir quality. On 17 October 2010, the well was plugged and abandoned ("P&A") without undertaking any testing which is costly. The CTF-06 rig was released after successful P&A operations. The well took 52 days to be drilled, logged and abandoned.



On 10 November 2010, a formal Joint Operation Contractor Meeting was held in Tunis to present to Entreprise Tunisienne D'Activités Pétrolières ("ETAP", namely the Tunisia National Oil Company) the results of drilling of the two wells during the first renewal phase, to finalize the 2010 budget and to approve the January-April 2011 budget.

The partners are now studying the onward plan and will present to ETAP and Republique Tunisienne Ministere de l'Industrie, et technologie, Direction General de l'Energie ("DGE", namely the Tunisian Department of Energy) whether it desires to enter into the second renewal phase on or before 19 January 2011.

Qiqihar operations

In July 2010, the Company had started a multi-well drilling program in the Fu 710 and Fu 718 areas of the Fulaerjiqu oilfield in the Qiqihar City of the Heilongjiang Province, China. Significant progress has since been made. In November 2010, the program was successfully completed, with much better results than expected.

In Fu 718 area, a total of three control wells and three horizontal wells were drilled. The horizontal wells (TH1, TH2 and TH3) encountered excellent results, achieving horizontal net oil pay from 117 meters to 182 meters with average net oil thickness of 5 to 6 meters.

Following the success in Fu 718 area, four horizontal wells (DH1, DH2, DH3 and DH4) were drilled in Fu 710 area with equally impressive results, achieving horizontal net oil pay from 260 to 311 meters with average oil thickness between 3 to 4.5 meters.

In order to enhance production, the Company's operations team has continuously evaluated, studied and adopted different drilling techniques. This is the first time the Company has drilled horizontal wells in its Fulaerjiqu oilfield and the results are satisfactory. These wells were drilled with US Log While Drilling ("LWD") technology and completed with laser-cut slit liner down-hole for maximum production flow.

PetroChina Great Wall Drilling Downhole Operating Company was the contractor for this multi-well drilling program. The construction work in respect of all surface production and storage facilities have now been satisfactorily completed and on schedule as planned. The production of both the Fu 710 and Fu 718 areas has already commenced in stages in mid November 2010.



Guizhou operations

Vanadium is a metal with a high melting point. Vanadium Pentoxide (V_2O_5), which is the most important industrial vanadium compound, is widely used in metallurgy and chemical industry as an alloy additive for smelting vanadium iron. The Group has a 34.4% effective interest in a vanadium mining project in China. The project is located in the Xiaowujiang vanadium mining area in the Yuqing County of the Guizhou Province. The comprehensive geological survey report of the vanadium mining project has undergone the first review by experts from the Department of Land and Resources of the Guizhou Province and the Guizhou Nonferrous Metal Geological Exploration Bureau. As the state requirements for environmental assessment relating to water in China has become more stringent nowadays, coupled with the fact that the geological team does not have previous experience in compiling this kind of report before, the report hence lacks environment geology assessment of water. This has caused delay in the progress of review. The relevant environment geology assessment report in relation to water has now been added. We are waiting for the second review to be completed. Once we get the second review completed, we can then proceed to apply for the relevant exploitation permit.

In order to enhance economic returns of the project upon actual exploitation in the future, we are currently in discussion with the Department of Land and Resources of the Guizhou Province to explore the possibility of adding some mineral rights near our existing mine to expand the mining area.

Due to the weakening trend of the steel market in China, steel prices also witness a decline recently. This has created a pressure on the price of V_2O_5 which also shows a downward trend. Management of the Company believes that under existing market environment, the delayed production of the vanadium mining project may be of benefit to the group. We would expect to earn bigger profit in future upon commencement of production when the price of V_2O_5 bounces back.

Other business operations

On 22 April 2010, the Group entered into a sale and purchase agreement ("SPA") to acquire 177,785,861 shares, representing approximately 37.55% of the then entire issued share capital of Mobile Telecom Network (Holdings) Limited ("Mobile Telecom") (stock code: 8266). Completion of the acquisition took place on 22 April 2010. The Group's interests in Mobile Telecom decreased to approximately 31.23% immediately after completion of a placing of 90,000,000 new shares by Mobile Telecom to an independent third party investor on 24 November 2010 as more particularly disclosed in Mobile Telecom's announcement dated 24



November 2010. As at the date of this report, the Group is interested in 177,785,861 shares in the capital of Mobile Telecom, representing approximately 31.23% of its entire issued share capital.

Taking into account the potential cooperation with other parties on the research and development of an integrated mobile application on daily oilfield management and other technologies and businesses related to the energy sector, the Group is of the view that the terms of the SPA are fair and reasonable and are on normal commercial terms and that it is in the best interests of the Group and its shareholders as a whole.

It is the intention of the Group to continue with the existing principal businesses of Mobile Telecom. The Group does not have any present intention to introduce any major changes to the existing business and operations of Mobile Telecom. Upon completion of the acquisition, the Group has reviewed and will continue to review the business and operations of Mobile Telecom from time to time with a view to formulating a suitable business strategy and will explore other business opportunities and consider whether any assets and/or business acquisitions by Mobile Telecom will be appropriate in order to enhance its growth.

BUSINESS OUTLOOK

In early November 2010, the US government announced the policy of Quantitative Easing Two. Stimulated by the relevant policy, the world has seen the free flow of hot money, leading to the rise of stock market and commodity prices in emerging markets.

To control risks, enhance liquidity management, prevent asset bubble and contain inflation, emerging countries have tried to prevent the inflow of hot money with administrative measures. For example, the Chinese government has also raised the RMB deposit reserve requirement ratio several times, which resulted in the correction of commodity prices from high levels. Deposit reserve requirement ratio is one of the several instruments adopted by China's central bank to adjust monetary policies, and the upward adjustment of reserve requirement ratio can set off the supply of money. That the central bank chose to raise reserve requirement ratio several times within one year explains increasing inflation in the PRC and the central bank's serious concerns about potential systematic risks due to inflation and the substantially increased risks of asset price bubbles.

However, we firmly believe that the trend of global inflation is inevitable, and commodity prices, under the circumstances of insufficient supply, will see an upward trend in the long run.



Oil is a basic necessity of human beings. Under the backdrop of continuous increase in demand of oil from the PRC, the Group expects that oil prices will continue to maintain a strong momentum. In fact, international oil prices have been kept at over US\$80 per barrel in the past six months, reflecting the resilience of oil prices at this level. Subsequent to the reporting period, the Group has finished drilling in Oryx-1 and ST-4 exploration wells in Tunisia, although no oil reserve of commercial value has been identified in that area; the Group, however, will continue to negotiate with its partners to seek all possible means to continue the exploration of oil reserve in that area.

In October subsequent to the reporting period, the Group achieved satisfactory results by successfully drilling three horizontal wells in the new Fu 718 area and four horizontal wells in Fu 710 area, in the Fulaerji oilfield in Qiqihar, Heilongjiang Province, China. Credit shall be given to the fact that in the TH2 horizontal well in Fu 718 area, net oil pay reached 171 m and the average pay thickness of the reserve reached 8.5 m; in addition, in the DH3 horizontal well in Fu 710 area, net oil pay reached 311 m and the average pay thickness of the reserve reached 4.5 m. The Group has finished the 2010 drilling plan in Fu 710 and Fu 718 areas in the Fulaerji oilfield in Qiqihar, China. It is expected that both areas will generate satisfactory revenue for the Group in the short term.

In general, the oil business of the Group, particularly preparation work for crude oil exploitation in the Fulaerji oilfield in Qiqihar, is progressing smoothly and satisfactorily. The relevant business will commence immediately and we are optimistic about the prospect of the Group accordingly. We expect that the global economy will continue to recover and the economy of the PRC will continue to be in a leading position, thereby laying a solid foundation for the businesses of the Group. Currently the Group has successfully transformed its businesses and will focus on the exploration and exploitation of natural resources. We are fully optimistic about the prospect of our businesses.



FINANCIAL REVIEW

Working capital

As at 30 September 2010, the Group's current assets were kept at approximately HK\$405,684,000 as compared to current assets approximately HK\$574,747,000 as at 31 March 2010. The current ratio, being the proportion of total current assets against total current liabilities, was 2.72 (31 March 2010: 3.05). The Directors conservatively believe that the present working capital level is sufficient to meet the upcoming operating needs.


Liquidity and Financial Resources

As at 30 September 2010, the Group had total outstanding bank borrowings of approximately HK\$81,019,000 (31 March 2010: HK\$93,369,000), cash and bank balances of approximately HK\$181,268,000 (31 March 2010: HK\$393,225,000) and total assets of approximately HK\$2,853,855,000 (31 March 2010: HK\$2,889,535,000). Current assets of the Group on the same date amounted to approximately HK\$405,684,000 (31 March 2010: HK\$574,747,000) whilst current liabilities were approximately HK\$149,283,000 (31 March 2010: HK\$188,177,000). The gearing ratio, calculated by dividing the total bank borrowings by the total assets, was equal to 2.84% on the reporting date (31 March 2010: 3.23%)

On 22 April 2010, the Company entered into a sale and purchase agreement to acquire a 37.55% interest in Mobile Telecom Network (Holdings) Limited ("Mobile Telecom"). Mobile Telecom was incorporated in the Cayman Islands and the issued shares are listed on the Growth Enterprise Market of the Stock Exchange. Mobile Telecom is principally engaged in development, provision and sales of mobile internet communication telecommunication and related services. The acquisition was completed on 22 April 2010. The consideration for the acquisition was HK\$35,557,000 in cash. On the date of acquisition, the fair value of the net assets of Mobile Telecom approximated to HK\$10,065,000, the goodwill arising from the acquisition of this associate was therefore amounted to HK\$25,492,000 and was included in the cost of investments in associates.

Special review progress on the Other Intangible Assets

Included in the condensed consolidated statement of financial position as at 30 September 2010 are other intangible assets with a combined carrying value of HK\$2,043,107,000 (31 March 2010: HK\$2,043,397,000) in relation to the exploitation right for oil exploitation in the People's Republic of China. The Company has engaged APEX Reservoir Service, Inc. (the "APEX"), an international independent valuer, to conduct a valuation (the "Valuation") for the



exploitation right. During the reporting period, the Company has new wells drilled on the two oilfields and APEX was reviewing the technical data. Once the Valuation is completed, the Joint Auditors will perform the special review on the intangible assets.

Pledge of assets

As of 30 September 2010, the Group's tangible assets and receivables with a net book value of approximately HK\$2,414,000 and HK\$14,490,000 (31 March 2010: HK\$2,445,000 and HK\$34,482,000 respectively) were pledged to secure banking facilities granted to the Group. In addition, a registered all monies first share charge over 51% of all the issued shares in a subsidiary is pledged to secure the banking facilities.

Exposure to foreign exchange risk and interest rate risk

The Group's business transactions are mainly denominated in Hong Kong dollars and Renminbi. Most interest bearing bank borrowings of the Group are on floating rate basis. Foreign currency exposure is monitored closely by management and hedged by forward foreign currency contracts. The Group also uses derivative financial instruments to manage interest rate exposures for hedging purpose only.

DISCLOSURES PURSUANT TO RULES 13.21 OF THE LISTING RULES

In accordance with the disclosure requirements of rule 13.21 of the Listing Rules, the Company makes the following disclosures in relation to the details of the Facility Letter (as defined below), which includes conditions relating to specific performance of the controlling shareholder of the Company:–

The Group has accepted a facility letter dated 14 October 2009 (the "Facility Letter") issued by a bank in Hong Kong (the "Bank") in relation to various working capital facilities up to the amount of HK\$134,846,852. The terms included corporate guarantees on subsidiaries, an all money first share charge(s) over 51% of all issued shares of a subsidiary and financial covenants on the financial statements of the Group. In addition, it is required that (1) Mr. Poon Sum, Mr. Poon Sau Tin and their family members shall collectively maintain at least 23% of the issued share capital of the Company; (2) Mr. Poon Sum shall remain as Chairman or Chief Executive Officer of the Group and shall be actively involved in the management and business of the Group and (3) Mr. Poon Sum, Mr. Poon Sau Tin and their family members shall remain the single largest shareholder of the Company. Other terms and conditions have no material different with the information disclosed previously. Should there be any breach of such conditions, the Bank shall have the right to demand for repayment of all outstanding amounts due by the Group under the Facilities.



EMPLOYEES AND REMUNERATION POLICIES

As at 30 September 2010 the Group had an aggregate of 146 employees (2009: 382) of which about 122 employees located in mainland China while the rest were based in Hong Kong and Macau. Employees' remuneration package includes salary, bonus and share options. Under the Group's remuneration policy, employees are rewarded on the basis of merits and market conditions and in accordance with the statutory requirements of the respective jurisdiction where the employees are engaged.

DIRECTORS' AND CHIEF EXECUTIVE'S INTERESTS IN EQUITY OR DEBT SECURITIES

At 30 September 2010, the interests of the directors and chief executive of the Company in the shares, underlying shares or debentures of the Company, and any of its associated corporations (as defined in Part XV of the Securities and Futures Ordinance (the "SFO") as recorded in the register required to be kept under Section 352 of the SFO or as notified to the Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers contained in the Listing Rules were as follows:

Name	Capacity	Nature of Interest	Number of Shares held	Equity Derivative	Total Interest	Total % of Issued Shares
Directors:						
Mr. Poon Sum	Beneficial Owner	Personal Interest (Notes 1 & 2)	182,770,453	309,629,537	914,145,427	24.51%
	Founder of a Discretionary Trust	Other Interest (Notes 1 & 3)	390,262,558	31,482,879		
Mr. Wong Kwok Leung	Beneficial Owner	Personal Interest (Notes 1 & 4)	16,285	317,357	333,642	0.01%
Mr. Poon Wai Kong	Beneficial Owner	Personal Interest (Note 1 & 5)	7,900,000	8,100,000	16,000,000	0.43%
Mr. Chan Shu Kin	Beneficial Owner	Personal Interest (Notes 1 & 6)	61,500	3,600,000	3,661,500	0.10%
Mr. Chan Kam Ching, Paul	Beneficial Owner	Personal Interest (Notes 1 & 7)	4,000	3,700,000	3,704,000	0.10%
Mr. Cheung Kwan Hung	Beneficial Owner	Personal Interest (Notes 1 & 8)	514,000	3,747,500	4,261,500	0.11%
Chief Executive:						
Mr. Leung Kam Lung, Danny	Beneficial Owner	Personal Interest (Notes 1 & 9)	-	5,000,000	5,000,000	0.13%



Notes:

1. All interest in shares and underlying shares of equity derivatives of the Company are long positions.
2. All interests in underlying shares of equity derivatives of the Company are interests in warrants of the Company listed on the Stock Exchange (the "Listed Warrants") which conferred rights to subscribe for 9,629,537 shares at an initial subscription price of HK\$0.48 per share (subject to adjustment) exercisable during the period from 17 October 2008 to 16 October 2011, and interests in share options of the Company granted under the share option scheme of the Company, which may be exercised during the period from 3 May 2010 to 2 May 2011 to subscribe for 50,000,000 shares at the exercise price of HK\$1.25 per share and interests in warrants of the Company which conferred rights to subscribe for 250,000,000 shares at an initial subscription price of HK\$1.35 per share (subject to adjustment) exercisable during the period from 21 June 2010 to 20 June 2013.
3. All interests in underlying shares of equity derivative of the Company are interests in the Listed Warrants. These shares and Listed Warrants are held by Ever Source Enterprises Limited ("Ever Source"). The issued share capital of Ever Source is beneficially owned as to 50% by Time Concord Limited ("Time Concord"), a company incorporated in the British Virgin Islands ("BVI") and indirectly owned by a discretionary trust, the beneficiaries of which are family members of Mr. Poon Sum, and as to 50% by Guidance Investments Limited ("Guidance"), a company incorporated in the BVI and indirectly owned by a discretionary trust, the beneficiaries of which are family members of Mr. Poon Sau Tin, the elder brother of Mr. Poon Sum. Accordingly, Mr. Poon Sum will be deemed to be interested in 390,262,558 shares, representing approximately 10.46% of the Company's shares in issue as at 30 September 2010 through his shareholding in Ever Source.
4. All interests in underlying shares of equity derivatives of the Company are interests in the Listed Warrants which conferred rights to subscribe for 1,357 shares and interests in share options of the Company granted under the share option scheme of the Company, 100,000 of which may be exercised during the period from 13 August 2004 to 12 August 2014 at an adjusted exercise price of HK\$0.251 per share and 216,000 of which may be exercised during the period from 29 April 2009 to 28 April 2012 at the exercise price of HK\$0.2064 per share.
5. All interests in underlying shares of equity derivatives of the Company are interests in the Listed Warrants which conferred rights to subscribe for 100,000 shares and share options of the Company granted under the share option scheme of the Company, which may be exercised during the period from 3 May 2010 to 2 May 2011 to subscribe for 8,000,000 shares at the exercise price of HK\$1.25 per share.
6. All interests in underlying shares of equity derivatives of the Company are interests in share options of the Company granted under the share option scheme of the Company, which may be exercised during the period from 3 May 2010 to 2 May 2011 to subscribe for 3,600,000 shares at the exercise price of HK\$1.25 per share.
7. All interests in underlying shares of equity derivatives of the Company are interests in the Listed Warrants which conferred rights to subscribe for 100,000 shares and interests in share options of the Company granted under the share option scheme of the Company, which may be exercised during the period from 3 May 2010 to 2 May 2011 to subscribe for 3,600,000 shares at the exercise price of HK\$1.25 per share.



8. All interests in underlying shares of equity derivatives of the Company are interests in the Listed Warrants which conferred rights to subscribe for 147,500 shares and interests in share options of the Company granted under the share option scheme of the Company, which may be exercised during the period from 3 May 2010 to 2 May 2011 to subscribe for 3,600,000 shares at the exercise price of HK\$1.25 per share.
9. All interests in underlying shares of equity derivatives of the Company are interests in share options of the Company granted under the share option scheme of the Company, which may be exercised during the period from 3 May 2010 to 2 May 2011 to subscribe for 5,000,000 shares at the exercise price of HK\$1.25 per share.

Save as disclosed above, as at 30 September 2010, none of the directors and chief executive of the Company had held any interests or short positions in the shares, underlying shares or debentures of the Company or any of its associated corporations (as defined in Part XV of the SFO) as recorded in the register required to be kept by the Company under Section 352 of the SFO or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Companies.

SHARE OPTIONS

Pursuant to the Company's share option scheme, whereby employees, executive and independent non-executive directors, officers, advisers and consultants of the Group may be granted options to subscribe for the shares of the Company, details of the share options outstanding as at 30 September 2010 were as follows:

Participants	Date of grant	Exercise price per share HK\$	Exercise period	Number of options				Price of Company's shares		
				Outstanding as at 1 Apr 2010	Granted during the period	Exercised during the period	Lapsed during the period	Outstanding as at 30 Sep 2010	For Options granted HK\$ (Note 1)	For Options exercised HK\$ (Note 2)
Executive Directors										
Mr. Poon Sum	03/05/2010	1.250	03/05/2010 to 02/05/2011	-	50,000,000	-	-	50,000,000	1.220	-
Mr. Poon Wai Kong	31/08/2009	0.412	31/08/2009 to 30/08/2010	10,000,000	-	(10,000,000)	-	-	0.405	0.617
	03/05/2010	1.250	03/05/2010 to 02/05/2011	-	8,000,000	-	-	8,000,000	1.220	-
Mr. Wong Kwok Leung	13/08/2004	0.251 (adjusted)	13/08/2004 to 12/08/2014	100,000	-	-	-	100,000	1.220	-
	29/04/2009	0.206	29/04/2009 to 28/04/2012	216,000	-	-	-	216,000	0.203	-

Participants	Date of grant	Exercise price per share HK\$	Exercise period	Number of options				Price of Company's shares		
				Outstanding as at 1 Apr 2010	Granted during the period	Exercised during the period	Lapsed during the period	Outstanding as at 30 Sep 2010	For Options granted HK\$ (Note 1)	For Options exercised HK\$ (Note 2)
Independent Non-executive Directors										
Mr. Chan Kam Ching Paul	03/05/2010	1.250	03/05/2010 to 02/05/2011	-	3,600,000	-	-	3,600,000	1.220	-
Mr. Chan Shu Kin	03/05/2010	1.250	03/05/2010 to 02/05/2011	-	3,600,000	-	-	3,600,000	1.220	-
Mr. Cheung Kwan Hung	03/05/2010	1.250	03/05/2010 to 02/05/2011	-	3,600,000	-	-	3,600,000	1.220	-
Chief Executive										
Mr. Leung Kam Lung, Danny	03/05/2010	1.250	03/05/2010 to 02/05/2011	-	5,000,000	-	-	5,000,000	1.220	-
Employees in aggregate										
	13/05/2009	0.300	13/05/2009 to 12/05/2010	15,000,000	-	(15,000,000)	-	-	0.275	1.185
	24/07/2009	0.475	24/07/2009 to 23/07/2010	5,000,000	-	(5,000,000)	-	-	0.485	1.078
	14/08/2009	0.472	14/08/2009 to 13/08/2010	21,000,000	-	(7,400,000)	(13,600,000)	-	0.475	0.883
	31/08/2009	0.412	31/08/2009 to 30/08/2010	32,300,000	-	(32,300,000)	-	-	0.405	0.661
	04/05/2010	1.248	04/05/2010 to 03/05/2011	-	138,000,000	-	-	138,000,000	1.220	-
			Total	83,616,000	211,800,000	(69,700,000)	(13,600,000)	212,116,000		

Notes:

1. The price of the Company's shares disclosed for options granted is the closing price of the shares immediately before the date on which the options were granted.
2. The price of the Company's shares disclosed for options exercised is the weighted average closing price of the shares immediately before the dates on which the options were exercised.

Save as disclosed above, none of the directors and chief executive or their spouse or children under the age of 18, had been granted any right to subscribe for the equity or debt securities of the Company or any of its associated corporations, or had exercised any such right during the period.



SUBSTANTIAL SHAREHOLDERS' INTERESTS

At 30 September 2010, the interests of the shareholders, not being a director or chief executive of the Company, in the shares and underlying shares of the Company as recorded in the register required to be kept under Section 336 of the SFO were as follows:

Name of Substantial shareholders	Capacity	Nature of Interests	Number of Shares held	Equity Derivative	Total Interest	Approximate percentage of the Company's total issued share capital
BNP Paribas Jersey Trust Corporation Limited ("BNP Paribas Jersey")	Trustee	Other Interest (Notes 1, 2, 3 & 4)	377,794,558	31,482,879	409,277,437	10.97%
Ground Point Limited ("Ground Point")	Interest of Controlled Corporation	Corporate Interest (Notes 1, 2, 3 & 4)	377,794,558	31,482,879	409,277,437	10.97%
Red Tiles Limited ("Red Tiles")	Interest of Controlled Corporation	Corporate Interest (Notes 1, 2, 3 & 4)	377,794,558	31,482,879	409,277,437	10.97%
Guidance Investments Limited ("Guidance")	Interest of Controlled Corporation	Corporate Interest (Notes 1, 2, 3 & 4)	377,794,558	31,482,879	409,277,437	10.97%
Time Concord Limited ("Time Concord")	Interest of Controlled Corporation	Corporate Interest (Notes 1, 2, 3 & 4)	377,794,558	31,482,879	409,277,437	10.97%
Ever Source Enterprises Limited ("Ever Source")	Beneficial Owner	Corporate Interest (Notes 1, 2, 3 & 4)	377,794,558	31,482,879	409,277,437	10.97%
Mr. Poon Sau Tin	Beneficial Owner	Personal Interest (Notes 1)	36,292,453	3,852,037	449,421,927	12.05%
	Founder of a Discretionary Trust	Other Interest (Notes 1, 2, 3 & 4)	377,794,558	31,482,879		

Notes:

1. All interests in shares and underlying shares of equity derivatives of the Company are long position. All interest in underlying shares of equity derivatives of the Company are interests in Listed Warrants.
2. All interests of BNP Paribas Jersey, Ground Point, Red Tiles, Time Concord and Ever Source and the other interest of Mr. Poon Sau Tin were duplicated.
3. BNP Paribas Jersey is deemed to be interested in the shares and Listed Warrants in the capacity of a trust through interests of corporations controlled by it as follows:

Name of Controlled Corporation	Name of Controlling Shareholders	Percentage Control
Ground Point	BNP Paribas Jersey	100%
Red Tiles	BNP Paribas Jersey	100%
Guidance	Ground Point	100%
Time Concord	Red Tiles	100%
Ever Source	Guidance	50%
Ever Source	Time Concord	50%

4. These shares and Listed Warrants are held by Ever Source. The issued share capital of Ever Source is beneficially owned as to 50% by Time Concord, a company incorporated in the British Virgin Islands ("BVI") and indirectly owned by a discretionary trust, the beneficiaries of which are family members of Mr. Poon Sum, and as to 50% by Guidance, a company incorporated in the BVI and indirectly owned by a discretionary trust, the beneficiaries of which are family members of Mr. Poon Sau Tin, the elder brother of Mr. Poon Sum. Accordingly, each of Mr. Poon Sum and Mr. Poon Sau Tin will be deemed to be interested in 377,794,558 shares, which represent approximately 10.13% of the shares in issue as at 30 September 2010, because each of them is the respective founder of the aforesaid two discretionary trusts which indirectly own 50% beneficial interest in Ever Source respectively.

Save as disclosed above, there was no person known to the directors of the Company, other than a director of the Company, who as at 30 September 2010 had an interest or short position in the shares or underlying shares of the Company as recorded in the register kept under section 336 of the SFO.

DIRECTORS' INTEREST IN COMPETING BUSINESS

None of the Directors has an interest in a business which competes or may compete with the business of the Group.

MANAGEMENT CONTRACTS

No contracts concerning the management and administration of the whole or any substantial part of the business of the Group were entered into or existed during the period.



PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES

Neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the Company's listed securities during the six months ended 30 September 2010.

CORPORATE GOVERNANCE

The Group has adopted the Code on Corporate Governance Practices ("Code") as set out in Appendix 14 of the Listing Rules which came into effect on 1 January 2005. During the period, the Code had been duly complied except for the deviation as follows:

Code Provision A4.1 requires that the non-executive directors should be appointed for a specific term and subject to re-election. The Company does not fully comply with the code that the independent non-executive directors of the Company are not appointed for specific terms but are subject to retirement by rotation and re-election at the annual general meeting of the Company in accordance with the Company's Articles of Association.

AUDIT COMMITTEE

The Audit Committee comprises Mr. Chan Shu Kin, Mr. Chan Kam Ching, Paul and Mr. Cheung Kwan Hung, the independent non-executive Directors of the Company. The objectives of the Audit Committee are to review and oversee the Group's financial reporting and internal control systems.

During the period under review, the Audit Committee has reviewed with the Company's management the unaudited interim report before it was approved by the Board.

COMPLIANCE WITH THE MODEL CODE

The Group has adopted the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code") as set out in Appendix 10 to the Listing Rules. Save as disclosed below, all Directors have confirmed, following specific enquiry by the Group that they have fully complied with the required standard set out in the Model Code throughout the review period.

Reference is made to the announcements (the "Announcements") of the Company dated 30 July 2010 and 2 August 2010 respectively in relation to, among other matters, the acquisition of 51% and 19% of the issued share capital of Rich Luck Group Limited. Capitalised terms used in this section shall have the same meaning as those defined in the Announcements unless expressly provided otherwise.



Due to an unintentional and inadvertent oversight, Mr. Poon Sum, an executive director of the Company, who only wanted to follow the suit of the Company to settle the consideration for the Sale Shares by way of Shares, agreed to transfer the Shares held under his name to the Vendor as partial settlement for the consideration for the Sale Shares during the black-out period.

Mr. Poon Sum acknowledges that the agreement to transfer his Shares to the Vendor upon Completion constitutes a non-compliance with paragraph A.3.(a)(i) of Appendix 10 to the Listing Rules. In order to rectify the mistake, the supplemental agreement dated 2 August 2010 has been entered into among Easyrich Group Holdings Limited, Mr. Poon Sum, the Vendor and the Warrantors that Mr. Poon Sum shall settle the consideration for the Second Sale Shares in cash upon Completion.

Save as disclosed above, to the best of the Directors' knowledge and information, none of the past or existing Directors has in breach of paragraph A.3.(a)(i) of Appendix 10 to the Listing Rules since the listing of the shares of the Company on the Stock Exchange.

The Company would like to emphasize that it is an inadvertent and unintentional event and the Company has explained to all the Directors the standard and requirements to be complied with in securities dealings to ensure no recurrence of such non-compliance.

By Order of the Board

Poon Sum

Chairman

Hong Kong, 26 November 2010

As at the date of this report, the board comprises Mr. Poon Sum, Mr. Wong Kwok Leung and Mr. Poon Wai Kong as executive Directors; Mr. Chan Shu Kin, Mr. Chan Kam Ching, Paul and Mr. Cheung Kwan Hung as independent non-executive Directors.