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

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

2010/11
Annual Report

* *For identification purposes only*

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CORPORATE INFORMATION

BOARD OF DIRECTORS

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

Independent Non-executive Directors
Mr. ZHU Yao Bin
Mr. LAU Hon Kee
Ms. LIN Yan

BOARD COMMITTEES

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

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

COMPANY SECRETARY

Mr. PANG Man Chun Manson, CPA

AUTHORISED REPRESENTATIVES

Mr. WONG Wing
Mr. PANG Man Chun Manson

REGISTERED OFFICE

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P.O. Box 2681
Grand Cayman KY1-1111
Cayman Islands

HEAD OFFICE AND PRINCIPAL PLACE OF BUSINESS

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Far East Finance Centre
16 Harcourt Road
Admiralty
Hong Kong

AUDITOR

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

PRINCIPAL SHARE REGISTRAR AND TRANSFER OFFICE

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

HONG KONG BRANCH SHARE REGISTRAR AND TRANSFER OFFICE

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

PRINCIPAL BANKERS

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

Société Genérale
38th Floor, Three Pacific Place
1 Queen's Road East
Hong Kong

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

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

Bank of China (Hong Kong) Limited
9/F Bank of China Tower
1 Garden Road
Hong Kong

WEBSITE

www.strongpetrochem.com

STOCK CODE

852

CHAIRMAN'S STATEMENT

TO ALL SHAREHOLDERS,

On behalf of the board (the "Board") of directors (the "Directors") of Strong Petrochemical Holdings Limited (the "Company"), I am pleased to present the audited consolidated financial results of the Company and its subsidiaries (the "Group") for the year ended 31 March 2011.

During the year, the Group recorded revenue of approximately HK$7,890.7 million representing a year on year increase of approximately 38.1%. However, gross profit has dropped by 16.2% to approximately HK$364.2 million. The Group recorded profit for the year ended 31 March 2011 of approximately HK$102.3 million (2010: HK$201.6 million) which was mainly due to the decrease in gross margin of trading products as well as the decrease in rental income due to the expiry of rental agreement in relation to our floating storage unit.

The Group had injected a significant amount of resources in business development including expanding customer base, exploring new markets and broadening the trade product lines. Despite of the absence of instant improvement in our core business activities, the Group believes that such efforts will emerge in the long run and bring us good prospect in the near future.

The Group had entered into a subscription agreement with two independent third parties to acquire 24% effective interest in Aral Petroleum Capital LLP which was granted an exploration licence and production licence of crude oil in North Block in Aktobe Oblast in the Republic of Kazakhstan. Currently, the acquisition is yet to complete and the long stop date for completion has been extended. The Board is confident that such acquisition will create business synergies with the Group's existing oil trading and storage businesses, which in turn, broaden the revenue base of the Group and increase the competitiveness of the existing oil trading business.

Looking forward, the Group will strengthen its foundation by achieving steady expansion on existing core business, broadening trade product lines and expanding the sales network internationally. In addition, the Group will continue to explore potential investment opportunities in order to improve the shareholders' return.

Lastly, on behalf of all Board members, I would like to express my gratitude to the Shareholders and business partners of the Group for their support and trust during the past year, and my most sincere appreciation to the Directors and all the staff of the Group for their dedication and contribution.

Wang Jian Sheng
Chairman
Hong Kong 30 June 2011

MANAGEMENT DISCUSSION AND ANALYSIS

Strong Petrochemical Holdings Limited and its subsidiaries is principally engaged in the trading of oil products. 69.7% of the Group's revenue is generated from trading of crude oil for the financial year ended 31 March 2011 ("FY 2010/11") (90.0% for the financial year ended 31 March 2010 ("FY 2009/10")). For FY 2010/11, the revenue generated from trading of petroleum products is approximately 19.5% (4.6% for FY 2009/10) and revenue generated from petrochemical products is approximately 10.8% (5.4% for FY 2009/10).

BUSINESS REVIEW

Surge in crude oil price

The global economy has been recovering in 2010. The demand for primary resource – crude oil also increased. Such increase was due to the increase in crude oil consumption in the private sector as well as the public sector. The strong demand drove up the price of crude oil. The crude oil price is one of the major components in our price formula. Our average crude oil sales price per barrel has been increased by 23.5% which is approximately US$16.9 per barrel from US$71.8 to US$88.7. The surge in oil price did have a negative effect on our gross margin as the market information is getting more and more transparent. It narrows down our gross margin on each sale.

Trading business performance

During the year, crude oil trading has been decreased, our floating storage unit is not in full capacity all the time especially in the second half of the year. Some of the storage tanks required urgent repair and maintenance, the wear and tear is getting more serious as the floating storage unit getting older. Besides the crude oil trading, the Group has injected extra resources to broaden our trading business. Different varieties of petroleum and petrochemical products have been introduced into the trading mix. The main focus of the Group is to broaden our sales channels to Asian Countries for a stronger sales network. The revenue generated from petroleum products for FY 2010/11 has been increased by HK$1,279.6 million and the revenue generated from petrochemical products has been increased by HK$543.0 million.

Investment in Tianjin Port Sinochem Petrochemical Dock Co., Ltd

The Group hold 15% equity interest of Tianjin Port Sinochem Petrochemical Dock Co., Ltd. ("Tianjin Dock Project") through Smart Team Investments Limited. The revised total registered capital was approximately RMB139.4 million and has been fully paid by all shareholders during the year. The Tianjin Dock Project covers 26,451.80 m^2 of land and will build two berths with the capacities of 50,000 DWT and 10,000 DWT. The Tianjin Dock Project is adjacent to the Tianjin Storage Project. It provides logistic services to the Tianjin Storage Project. The construction of Tianjin Dock Project has been expedited to match with the completion of the Phase 1 construction of Tianjin Storage Project. The Tianjin Dock Project has been completed at the end of December 2010 and it is on trial run with the Tianjin Storage Project now.

MANAGEMENT DISCUSSION AND ANALYSIS

Acquisition of 40% equity interest of Asia Sixth Energy Resources Limited

On 18 November 2010, the Group entered into a subscription agreement with The Sixth Energy Limited and Asia Sixth Energy Resources Limited ("Asia Sixth") allowing the Group to effectively own 24% in Aral Petroleum Capital LLP which was granted an exploration licence and production licence of crude oil in North Block in Aktobe Oblast in the Republic of Kazakhstan. The exploration licence covers an area of 3,449 km^2 with a series of exploration structures, the low, best and high estimate prospective recoverable resources are approximately 72.78 million barrels, 217.70 million barrels and 708.21 million barrels respectively. Meanwhile, the production licence covers a producing oil field, East Zhagabulak ("EZ field"), with 2 producing wells (EZ213 and EZ301). The estimated proved plus probable reserves (2P) for EZ field are approximately 6.23 million barrels. Up to the date of this report, the acquisition is yet to complete as certain conditions precedent of the Subscription have not been fulfilled. Accordingly all parties involved have agreed to extend the long stop date for completion to 20 July 2011 or any date mutually agreed in writing by all the parties. The investing public will be inform timely if there is any progress in relation to the acquisition.

RECENT EVENT

On 20 May 2011, the Company and Polaris Securities Co., Ltd. ("Polaris") entered into a service agreement, pursuant to which the Company has engaged Polaris as a financial adviser to provide financial advisory services to the Company in relation to the Proposed Taiwan Depositary Receipts ("TDR") Listing. The Board considers that the Proposed TDR Listing will further increase the liquidity for the Company's Shares and broaden and diversify the shareholder base of the Company. The Proposed TDR Listing will also increase public awareness of the Group and will promote the Group's corporate image in Taiwan. This will enhance the Group's competitiveness and benefit the Group's business development initiatives in Taiwan in the future. In addition, as at the date of this report, neither the Company nor the controlling shareholders of the Company has finalised any decision on the issuance of any new Shares, or placement of existing Shares of the Company, or the granting of option to issue new Shares of the Company. The Board will further inform the shareholders of the Company and the investing public from time to time on any major development on the Proposed TDR Listing.

MANAGEMENT DISCUSSION AND ANALYSIS

FINANCIAL REVIEW

Revenue

		Year ended 31 March					
		2011			2010		
Products	Units	**Number of shipment**	**Sales quantity**	**Turnover HK$ million**	Number of shipment	Sale quantity	Turnover HK$ million
Crude oil	BBL	**14**	**7,943,169**	**5,495.8**	25	9,175,631	5,140.9
Petroleum products	BBL	**8**	**2,507,935**	**1,541.8**	3	495,832	262.2
Petrochemical products	MT	**26**	**99,660**	**853.1**	15	50,086	310.1
Total		**48**		**7,890.7**	43		5,713.2

Total revenue for FY 2010/11 was approximately HK$7,890.7 million which was increased by 38.1% when comparing with previous year.

Revenue generated from trading of crude oil for FY 2010/11 was approximately HK$5,495.8 million which was increased by 6.9%. Such increase in revenue with decrease in sales volume was mainly due to the surge in the average oil price during the year. The average oil price between FY 2009/10 and FY 2010/11 had increased by 23.5%.

Revenue generated from trading of petroleum products for FY 2010/11 was approximately HK$1,541.8 million which was almost 6 times of the previous year' revenue. Such increase was attributable to the effort made by Group to broaden the variety of petroleum product for sales.

Revenue generated from trading of petrochemical products for FY 2010/11 was approximately HK$853.1 million which was significantly increased by 175.1%. The increase was attributable to the continued expansion of the Group's petrochemical trading team as well as the increase in the varieties of petrochemical products.

Cost of Sales

The cost of sales of the Group for FY 2010/11 was approximately HK$7,526.5 million, representing a 42.6% increase (approximately HK$2,248.0 million) when compared to HK$5,278.5 million in FY 2009/10. Its increase was in line with the increase in revenue.

MANAGEMENT DISCUSSION AND ANALYSIS

Gross Profit

Gross profit for FY 2010/11 has been decreased by HK$70.5 million, it is approximately HK$364.2 million (FY 2009/10: HK$434.7 million).

Other income

Other income for FY 2010/11 was approximately HK$5.7 million. It has been decreased by HK$28.9 million when comparing with HK$34.6 million in FY 2009/10. Such decrease was mainly attributable to the termination of rental income received from the floating storage unit. The floating storage unit has been retained for our own usage for the whole FY 2010/11.

Fair value Changes on Derivative Financial Instruments

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

The trading in derivative financial instruments recorded a loss of approximately HK$112.0 million for FY 2010/11 (FY 2009/10: HK$115.3 million).

Distribution and selling expenses

The distribution and selling expenses for FY 2010/11 was approximately HK$81.9 million (FY 2009/10: HK$87.5 million), mainly reflect the costs to exploring new suppliers and customers and the operation of the floating storage unit, including a non cash share based payment of HK$7.6 million (FY 2009/10: HK$31.5 million).

Administration and other expenses

The total administrative and other expenses incurred by the Group for FY 2010/11 was approximately HK$47.0 million, compared to the total administrative and other expenses of HK$56.4 million in previous year. Administrative and other expenses for FY 2010/11 and FY 2009/10 mainly reflect costs to human resources and the running costs of the Group's operations in the Hong Kong, Macao and the PRC.

Finance Costs

The finance costs were mainly attributed by the short term credit facilities as well as bank charges. Financial costs for FY 2010/11 were approximately HK$23.0 million, which were increased by 87.0% from HK$12.3 million in FY 2009/10. During the year, the storage facilities available for use have been increased due to the expiry of storage rental agreement with external parties. The Group is capable to purchase more inventories for trading purpose and hence credit facilities for inventory financing have also increased eventually.

MANAGEMENT DISCUSSION AND ANALYSIS

Share of loss of an Associate

Share of loss of an associate for FY 2010/11 was approximately HK$1.0 million (FY 2009/10: HK$0.6 million), representing a 15% loss incurred by the Group's associate – Sinochem Tianjian Port Petrochemical Terminal Co., Ltd.

Taxation

Hong Kong Profits Tax was calculated at 16.5% on the estimated assessable profit since 1 April 2008. For FY 2010/11, no provision for Hong Kong Profits Tax has been provided as the tax loss has been incurred by the operations in Hong Kong subsidiary.

No provision for PRC Enterprise Income tax has been provided for the PRC subsidiary for FY 2010/11.

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

Taxation arising in other jurisdictions is calculated at the rates prevailing in the relevant jurisdictions.

Profit for the year

Profit for FY 2010/11 was approximately HK$102.3 million, representing a decrease of HK$99.3 million when comparing with HK$201.6 million in FY 2009/10.

Project status

Nantong Project is the development of storage of petrochemical and petroleum products business in Nantong City, Jiangsu Province, the PRC. It is carried out by Strong Petrochemical (Nantong) Logistics Co., Ltd., an indirect wholly owned subsidiary of the Company. As at 31 March 2011, the total capital expenditure incurred by Nantong Project was amounted to RMB26.8 million (31 March 2010: RMB26.4 million). The Nantong Project is still being reviewed and reassessed by the management. The unutilized IPO proceeds for Nantong Project is amounted to HK$106.2 million and it has been kept in our bank account for its future usage.

The Tianjin Storage Project is the establishment and operation of storage facilities for crude oil, petroleum products and petrochemical products located in Tianjin Nanjiang Port Zone. It is carried out by Sinochem Tianjin Port Petrochemical Terminal Co., Ltd. (the "Tianjin Company"). An indirect wholly owned subsidiary of the Company holds 15% interest of the Tianjin Company. Phase 1 construction has been completed and trial run approval has been granted by the Safety Inspection Commission of Tianjin Authority. Phase 2 was under construction. There will be a total of 48 storage facilities for crude, petroleum and petrochemical products. Phase 2 construction is expected to complete on March 2012. The Railway construction has been included in the Phase 2 construction. The preliminary feasibility report on railway construction has been approved by the Beijing Railway Authority and several supporting documents including the preliminary draft on the design of railway construction are prepared for submission. The railway construction is expected to be complete by the end of June 2012.

MANAGEMENT DISCUSSION AND ANALYSIS

Liquidity and Financial Resource

The bank balances and cash as at 31 March 2011 was approximately HK$400.9 million (31 March 2010: HK$152.6 million).

The banking facilities as at 31 March 2011 amounted US$490 million (equivalent to HK$3,822 million) (31 March 2010: US357 million/HK$2,785 million). The bill payable as at 31 March 2011 was approximately HK$78.9 million. The bank borrowings as at 31 March 2011 was amounted to HK$727.3 million, representing the trust receipt loans in respect to inventory procurement.

Net cash used in operating activities was amounted to HK$57.4 million. Net cash from investing activities was amounted to HK$87.7 million which are return of pledged bank deposits as well as the deposits placed with brokers. Net cash from financing activities was amounted to HK$217.6 million which is mainly contributed by the short term bank borrowings.

As at 31 March 2011, the current ratio of the Group was 1.35 times (2010: 1.47 times) and the gearing ratio was 0.9 times (2010: 0.6 times). Gearing ratio is equal to bank borrowing divided by total equity. The decrease in current ratio and increase in gearing ratio are mainly contributed by the increase in bank borrowings for inventory procurement.

Dividends

The Board does not recommend any final dividends paid or proposed in respect of the year ended 31 March 2011 (2010: HK$3 cents per share).

Charges of Assets and Contingent Liabilities

As at 31 March 2011, the Group's banking facilities were secured by pledged bank deposits of approximately HK$15.6 million (31 March 2010: HK$57.6 million), inventories and properties owned by the Group.

As at 31 March 2011, the Group has no significant contingent liabilities.

Foreign Exchange Exposure

The function currencies of the Group are denominated in US dollars. The reporting currencies are denominated in Hong Kong Dollars. Since the exchange rate of US dollars against Hong Kong dollars is relatively stable during the year, the exposure on foreign exchange is minimal.

Capital Commitments

The Group had authorized but not contracted for the capital expenditure of approximately RMB93.0 million for FY 2010/11 (FY 2009/10: RMB93.4 million) in respect of the construction of the petroleum and petrochemical products storage facilities on the two leasehold land parcel acquired in Nantong, Jiangsu Province, the PRC.

The Group is required to pay the committed registered capital contribution of an associate, Tianjin Port Sinochem Petrochemical Dock Co., Ltd. of approximately RMB6.1 million in the coming year.

BOARD OF DIRECTORS

EXECUTIVE DIRECTORS

Mr. WANG Jian Sheng (王健生先生), aged 57, is the Chairman and an executive Director. In October 2000, Mr. Wang invested in our Group and acted as a substantial shareholder. At the same time he joined our Group as the supervisor. He graduated from Henan University of Science and Technology (河南科技大學), formerly known as Luoyang Industrial College (洛陽工學院) in the PRC and was awarded in 1978 a bachelor´s degree in metallic materials and heat process. Mr. Wang was deputy manager of the Focus Project Department from 1985 to 1987 and senior project manager in the General Planning Department of Beijing Everbright Industries Company Limited (北京光大實業公司). Between 1988 and 2000, Mr. Wang was involved in the trading business and property investment business. He is responsible for overseeing the function of the Board, formulating major corporate and business strategies, and identifying business goals and the related business plan at the high level. On 1 February 2008, Mr. Wang was appointed as an executive Director. He also is an independent non-executive director of K.P.I. Company Limited (港佳控股有限公司) (Stock Code: 605).

Mr. YAO Guoliang (姚國梁先生), aged 45, the chief executive officer and an executive Director. In November 1999, Mr. Yao founded our Group, and has been a director and a trader of our Group since then. He graduated from University of International Business and Economics (對外經濟貿易大學) in the PRC and was awarded in 1988 with a bachelor´s degree in economics. Prior to setting up our Group, he worked in the crude oil division of Sinochem International Oil Company (中化國際石油公司) as a crude oil trader from August 1988 to December 1993. During the period from 1994 to 1997, he was a director of UNIPEC Asia Company Limited (聯合石化亞洲有限公司) and was responsible for general management and oil trading. He has more than 20 years of experience in handling crude oil trading and associated hedging activities. Leveraging on his extensive experience in the oil industry, Mr. Yao is responsible for formulating our corporate and business strategies, business development and management, trade solicitation as well as hedging implementation. On 1 February 2008, Mr. Yao was appointed as an executive Director.

Mr. WONG Wing (黃榮先生), aged 43, an executive Director, is responsible for the finance and risk management of our Company. He is a member of the American Institute of Certified Public Accountants and a member of the Association of Financial Professionals. He has over 17 years of experience in handling finance and auditing work. He joined our Group in March 2004 as a general manager and was in charge of the setting up of Strong Petrochemical Limited (Macao Commercial Offshore). Mr. Wong is responsible for the Group's financial management, day-to-day operations and the formulation of the Group's risk management policy. He was appointed as an executive Director on 3 March 2008.

BOARD OF DIRECTORS

INDEPENDENT NON-EXECUTIVE DIRECTORS

Mr. ZHU Yao Bin (**祝耀濱先生**), aged 71, has been an independent non-executive Director since 28 November 2008. He is currently the senior consultant in Changshu Alliance Chemical Co., Ltd. (常熟市聯邦化工有限公司). He was accredited an engineer by the State Council of the PRC in 1980, and was named deputy general engineer in China Petrochemical Corporation (中國石油化工總公司) in August 1984. He was deputy general manager of China Petrochemical International Co., Ltd. (中國石化國際事業有限公司) from 1992 to 1995 and chief executive of UNIPEC (中國國際石化聯合公司) from 1995 to 1998. He obtained a certificate in 1964 from the Shanghai TV University (上海電視大學) in the PRC, in inorganic chemistry, organic chemistry and analytical chemistry.

Mr. LAU Hon Kee (**劉漢基先生**), FCPA, CPA (Aust.), aged 40, has been independent non-executive director since 28 November 2008. Mr. Lau has over 10 years´ experience in and has held positions in various fields including audit, finance and accounting, and has held senior management positions in technology service and manufacturing companies before 2003. Since March 2003, Mr. Lau has been the financial controller and company secretary of the Shandong Luoxin Pharmacy Stock Company Limited (山東羅欣藥業股份有限公司) (Stock Code: 8058), a company listed on the Growth Enterprise Market of the Stock Exchange. Mr. Lau holds a bachelor´s degree in commerce from the Australian National University and a Master's degree in Professional Accounting from the Hong Kong Polytechnic University. Mr. Lau is a Fellow CPA of the Hong Kong Institute of Certified Public Accountants and a CPA of CPA Australia.

Ms. LIN Yan (**林燕女士**), aged 47, has been an independent non-executive Director since 28 November 2008. She is a member of Certified General Accountant Association of Ontario in Canada. She is currently executive vice president and chief finance officer of Tebon Securities Co., Ltd (德邦證券有限責任公司) in Shanghai, the PRC. Ms. Lin has over 10 years of experience in the finance industry. She held the position as a senior compliance manager in Rabobank Hong Kong Branch from 1997 to 1999. In 2000 to 2001, she was the corporate controller of Assante Advisory Services in Toronto, Canada. She later joined China Eagle Securities Co, Ltd (大鵬證券有限責任公司) in the PRC as the assistant chief finance officer until mid 2002. She obtained her bachelor of science degree majoring in chemistry from Huaqiao University (華僑大學), the PRC, in 1985. In 1993, she obtained a master´s degree in business administration from Queen´s University, Kingston, Canada. She has been a member of the Self-Disciplinary Committee of the Securities Association of China (中國證券業協會) since February 2008.

CORPORATE GOVERNANCE REPORT

THE BOARD OF DIRECTORS

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

As at 31 March 2011, the Board comprises three executive Directors and three independent non-executive Directors. The Board has appointed the audit committee and the remuneration committee to oversee specific areas of the Company's affairs. The composition of the Board and the committees are given below and their respective responsibilities are discussed later in this report.

Board of Directors	**Audit Committee**	**Remuneration Committee**
Executive Directors	Mr. Lau Hon Kee *(Chairperson)*	Ms. Lin Yan *(Chairperson)*
Mr. Wang Jian Sheng *(Chairman)*	Mr. Zhu Yao Bin	Mr. Lau Hon Kee
Mr. Yao Guoliang *(Chief Executive Officer)*	Ms. Lin Yan	Mr. Wang Jian Sheng
Mr. Wong Wing		
Independent Non-executive Directors		
Mr. Zhu Yao Bin		
Mr. Lau Hon Kee		
Ms. Lin Yan		

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

CORPORATE GOVERNANCE REPORT

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

Attendance	No. of meetings attended
Mr. Wang Jian Sheng	9
Mr. Yao Guoliang	9
Mr. Wong Wing	9
Mr. Zhu Yao Bin	6
Mr. Lau Hon Kee	6
Ms. Lin Yan	6

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

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

AUDIT COMMITTEE

The Audit Committee comprises all three independent non-executive Directors. It is responsible for accounting principles and practices, auditing, internal controls and legal and regulatory compliance of the Group. It also reviewed the interim and final results of the Group prior to recommending them to the Board for approval. It meets to review financial reporting and internal control matters and to this end has unrestricted access to the Company's auditor. The Committee is chaired by Mr. Lau Hon Kee, a qualified accountant with relevant experience in financial reporting and control. During FY 2010/11, the Audit Committee held one meeting and had 100 percent attendance.

REMUNERATION COMMITTEE

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

CORPORATE GOVERNANCE REPORT

The main elements of the Company's remuneration policy are no individual should determine his or her own remuneration, and remuneration should reflect performance, complexity, position, duties and responsibility of the individual. The committee is chaired by Miss Lin Yan. For the year ended 31 March 2011, the Remuneration Committee held one meeting to review and approve the remuneration package of directors for the year ended 31 March 2011 and had 100 percent attendance.

CHAIRMAN AND CHIEF EXECUTIVE OFFICER

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

AUDITOR'S REMUNERATION

Auditor's remuneration in relation to audit amounted to HK$1,320,000 (2010: HK$1,400,000). The following remuneration was paid by the Group to its auditor, Deloitte Touche Tohmatsu:

	2011	2010
	HK$'000	HK$'000
Audit service	**1,320**	1,400
Not audit services	**7**	298
	1,327	1,698

INTERNAL CONTROL

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

The Board has conducted a review on the effectiveness of the system of internal control of the Company for the year ended 31 March 2011. The Board had, with the management, conducted a high-level risk assessment of its core business management processes and risk management function. The management is following up the recommendations in order to enhance the internal control policies and procedures of the Company.

CORPORATE GOVERNANCE REPORT

In addition to the internal control review conducted by the Board, the Group had engaged an independent risk advisory consultant from one of the four largest accountancy and professional services firms to perform risk assessment procedures in respect of our risk management functions in relating to the policies and procedures of the hedging activities for the year ended 31 March 2011. Report on the results of assessment and recommendations were provided to the management and the Audit Committee.

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

MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS

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

ACCOUNTABILITY AND AUDIT

The Directors are responsible for overseeing the preparation of accounts of each financial period, which give a true and fair view of the state of affairs of the Group and of the results and cash flow for that period. In preparing the accounts for the year ended 31 March 2011, the Directors have selected suitable accounting policies and have applied them consistently, adopted appropriate Hong Kong Financial Reporting Standards and Hong Kong Accounting Standards which are pertinent to its operations and relevant to the financial statements, made judgments and estimates that are prudent and reasonable, and have prepared the accounts on the going concern basis.

INVESTOR RELATIONS AND COMMUNICATION WITH SHAREHOLDERS

The Board recognises the importance of maintaining on-going communication with the shareholders. Several communication channels including annual general meeting or other general meetings, publication of interim and annual reports and operation of corporate website have been established in order to meet this requirement. The aims of the Company are to improved its transparency, gain more understanding and confidence in relation to the Group's business developments and acquire more market recognition and support from the shareholders.

The annual general meeting provides a useful forum for shareholders to exchange views with the Board. The Chairman of the Board as well as the Chairman of various committees of the Board will be present in the 2010/11 Annual General Meeting of the Company to answer shareholders' questions.

DIRECTORS' REPORT

The directors present their annual report and the audited consolidated financial statements of Strong Petrochemical Holdings Limited and its subsidiaries for the year ended 31 March 2011.

PRINCIPAL ACTIVITIES

The Company acts as an investment holding company.

The principal activities of the Company's subsidiaries are set out in note 36 to the consolidated financial statements.

RESULTS AND APPROPRIATION

The results of the Group for the year ended 31 March 2011 are set out in the consolidated statement of comprehensive income on page 26.

The Board does not recommend any final dividends paid or proposed in respect of the year ended 31 March 2011 (2010: HK$3 cents per share).

CLOSURE OF REGISTER OF MEMBERS

The register of members of the Company will be closed from 16 August 2011 to 17 August 2011, both days inclusion, during which period no transfer of shares will be registered. In order to be eligible to attend and vote at the forthcoming annual general meeting of the Company, all transfer of shares accompanied by the relevant share certificates must be lodged with the Company's branch share registrar in Hong Kong, Tricor Investor Services Limited of 26th Floor, Tesbury Centre, 28 Queen's Road East, Wanchai, Hong Kong for registration not later than 4:30 p.m. on 15 August 2011.

PROPERTY, PLANT AND EQUIPMENT

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

SHARE CAPITAL

Details of the movements in the share capital of the Company during the year are set out in note 28 to the consolidated financial statements.

RESERVES

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

DIRECTORS' REPORT

DISTRIBUTABLE RESERVES

The distributable reserves of the Company as at 31 March 2011 was approximately HK$49.7 million.

DIRECTORS

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

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

In accordance with the provisions of the Company's Bye-Laws, Mr. Zhu Yao Bin and Ms. Lin Yan will retire and, being eligible, will offer themselves for re-election at the forthcoming annual general meeting.

DIRECTORS' SERVICE CONTRACTS

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

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

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

DIRECTORS' REPORT

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

As at 31 March 2011, the interest and short positions of the directors and chief executives in the shares and underlying shares of the Company its associated corporations, as recorded in the register maintained by the Company pursuant to Section 352 of the Securities and Futures Ordinance, or otherwise notified to the Company and The Stock Exchange of Hong Kong Limited pursuant to the Model Code for Securities Transactions by Directors of Listed Companies ("Model Code"), were as follows:

Ordinary shares of HK$0.025 each of the Company

Name of director	Capacity	Number of issued ordinary shares held	Percentage of the issued share capital of the Company (%)
Mr. Wang Jian Sheng	Interest of a controlled corporation *(Note 1)*	1,041,446,000 (L) *(Note 2)*	64.62
Mr. Yao Gaoliang	Interest of a controlled corporation *(Note 1)*	1,041,446,000 (L) *(Note 2)*	64.62
Mr. Wong Wing	Beneficial owner	700,000 (L) *(Note 3)*	0.04
Ms. Lin Yan	Beneficial owner	840,000 (L)	0.05
Mr. Zhu Yao Bin	Beneficial owner	840,000 (L)	0.05

Note: (L) Long position

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

Note 2: On September 2010, Forever Winner acquired a total of 878,000 shares through 5 transactions. The total number of share hold by Forever Winner was increased from 1,040,000,000 shares to 1,040,878,000 shares. Subsequently on October 2010, Forever Winner further acquired a total of 568,000 shares through 6 transactions. The total number of share hold by Forever Winner was increased from 1,040,878,000 shares to 1,041,446,000 shares.

Note 3: Subsequent to the year ended 31 March 2011, Mr. Wong Wing has sold some of his share and is holding 700,000 Company's shares as at the date of this report.

DIRECTORS' REPORT

SHARE OPTIONS

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

Eligible participants	Date of grant (dd/mm/yy)	Exercise price HK$	Number of share options outstanding at 1/4/2010	Reclassification during the year *(Note b)*	Number of share options exercised during the year	Number of share options outstanding at 31/3/2011
Executive director						
Mr. Wong Wing	7/5/2009	0.645	6,400,000	—	2,600,000	3,800,000
Independent non-executive directors						
Mr. Lau Hon Kee	7/5/2009	0.645	1,200,000	—	—	1,200,000
Ms. Lin Yan	7/5/2009	0.645	720,000	—	360,000	360,000
Mr. Zhu Yao Bin	7/5/2009	0.645	720,000	—	360,000	360,000
Subtotal of directors			9,040,000	—	3,320,000	5,720,000
Employees	7/5/2009	0.645	11,840,000	(1,440,000)	2,340,000	8,060,000
Others *(Note a)*	7/5/2009	0.645	133,260,000	1,440,000	2,270,000	132,430,000
Total			154,140,000	—	7,930,000	146,210,000

Notes:

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

(b) During the year, some individuals worked for the Group as consultants rather than employees. Since they are committed to provide services to the Group on continuous basis till 8 May 2011, the options were not cancelled or forfeited.

The eligible participants shall exercise the share options during the following periods:

(i) 40% of the share options from 8 May 2009;

(ii) another 30% of the share options from 8 May 2010;

(iii) the remaining 30% of the share options from 8 May 2011, and in each case, not later than 28 November 2018.

DIRECTORS' REPORT

SUBSTANTIAL SHAREHODLERS

As at 31 March 2011, the following person (not being a director or a chief executive of the Company) have interest or short positions in the shares or underlying shares of the Company as recorded in the register required to be kept under section 336 of the SFO.

Long position in Shares

Name of shareholder	Nature of interest	Total Number of shares	Percentage of shareholding %
Forever Winner International Ltd.	Beneficial Owner	1,041,446,000(L)	64.62

Note:

(L) Long position

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

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

Saved as disclosed above, the register required to be kept under section 336 of the SFO shows that as at 31 March 2011, the Company had not been notified of any other person who had an interest or short position in the shares and underlying shares of the Company.

ARRANGEMENTS TO PURCHASE SHARES OR DEBENTURES

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

DIRECTORS' REPORT

CONTINUING CONNECTED TRANSACTION

For FY 2010/11, the Group paid the rental expenses of approximately HK$998,000 to Strong Property, a company in which the controlling shareholders have beneficial interests, for the use of office premises.

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

NON-COMPETITION UNDERTAKING

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

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

MAJOR CUSTOMERS AND SUPPLIERS

In the year under review, sales to the Group's five largest customers and purchases from the five largest suppliers accounted for around 62.2% and 60.5% of the total sales and purchases for the year, respectively. The Group's largest customer and supplier accounted for around 25.2% and 22.1% of the total sales and purchases for the year, respectively.

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

DIRECTORS' REPORT

EMOLUMENT POLICY

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

The Group employed 36 employees in total as at 31 March 2011 (31 March 2010: 29 employees). The Group implemented its remuneration policy, bonus and share option schemes based on the achievements and performance of employees.

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

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

At the annual general meeting held on 17 August 2010, the Directors were granted a general mandate to purchase the shares of the Company not exceeding 10% of the aggregate nominal amount of its issued share capital as at the date of passing of the relevant resolution. During the year, the Company repurchased its own shares on the Stock Exchange as follows:

Month of repurchase	No. of ordinary shares of HK$ 0.025 each	Price per share Highest	Price per share Lowest	Aggregate consideration paid
	'000	HK$	HK$	HK$'000
December 2010	1,110	1.40	1.32	1,523
January 2011	1,006	1.40	1.36	1,397
	2,116			2,920

The repurchased shares were cancelled during the year and the issued share capital of the Company was reduced by the nominal value thereof.

Save as disclosed above, neither the Company nor any of its subsidiaries has purchased, sold or redeemed any of the listed securities of the Company during the year.

PRE-EMPTIVE RIGHTS

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

DIRECTORS' REPORT

RETIREMENT BENEFITS SCHEMES

Other than operating a Hong Kong Mandatory Provident Fund Scheme, participating in the defined contribution pension scheme operated by the Macao government authority and the People's Republic of China state-managed retirement benefits scheme, the Group has not operated any other retirement benefits schemes for the Group's employees. Particulars of the retirement benefits schemes are set out in note 31 to the consolidated financial statements.

CODE ON CORPORATE GOVERNANCE PRACTICES

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

INDEPENDENT NON-EXECUTIVE DIRECTORS

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

SUFFICIENCY OF PUBLIC FLOAT

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

AUDITOR

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

On behalf of the Board
Wang Jian Sheng
Chairman

30 June 2011

INDEPENDENT AUDITOR'S REPORT

Deloitte.
德勤

TO THE MEMBERS OF STRONG PETROCHEMICAL HOLDINGS LIMITED
(incorporated in the Cayman Islands with limited liability)

We have audited the consolidated financial statements of Strong Petrochemical Holdings Limited (the "Company") and its subsidiaries (collectively referred to as the "Group") set out on pages 26 to 78, which comprise the consolidated statement of financial position as at 31 March 2011, and the consolidated statement of comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

DIRECTORS' RESPONSIBILITY FOR THE CONSOLIDATED FINANCIAL STATEMENTS

The directors of the Company are responsible for the preparation of financial statements that give a true and fair view 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, and for such internal control as the directors determine is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

AUDITOR'S RESPONSIBILITY

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

INDEPENDENT AUDITOR'S REPORT

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

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

OPINION

In our opinion, the consolidated financial statements give a true and fair view of the state of affairs of the Group as at 31 March 2011 and of the Group's profit and cash flows for the year then ended in accordance with Hong Kong Financial Reporting Standards and have been properly prepared in accordance with the disclosure requirements of the Hong Kong Companies Ordinance.

Deloitte Touche Tohmatsu
Certified Public Accountants
Hong Kong
30 June 2011

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For The Year Ended 31 March 2011

	NOTES	2011 HK$'000	2010 HK$'000
Revenue	6	**7,890,665**	5,713,234
Cost of sales		**(7,526,503)**	(5,278,498)
Gross profit		**364,162**	434,736
Other income	7	**5,654**	34,649
Fair value changes on derivative financial instruments		**(112,019)**	(115,319)
Distribution and selling expenses		**(81,841)**	(87,543)
Administrative expenses		**(45,346)**	(39,103)
Other expenses		**(1,603)**	(17,312)
Finance costs	8	**(23,047)**	(12,260)
Share of loss of an associate		**(954)**	(598)
Profit before taxation		**105,006**	197,250
Taxation (charge) credit	9	**(2,686)**	4,347
Profit for the year	10	**102,320**	201,597
Other comprehensive income			
Exchange difference arising on translation		**6,889**	721
Total comprehensive income for the year		**109,209**	202,318
Earnings per share	14		
– basic (HK$)		**0.06**	0.13
– diluted (HK$)		**0.06**	0.12

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 31 March 2011

	NOTES	2011 HK$'000	2010 HK$'000
Non-current assets			
Property, plant and equipment	15	**157,218**	180,028
Prepaid lease payments	16	**21,114**	20,666
Available-for-sale investments	17	**392**	392
Bank structured deposit	18	**19,579**	19,014
Interests in associates	19	**134,847**	110,950
Deferred tax asset	27	**4,358**	4,358
		337,508	335,408
Current assets			
Inventories	20	**1,024,350**	366,757
Prepaid lease payments	16	**459**	440
Trade receivables	21	**437,800**	632,238
Other receivables, deposits and prepayments		**21,204**	10,935
Tax recoverable		**3,651**	2,738
Deposits placed with brokers	22	**63,372**	128,936
Pledged bank deposits	23	**15,610**	57,642
Bank balances and cash	23	**400,866**	152,605
		1,967,312	1,352,291
Current liabilities			
Trade and bills payables	24	**667,471**	369,353
Other payables and accruals	24	**22,286**	25,425
Bank borrowings	25	**727,253**	463,414
Derivative financial instruments	26	**34,436**	50,824
Tax payable		**4,749**	9,540
		1,456,195	918,556
Net current assets		**511,117**	433,735
Total assets less current liabilities		**848,625**	769,143

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 31 March 2011

	NOTES	2011	2010
		HK$'000	HK$'000
Equity			
Share capital	28	**40,292**	40,147
Reserves		**800,856**	728,996
Total equity		**841,148**	769,143
Non-current liability			
Deferred tax liability	27	**7,477**	—
		848,625	769,143

The consolidated financial statements on pages 26 to 78 were approved and authorised for issue by the Board of Directors on 30 June 2011 and are signed on its behalf by:

Wang Jian Sheng
DIRECTOR

Yao Guoliang
DIRECTOR

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For The Year Ended 31 March 2011

	Share capital HK$'000	Share premium HK$'000	Special reserve HK$'000 (Note 1)	Legal reserve HK$'000 (Note 2)	Share option reserve HK$'000	Translation reserve HK$'000	Retained profits HK$'000	Total HK$'000
At 1 April 2009	40,000	197,216	(1,922)	49	—	2,717	336,049	574,109
Exchange differences arising on translation	—	—	—	—	—	721	—	721
Profit for the year	—	—	—	—	—	—	201,597	201,597
Total comprehensive income for the year	—	—	—	—	—	721	201,597	202,318
Recognition of equity-settled share-based payments	—	—	—	—	37,074	—	—	37,074
Issue of shares on exercise of share options	147	5,280	—	—	(1,646)	—	—	3,781
Dividend recognised as distribution (note 13)	—	—	—	—	—	—	(48,139)	(48,139)
	147	5,280	—	—	35,428	—	(48,139)	(7,284)
At 31 March 2010	40,147	202,496	(1,922)	49	35,428	3,438	489,507	769,143
Exchange differences arising on translation	—	—	—	—	—	6,889	—	6,889
Profit for the year	—	—	—	—	—	—	102,320	102,320
Total comprehensive income for the year	—	—	—	—	—	6,889	102,320	109,209
Recognition of equity-settled share-based payments	—	—	—	—	8,990	—	—	8,990
Issue of shares on exercise of share options	198	7,161	—	—	(2,244)	—	—	5,115
Shares repurchased and cancelled	(53)	(2,867)	—	—	—	—	—	(2,920)
Dividend recognised as distribution (note 13)	—	—	—	—	—	—	(48,389)	(48,389)
	145	4,294	—	—	6,746	—	(48,389)	(37,204)
At 31 March 2011	**40,292**	**206,790**	**(1,922)**	**49**	**42,174**	**10,327**	**543,438**	**841,148**

Notes:

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

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

CONSOLIDATED STATEMENT OF CASH FLOWS

For The Year Ended 31 March 2011

	2011	2010
	HK$'000	HK$'000
OPERATING ACTIVITIES		
Profit before taxation	**105,006**	197,250
Adjustments for:		
Bank interest income	**(259)**	(217)
Finance costs	**23,047**	12,260
Share-based payment expense	**8,990**	37,074
Depreciation	**23,731**	17,850
Amortisation of prepaid lease payments	**449**	438
Loss (gain) on disposal of property, plant and equipment	**1**	(9)
Write-down of inventories	**–**	9,145
Change in fair value of bank structured deposit	**(565)**	(1,518)
Change in fair value of derivative financial instruments	**(16,388)**	21,188
Share of loss of an associate	**954**	598
Operating cash flows before movements in working capital	**144,966**	294,059
Increase in inventories	**(657,593)**	(375,902)
Decrease (increase) in trade receivables	**194,438**	(171,491)
Increase in other receivables, deposits and prepayments	**(10,269)**	(7,195)
Decrease in amount due from an oil trading company	**–**	5,528
Increase in trade and bills payables	**298,118**	89,263
(Decrease) increase in other payables and accruals	**(3,139)**	8,769
Cash used in operations	**(33,479)**	(156,969)
Interest paid and bank charges	**(23,047)**	(12,260)
Income tax paid	**(913)**	(5,614)
NET CASH USED IN OPERATING ACTIVITIES	**(57,439)**	(174,843)

CONSOLIDATED STATEMENT OF CASH FLOWS

For The Year Ended 31 March 2011

	2011 HK$'000	2010 HK$'000
INVESTING ACTIVITIES		
Bank interest received	**259**	217
Purchase of property, plant and equipment	**(569)**	(189,454)
Proceeds from disposal of property, plant and equipment	**–**	9
Investments in associates	**(19,602)**	(60,830)
Decrease (increase) in pledged bank deposits	**42,032**	(16,166)
Decrease (increase) in deposits placed with brokers	**65,564**	(53,647)
NET CASH FROM (USED IN) INVESTING ACTIVITIES	**87,684**	(319,871)
FINANCING ACTIVITIES		
Payment on repurchase of shares	**(2,920)**	—
Proceeds from exercise of share options	**5,115**	3,781
New bank loans raised	**5,773,875**	2,758,411
Repayment of bank borrowings	**(5,510,036)**	(2,294,997)
Dividends paid	**(48,389)**	(48,139)
NET CASH FROM FINANCING ACTIVITIES	**217,645**	419,056
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	**247,890**	(75,658)
CASH AND CASH EQUIVALENTS AT BEGINNING OF THE YEAR	**152,605**	228,149
EFFECT OF FOREIGN EXCHANGE RATE CHANGES	**371**	114
CASH AND CASH EQUIVALENTS AT END OF THE YEAR	**400,866**	152,605
ANALYSIS OF THE BALANCES OF CASH AND CASH EQUIVALENTS		
Bank balances and cash	**400,866**	152,605

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31March 2011

1. GENERAL

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

The Company acts as an investment holding company. The principal activities of the Company's subsidiaries are set out in note 36.

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

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

New and revised standards, amendments and interpretations applied in current year

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

HKFRS 2 (Amendments)	Group cash-settled share-based payment transactions
HKFRS 3 (as revised in 2008)	Business combinations
HKAS 27 (as revised in 2008)	Consolidated and separate financial statements
HKAS 32 (Amendments)	Classification of rights issues
HKAS 39 (Amendments)	Eligible hedged items
HKFRSs (Amendments)	Improvements to HKFRSs issued in 2009
HKFRSs (Amendments)	Amendments to HKFRS 5 as part of Improvements to HKFRSs issued in 2008
HK(IFRIC) - INT 17	Distributions of non-cash assets to owners
HK - INT 5	Presentation of financial statements - Classification by the borrower of a term loan that contains a repayment on demand clause

The application of the new and revised standards, amendments and interpretations in the current year has had no material effect on the amounts reported in these consolidated financial statements and/or disclosures set out in these consolidated financial statements.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2011

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

New and revised standards, amendments and interpretations issued but not yet effective

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

HKFRSs (Amendments)	Improvements to HKFRSs issued in 2010[1]
HKFRS 7 (Amendments)	Disclosures - Transfers of financial assets[3]
HKFRS 9	Financial instruments[4]
HKAS 12 (Amendments)	Deferred tax: Recovery of underlying assets[5]
HKAS 24 (as revised in 2009)	Related party disclosures[6]
HK(IFRIC) - INT 14 (Amendments)	Prepayments of a minimum funding requirement[6]
HK(IFRIC) - INT 19	Extinguishing financial liabilities with equity instruments[2]

1 Amendments that are effective for accounting periods beginning on or after 1 July 2010 or 1 January 2011, as appropriate.

2 Effective for accounting periods beginning on or after 1 July 2010.

3 Effective for accounting periods beginning on or after 1 July 2011.

4 Effective for accounting periods beginning on or after 1 January 2013.

5 Effective for accounting periods beginning on or after 1 January 2012.

6 Effective for accounting periods beginning on or after 1 January 2011.

HKFRS 9 "Financial instruments" (as issued in November 2009) introduces new requirements for the classification and measurement of financial assets. HKFRS 9 "Financial instruments" (as revised in November 2010) adds requirements for financial liabilities and for derecognition.

Under HKFRS 9, all recognised financial assets that are within the scope of HKAS 39 "Financial instruments: Recognition and measurement" are subsequently measured at either amortised cost or fair value. Specifically, debt investments that are held within a business model whose objective is to collect the contractual cash flows, and that have contractual cash flows that are solely payments of principal and interest on the principal outstanding are generally measured at amortised cost at the end of subsequent accounting periods. All other debt investments and equity investments are measured at their fair values at the end of subsequent accounting periods.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31March 2011

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

New and revised standards, amendments and interpretations issued but not yet effective *(continued)*

In relation to financial liabilities, the significant change relates to financial liabilities that are designated as at fair value through profit or loss. Specifically, under HKFRS 9, for financial liabilities that are designated as at fair value through profit or loss, the amount of change in the fair value of the financial liability that is attributable to changes in the credit risk of that liability is presented in other comprehensive income, unless the presentation of the effects of changes in the liability's credit risk in other comprehensive income would create or enlarge an accounting mismatch in profit or loss. Changes in fair value attributable to a financial liability's credit risk are not subsequently reclassified to profit or loss. Previously, under HKAS 39, the entire amount of the change in the fair value of the financial liability designated as at fair value through profit or loss was presented in profit or loss.

HKFRS 9 is effective for accounting periods beginning on or after 1 January 2013, with earlier application permitted.

The directors anticipate that the application of HKFRS 9 that will be adopted in the Group's consolidated financial statements for financial year ending 31 March 2014 is expected to affect the classification and measurement of the Group's available-for-sale investments.

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

In addition to the above, the HKICPA issued the following new and revised standards on 24 June 2011.

HKFRS 10	Consolidated financial statements
HKFRS 11	Joint arrangements
HKFRS 12	Disclosure of interests in other entities
HKFRS 13	Fair value measurement
HKAS 27 (as revised in 2011)	Separate financial statements
HKAS 28 (as revised in 2011)	Investments in associates and joint ventures

These new or revised standards are mandatorily effective for accounting periods beginning on or after 1 January 2013. Early application is permitted. However, excluding HKFRS 13, if an entity chooses to apply any of the other five new or revised standards early, it must apply all five at the same time. The directors anticipate these standards will be adopted in the Group's consolidated financial statements for the period beginning 1 April 2013. The directors have not yet had an opportunity to consider the potential impact of the adoption of these standards.

3. SIGNIFICANT ACCOUNTING POLICIES

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

The consolidated financial statements have been prepared on the historical cost basis except for certain financial instruments that are measured at fair values, as explained in the accounting policies set out below. Historical cost is generally based on the fair value of the consideration given in exchange for goods.

The principal accounting policies adopted are set out below.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2011

3. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Basis of consolidation

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

The results of subsidiaries acquired or disposed of during the year 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 in full on consolidation.

Investments in associates

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

The results and assets and liabilities of associates are incorporated in these consolidated financial statements using the equity method of accounting. Under the equity method, investments in associates are initially recognised in the consolidated statement of financial position at cost and adjusted thereafter to recognise the Group's share of the profit or loss and other comprehensive income of the associates. When the Group's share of losses of an associate equals or exceeds its interest in that associate (which includes any long-term interests that, in substance, form part of the Group's net investment in the associate), the Group discontinues recognising its share of further losses. Additional losses are recognised only to the extent that the Group has incurred legal or constructive obligations or made payments on behalf of that associate.

The requirements of HKAS 39 are applied to determine whether it is necessary to recognise any impairment loss with respect to the Group's investment in an associate. When necessary, the entire carrying amount of the investment (including goodwill) is tested for impairment in accordance with HKAS 36 "Impairment of assets" as a single asset by comparing its recoverable amount (higher of value in use and fair value less costs to sell) with its carrying amount. Any impairment loss recognised forms part of the carrying amount of the investment. Any reversal of that impairment loss is recognised in accordance with HKAS 36 to the extent that the recoverable amount of the investment subsequently increases.

When a group entity transacts with its associate, profits and losses resulting from the transactions with the associate are recognised in the Group's consolidated financial statements only to the extent of interests in the associate that are not related to the Group.

3. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Revenue recognition

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

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

Service income is recognised when services are provided.

Interest income from a financial asset is recognised when it is probable that the economic benefits will flow to the Group and the amount of revenue can be measured reliably. Interest income from a financial asset is accrued on a time basis, by reference to the principal outstanding and at the effective interest rate applicable, which is the rate that exactly discounts the estimated future cash receipts through the expected life of the financial asset to that asset's net carrying amount on initial recognition.

Property, plant and equipment

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

Depreciation is recognised so as to write off the cost of items of property, plant and equipment (other than construction in progress) over their estimated useful lives, using the straight-line method. The estimate useful lives, residual values and depreciation method are reviewed at the end of each reporting period, with the effect of any changes in estimate accounted for on a prospective basis.

Construction in progress includes property, plant and equipment in the course of construction for production or for its own use purposes. Costs include professional fees and, for qualifying assets, borrowing costs capitalised in accordance with the Group's accounting policy. Construction in progress is carried at cost less any recognised impairment loss. Construction in progress is classified to the appropriate category of property, plant and equipment when completed and ready for intended use. Depreciation of these assets, on the same basis as other property assets, commences when the assets are ready for their intended use.

An item of property, plant and equipment is derecognised upon disposal or when no future economic benefits are expected to arise from the continued use of the asset. Any gain or loss arising on the disposal or retirement of an item of property, plant and equipment is determined as the difference between the sales proceeds and the carrying amount of the asset and is recognised in profit or loss.

3. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Leasing

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

The Group as lessee

Operating lease payments are recognised as an expense on a straight-line basis over the term of the relevant lease, except where another systematic basis is more representative of the time pattern in which economic benefits from the leased asset are consumed.

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

The Group as lessor

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

Foreign currencies

In preparing the financial statements of each individual group entity, transactions in currencies other than the entity's functional currency ("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 the reporting period, monetary items denominated in foreign currencies are retranslated at the rates prevailing at that date. Non-monetary items carried at fair value that are denominated in foreign currencies are retranslated at the rates prevailing on the date when the fair value was determined. Non-monetary items that are measured in terms of historical cost in a foreign currency are not retranslated.

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

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. HK$) using exchange rates prevailing at the end of the reporting period, and their income and expenses are translated at the average exchange rates for the year, unless exchange rates fluctuate significantly during the year, in which case, the exchange rates prevailing at the dates of transactions are used. Exchange differences arising, if any, are recognised in other comprehensive income and accumulated in equity (the translation reserve).

3. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Borrowing costs

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

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

Retirement benefit costs

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

Taxation

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

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

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

Deferred tax liabilities are recognised for taxable temporary differences arising on investments in subsidiaries and associates, except where the Group is able to control the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future. Deferred tax assets arising from deductible temporary differences associated with such investments and interests are only recognised to the extent that it is probable that there will be sufficient taxable profits against which to utilise the benefits of the temporary differences and they are expected to reverse in the foreseeable future.

3. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Taxation *(continued)*

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

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the period in which the liability is settled or the asset is realised, based on tax rates (and tax laws) that have been enacted or substantively enacted by the end of the reporting period.

The measurement of deferred tax liabilities and assets reflects the tax consequences that would follow from the manner in which the Group expects, at the end of the reporting period, to recover or settle the carrying amount of its assets and liabilities. Deferred tax is recognised in profit or loss, except when it relates to items that are recognised in other comprehensive income or directly in equity, in which case the deferred tax is also recognised in other comprehensive income or directly in equity respectively.

Inventories

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

Financial instruments

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

Financial assets and financial liabilities are initially measured at fair value. Transaction costs that are directly attributable to the acquisition or issue of financial assets and financial liabilities (other than financial assets and financial liabilities at fair value through profit or loss) are added to or deducted from the fair value of the financial assets or financial liabilities, as appropriate, on initial recognition. Transaction costs directly attributable to the acquisition of financial assets or financial liabilities at fair value through profit or loss are recognised immediately in profit or loss.

Financial assets

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

3. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Financial instruments *(continued)*

Financial assets *(continued)*

Effective interest method

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

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

Financial assets at FVTPL

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

A financial asset is classified as held for trading if:

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

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

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

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

3. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Financial instruments *(continued)*

Financial assets *(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. Subsequent to initial recognition, loans and receivables (including trade receivables, other receivables and deposits, deposits placed with brokers, pledged bank deposits, bank balances and cash) are carried at amortised cost using the effective interest method, less any identified impairment losses (see accounting policy on impairment of financial assets below).

Available-for-sale financial assets

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

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

Impairment of financial assets

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

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31March 2011

3. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Financial instruments *(continued)*

Financial assets *(continued)*

Impairment of financial assets (continued)

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

- significant financial difficulty of the issuer or counterparty; or
- breach of contract, such as default or delinquency in interest or principal payments; or
- it becoming probable that the borrower will enter bankruptcy or financial re-organisation; or
- the disappearance of an active market for that financial asset because of financial difficulties.

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

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

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

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

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2011

3. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Financial instruments *(continued)*

Financial assets *(continued)*

Impairment of financial assets (continued)

Impairment losses on available-for-sale equity investments will not be reversed in profit or loss in subsequent periods. Any increase in fair value subsequent to impairment loss is recognised directly in other comprehensive income and accumulated in investment revaluation reserve.

Financial liabilities and equity

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

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

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

Effective interest method

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

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

Financial liabilities at FVTPL

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

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

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31March 2011

3. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Financial instruments *(continued)*

Financial liabilities and equity *(continued)*

Other financial liabilities

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

Equity instruments

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

Repurchase of the Company's own equity instruments is recognised and deducted directly in equity. No gain or loss is recognised in profit or loss on the purchase, sale, issue or cancellation of the Company's own equity instruments.

Derivative financial instruments and hedging

Derivatives are initially recognised at fair value at the date a derivative contract is entered into and are subsequently remeasured to their fair value at the end of the reporting period. The resulting gain or loss is recognised in profit or loss immediately.

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 in its entirety, the difference between the asset's carrying amount and the sum of the consideration received and receivable and the cumulative gain or loss that had been recognised in other comprehensive income and accumulated in equity is recognised in profit or loss.

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

Impairment losses on tangible assets

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

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2011

3. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Share-based payment transactions

Equity-settled share-based payment transactions

Share options granted to employees

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

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

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

Share options granted to suppliers/consultants

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

4. CAPITAL RISK MANAGEMENT

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

The capital structure of the Group consists of debt representing bank borrowings disclosed in note 25, net of cash and cash equivalents, and equity attributable to owners of the Company, comprising issued share capital, share premium, retained profits and other reserves as disclosed in the consolidated statement of changes in equity.

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31March 2011

5. FINANCIAL INSTRUMENTS

	2011	2010
	HK$'000	HK$'000
Categories of financial instruments		
Financial assets		
FVTPL		
– Designated as at FVTPL	19,579	19,014
Loans and receivables (including cash and cash equivalents)	918,167	972,055
Available-for-sale financial assets	392	392
Financial liabilities		
FVTPL		
– Held for trading	34,436	50,824
Amortised cost	1,399,905	837,649

Financial risk management objectives and policies

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

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

5. FINANCIAL INSTRUMENTS *(continued)*

Financial risk management objectives and policies *(continued)*

Market risks

Interest rate risk

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

The Group's cash flow interest rate risk primarily relates to its variable-rate bank balances, pledged bank deposits, deposits placed with brokers and bank borrowings, as set out in notes 22, 23 and 25 respectively.

Sensitivity analysis

The sensitivity analysis below have been determined based on the exposure to interest rates for variable-rate bank balances, pledged bank deposits, deposits placed with brokers and bank borrowings at the end of the reporting period. The analysis is prepared assuming the amount of bank balances, pledged bank deposits, deposits placed with brokers and bank borrowings outstanding at the end of the reporting period were outstanding for the whole year. A 10 basis points (2010: 10 basis points) increase or decrease is used for bank balances, pledged bank deposits, deposits placed with brokers and a 50 basis points (2010: 50) increase or decrease is used for bank borrowings which represents management's assessment of reasonably possible changes in interest rates.

For bank balances, pledged bank deposits, deposits placed with brokers if the interest rate increase/decrease by 10 basis points (2010: 10 basis points) and all other variables were held constant, the post-tax profit for the year will increase/decrease by approximately HK$480,000 (2010: HK$339,000).

For bank borrowings, if interest rate increase/decrease by 50 basis points (2010: 50 basis points) and all other variables were held constant; the post-tax profit for the year will decrease/increase by approximately HK$3,636,000 (2010: HK$2,317,000).

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31March 2011

5. FINANCIAL INSTRUMENTS *(continued)*

Financial risk management objectives and policies *(continued)*

Market risks

Currency risk

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

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

	Liabilities		**Assets**	
	2011	2010	**2011**	2010
	HK$'000	HK$'000	**HK$'000**	HK$'000
Functional currency as US$ against				
HK$	**210**	358	**2,559**	1,444
Other currencies	**49**	58	**270**	210
US$ against functional currency as				
Renminbi ("RMB")	**–**	—	**16,713**	10,267

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

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

The directors considered that the sensitivity of the Group's exposure towards the change in other foreign exchange rates is not significant as the assets and liabilities of the Group denominated in currency other than functional currency of a particular group entity were insignificant at the end of the reporting period.

5. FINANCIAL INSTRUMENTS *(continued)*

Financial risk management objectives and policies *(continued)*

Other price risk

Oil price risk

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

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

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

Sensitivity analysis

If the reference oil price had been 10% higher/lower and all other variables were held constant, the Group's profit for the year would decrease/increase by approximately HK$51,260,000 (2010: HK$99,886,000). The sensitivity rate of 10% represents management's assessment of the reasonably possible change in the reference oil price.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31March 2011

5. FINANCIAL INSTRUMENTS *(continued)*

Financial risk management objectives and policies *(continued)*

Other price risk *(continued)*

Reference index price risk

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

Liquidity risk

In the management of the liquidity risk, the Group monitors and maintains a level of cash and cash equivalents deemed adequate by the management to finance the Group's operations and mitigate the effects of fluctuations in cash flows. The management monitors the utilisation of bank borrowings and ensures compliance with loan covenants.

The Group relies on bank borrowings as a significant source of liquidity. As at 31 March 2011, the Group has available unutilised short-term bank loan facilities of approximately US$386,642,000 (equivalent to HK$3,015,810,000) (2010: US$294,985,000 (equivalent to HK$2,300,887,000)).

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2011

5. FINANCIAL INSTRUMENTS *(continued)*

Financial risk management objectives and policies *(continued)*

Liquidity risk *(continued)*

	Weighted average effective interest rate	On demand or less than 1 month	1 month to 3 months	3 months to 1 year	Total undiscounted cash flows	Total carrying amount
	%	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
As at 31 March 2011						
Non-derivative financial liabilities						
Trade and bills payables	–	409,308	258,163	–	667,471	667,471
Other payables	–	3,251	105	1,825	5,181	5,181
Bank borrowings - variable rate	1.63%	728,241	–	–	728,241	727,253
		1,140,800	258,268	1,825	1,400,893	1,399,905
Derivatives - net settlement						
– futures contracts		12,119	–	–	12,119	12,119
– swap contracts		24,871	(2,554)	–	22,317	22,317
		36,990	(2,554)	–	34,436	34,436
As at 31 March 2010						
Non-derivative financial liabilities						
Trade and bills payables	—	369,353	—	—	369,353	369,353
Other payables	—	2,992	105	1,785	4,882	4,882
Bank borrowings - variable rate	1.97%	331,381	132,868	—	464,249	463,414
		703,726	132,973	1,785	838,484	837,649
Derivatives - net settlement						
– futures contracts		20,895	16,201	—	37,096	37,096
– swap contracts		3,097	4,742	5,889	13,728	13,728
		23,992	20,943	5,889	50,824	50,824

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31March 2011

5. FINANCIAL INSTRUMENTS *(continued)*

Financial risk management objectives and policies *(continued)*

Credit risk

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

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

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

Other than concentration of credit risk on liquid funds and bank structured deposit which are deposited with several financial institutions with high credit ratings, the Group also has concentration of credit risk on the trade receivables. The total trade receivables of the Group as at 31 March 2011 were due from 6 (2010: 2) customers. These customers are mainly large and established oil trading companies or/and foreign state-owned energy companies with good financial backgrounds. The management closely monitors the subsequent settlement of the customers. At the same time, the management endeavours to diversify and expand the customer base in order to mitigate the concentration of credit risk through establishing new business relationships with non state-owned licensed import agents and overseas oil trading companies.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2011

5. FINANCIAL INSTRUMENTS *(continued)*

Fair value

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

- the fair values of financial assets and financial liabilities with standard terms and conditions and traded on active liquid markets are determined with reference to quoted market bid prices and ask prices respectively;
- the fair value of derivative instruments is calculated using quoted prices. Where such prices are not available, use is made of discounted cash flow analysis using the applicable yield curve for the duration of the instruments for non-optional derivatives, and option pricing models for optional derivatives; and
- the fair values of other financial assets and financial liabilities (excluding derivative instruments) are determined in accordance with generally accepted pricing models based on discounted cash flow analysis.

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

Fair value measurements recognised in the statement of financial position

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

- Level 1 fair value measurements are those derived from quoted prices (unadjusted) in active market for identical assets or liabilities.
- Level 2 fair value measurements are those derived from inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices).
- Level 3 fair value measurements are those derived from valuation techniques that include inputs for the asset or liability that are not based on observable market data (unobservable inputs).

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31March 2011

5. FINANCIAL INSTRUMENTS *(continued)*

Fair value *(continued)*

	At 31 March 2011			
	Level 1	**Level 2**	**Level 3**	**Total**
	HK$'000	**HK$'000**	**HK$'000**	**HK$'000**
Financial asset at FVTPL				
Bank structured deposit	**–**	**–**	**19,579**	**19,579**
Financial liabilities at FVTPL				
Derivative financial instruments	**–**	**34,436**	**–**	**34,436**

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

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

Reconciliation of Level 3 fair value measurements of financial asset

	Bank structured deposit HK$'000
At 1 April 2009	17,496
Total gain or losses	
– Fair value change in bank structured deposit classified as asset at FVTPL recognised in profit or loss	1,518
At 31 March 2010	19,014
Total gain or losses	
– Fair value change in bank structured deposit classified as asset at FVTPL recognised in profit or loss	565
At 31 March 2011	19,579

6. REVENUE AND SEGMENTAL INFORMATION

Revenue

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

Segmental information

The Group's revenue is substantially derived from a single business operation of trading of crude oil, petroleum and petrochemical products ("Trading Business"). The financial information for the Trading Business as a whole, is regularly reviewed by the executive directors of the Company and used for the purposes of assessment of performance and resource allocation. Accordingly, the Trading Business as a whole constitute one operating segment for the purpose of segment information presentation under HKFRS 8.

Though the management plans to develop an oil storage business in the People's Republic of China (the "PRC" excluding Hong Kong and Macao), the storage facilities are still in construction and it has not yet generated any revenue up to 31 March 2011. The Group's revenue and results are principally derived from the Trading Business and management of the Group has been managing the Group as a single operating segment in both years. The revenue and results are disclosed in the consolidated statement of comprehensive income.

Revenue from major products

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

	2011	2010
	HK$'000	HK$'000
Crude oil	**5,495,834**	5,140,920
Petroleum products	**1,541,772**	262,215
Petrochemical products	**853,059**	310,099
	7,890,665	5,713,234

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2011

6. REVENUE AND SEGMENTAL INFORMATION *(continued)*

Geographical information

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

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

	Revenue from external customers		Non-current assets	
	2011	2010	**2011**	2010
	HK$'000	HK$'000	**HK$'000**	HK$'000
Hong Kong	**143,492**	—	**118**	177
Macau	**–**	—	**1,257**	1,348
PRC	**3,765,614**	4,735,783	**30,000**	28,699
Malaysia*	**2,978,602**	227,483	**146,957**	170,470
Indonesia	**504,705**	—	**–**	—
Korea	**255,533**	361,007	**–**	—
Other Southeast Asia countries	**242,719**	388,961	**–**	—
	7,890,665	5,713,234	**178,332**	200,694

* Based on the terms of the contracts, certain trade transactions were carried out with customers directly arranged the transportation to obtain crude oil and petroleum products from the vessel of the Group, which served as storage facilities, anchoring at a port in Malaysia. These trade transactions were thus categorised under sales to Malaysia.

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

Information about major customers

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

	2011	2010
	HK$'000	HK$'000
Customer A	**1,984,652**	—*
Customer B	**796,597**	—*
Customer C	**791,215**	—*
Customer D	**–***	2,057,240
Customer E	**–***	1,045,393
Customer F	**–***	906,256

* Revenue below 10% of total sales for the respective period is not disclosed.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2011

7. OTHER INCOME

	2011 HK$'000	2010 HK$'000
Rental income from leasing car parking spaces and unutilised storage area of the self-owned vessel	**2,976**	30,635
Bank interest income	**259**	217
Service income	**538**	2,279
Increase in fair value on bank structured deposit	**565**	1,518
Others	**1,316**	—
	5,654	34,649

8. FINANCE COSTS

	2011 HK$'000	2010 HK$'000
Interests on short-term borrowings	**17,372**	6,271
Bank charges on letter of credit facilities	**5,675**	5,989
	23,047	12,260

9. TAXATION CHARGE (CREDIT)

	2011 HK$'000	2010 HK$'000
(Over)underprovision in prior years:		
Hong Kong Profits Tax	**–**	11
PRC Enterprise Income Tax	**(4,791)**	—
	(4,791)	11
Deferred tax (note 27)	**7,477**	(4,358)
	2,686	(4,347)

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2011

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

No provision for Hong Kong Profits Tax has been made for the year since tax losses were incurred for the subsidiaries with operations in Hong Kong.

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

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

Taxation arising in other jurisdictions is calculated at the rates prevailing in the relevant jurisdictions.

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

	2011	2010
	HK$'000	HK$'000
Profit before taxation	**105,006**	197,250
Tax at applicable Hong Kong Profits Tax rate of 16.5% (2010: 16.5%)	**17,326**	32,546
Tax effect of income not taxable for tax purposes	**(108)**	(265)
Tax effect of expenses not deductible for tax purposes	**493**	868
Effect of tax exemption granted to Macao subsidiary	**(20,849)**	(38,337)
Tax effect of share of loss of an associate	**157**	99
Tax effect of tax losses and other temporary difference not recognised	**5,183**	731
Tax effect of deductible temporary difference previously not recognised	**5,275**	—
(Over)underprovision in respect of prior years	**(4,791)**	11
Taxation for the year	**2,686**	(4,347)

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2011

10. PROFIT FOR THE YEAR

	2011	2010
	HK$'000	HK$'000
Profit for the year is arrived after charging (crediting):		
Auditor's remuneration	1,320	1,400
Amortisation of prepaid lease payments (included in other expenses)	449	438
Depreciation of property, plant and equipment		
Vessel (Note)	23,513	17,635
Others	218	215
Net foreign exchange losses	702	183
Loss (gain) on disposal of property, plant and equipment	1	(9)
Operating lease rentals in respect of oil storage facilities, a vessel and rented premises	1,494	16,697
Directors' emoluments (note 11)	2,192	4,229
Other staff costs		
Salaries, bonus and other allowances	10,824	9,844
Retirement benefits scheme contributions	278	146
Share-based payments	698	2,873
	13,992	17,092
Write-down of inventories (included in cost of sales)	–	9,145
Cost of inventories recognised as expense (included in cost of sales)	7,449,961	5,171,911
Share-based payments to outsiders (included in distribution and selling expenses)	7,641	31,513

Note: As one-third of the vessel was leased out for rental income from 29 June 2009 to 30 April 2010, the respective depreciation of vessel amounting to HK$653,000 (2010: HK$5,878,000), together with the attributable operating costs of the vessel, was included in other expenses. The remaining amount of HK$22,860,000 (2010: HK$11,757,000), together with the attributable operating costs of the vessel, was included in distribution and selling expenses.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2011

11. DIRECTORS' EMOLUMENTS

The emoluments paid or payable to each of the 6 (2010: 6) directors were as follows:

	Executive director			Independent non-executive director			
	Wang Jian Sheng HK$'000	Yao Guoliang HK$'000	Wong Wing HK$'000	Zhu Yao Bin HK$'000	Lau Hon Kee HK$'000	Lin Yan HK$'000	Total HK$'000
Fees	–	–	–	120	180	120	420
Other emoluments							
Salaries and other benefits	–	–	1,035	–	–	–	1,035
Share-based payments	–	–	450	67	67	67	651
Discretionary bonus	–	–	86	–	–	–	86
Total emoluments for 2011	–	–	1,571	187	247	187	2,192

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

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

During both years, no emoluments were paid by the Group to any of the directors as an inducement to join or upon joining the Group or as compensation for loss of office. None of the directors has waived any emoluments in both years.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2011

12. EMPLOYEES' EMOLUMENTS

Of the five individuals with the highest emoluments in the Group, one (2010: one) was director of the Company whose emoluments are included in the disclosures in note 11 above. The emoluments of the remaining four (2010: four) individuals were as follows:

	2011	2010
	HK$'000	HK$'000
Salaries and other benefits	**4,620**	5,115
Contributions to retirement benefits schemes	**36**	45
Share-based payments	**405**	1,668
	5,061	6,828

Their emoluments were within the following bands:

	2011	2010
	No. of employees	No. of employees
Nil to HK$1,000,000	**–**	1
HK$1,000,001 to HK$1,500,000	**4**	—
HK$1,500,001 to HK$2,000,000	**–**	1
HK$2,000,001 to HK$2,500,000	**–**	2

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2011

13. DIVIDENDS

	2011	2010
	HK$'000	HK$'000
Dividends recognised as distribution during the year:		
2011 Interim - nil (2010: 2010 interim dividend HK3 cents) per share	**–**	48,139
2010 Final - HK3 cents (2010: 2009 final dividend: nil)	**48,389**	—
	48,389	48,139

No dividend has been proposed since the end of the reporting period (2010: HK3 cents).

14. EARNINGS PER SHARE

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

	2011	2010
Weighted average number of ordinary shares for the purpose of calculating basic earnings per share	**1,610,448,472**	1,602,546,466
Effect of dilutive potential ordinary shares:		
Share options	**77,554,529**	67,042,685
Weighted average number of ordinary shares for the purpose of diluted earnings per share	**1,688,003,001**	1,669,589,151

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2011

15. PROPERTY, PLANT AND EQUIPMENT

	Vessel	Buildings	Leasehold improvements	Furniture and fixtures	Office equipment	Construction in progress	Total
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
COST							
At 1 April 2009	—	1,698	930	646	792	6,897	10,963
Exchange realignment	—	—	—	—	—	76	76
Additions	188,105	—	21	48	249	1,031	189,454
Disposals	—	—	—	—	(102)	—	(102)
At 31 March 2010	188,105	1,698	951	694	939	8,004	200,391
Exchange realignment	—	—	—	—	3	352	355
Additions	—	—	—	6	65	498	569
Disposals	—	—	—	—	(46)	—	(46)
At 31 March 2011	**188,105**	**1,698**	**951**	**700**	**961**	**8,854**	**201,269**
ACCUMULATED DEPRECIATION							
At 1 April 2009	—	383	930	638	664	—	2,615
Provided for the year	17,635	85	4	17	109	—	17,850
Eliminated on disposals	—	—	—	—	(102)	—	(102)
At 31 March 2010	17,635	468	934	655	671	—	20,363
Exchange realignment	—	—	—	—	2	—	2
Provided for the year	23,513	84	7	11	116	—	23,731
Eliminated on disposals	—	—	—	—	(45)	—	(45)
At 31 March 2011	**41,148**	**552**	**941**	**666**	**744**	**–**	**44,051**
CARRYING VALUES							
At 31 March 2011	**146,957**	**1,146**	**10**	**34**	**217**	**8,854**	**157,218**
At 31 March 2010	170,470	1,230	17	39	268	8,004	180,028

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

Vessel	12.5%
Buildings	5%
Leasehold improvements	Over the shorter of the term of the lease or 3-4 years
Furniture and fixtures	20% - 25%
Office equipment	19% - $33^1/_3$%

As at 31 March 2011 and 2010, all of the Group's buildings were pledged to secure certain banking facilities granted to the Group.

As at 31 March 2011 and 2010, construction in progress represents the cost incurred for construction of storage tanks.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2011

16. PREPAID LEASE PAYMENTS

The Group's prepaid lease payments at 31 March 2011 and 2010 comprise leasehold interest in land in the PRC with medium-term lease for 50 years.

The amounts are analysed for reporting purposes as:

	2011	2010
	HK$'000	HK$'000
Prepaid lease payments of the Group are analysed for reporting purpose as:		
Current asset	459	440
Non-current asset	21,114	20,666
	21,573	21,106

17. AVAILABLE-FOR-SALE INVESTMENTS

The amount represents a golf club membership.

18. BANK STRUCTURED DEPOSIT

The amounts at 31 March 2011 and 2010 represent a principal-protected structured deposit denominated in US$ whose principal amount is US$2,000,000 and maturity date is 9 May 2012. The bank structured deposit contains an embedded derivative, the return on which is determined with reference to a foreign exchange yield differential index published by the issuer of the structured deposit, which is a bank with high credit rating assigned by international credit-rating agencies. The structured deposit is designated at FVTPL at initial recognition.

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

At the end of the reporting period, there is a significant concentration of credit risk for financial assets designated at FVTPL. The carrying amount reflected at 31 March 2011 and 2010 represents the Group's maximum exposure to credit risk for such financial assets.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2011

19. INTERESTS IN ASSOCIATES

	2011 HK$'000	2010 HK$'000
Cost of investments in associates, unlisted	**129,751**	110,149
Share of post-acquisition losses	**(1,756)**	(802)
Exchange realignment	**6,852**	1,603
	134,847	110,950

As at 31 March 2011 and 2010, the Group had interests in the following associates:

Name of entity	Form of business structure	Country of establishment	Paid up registered capital 2011 RMB	Paid up registered capital 2010 RMB	Proportion of nominal value of registered capital held by the Group 2011 %	Proportion of nominal value of registered capital held by the Group 2010 %	Principal activity
中化天津港石化倉儲有限公司 (Sinochem Tianjin Port Petrochemical Terminal Co., Ltd.)	Sino-foreign owned enterprise	PRC	**628,060,000**	628,060,000	**15 (Note)**	15 (Note)	Provision of petrochemical products storage services (Not yet commence operation)
天津港中化石化碼頭有限公司 (Tianjin Port Sinochem Petrochemical Dock Co., Ltd.)	Sino-foreign owned enterprise	PRC	**139,388,000**	27,000,000	**15 (Note)**	15 (Note)	Development and operation of dock and related ancillary facilities (Not yet commence operation)

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2011

19. INTERESTS IN ASSOCIATES *(continued)*

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

	2011 HK$'000	2010 HK$'000
Total assets	**1,477,174**	752,358
Total liabilities	**(578,195)**	(12,690)
Net assets	**898,979**	739,668
Group's share of net assets	**134,847**	110,950
Revenue	**–**	—
Loss for the year	**6,358**	3,988
Group's share of loss for the year	**954**	598

20. INVENTORIES

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

Included in the balance are inventories of HK$727,253,000 (2010: HK$332,017,000) which have been pledged as security for bank loans.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2011

21. TRADE RECEIVABLES

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

	2011	2010
	HK$'000	HK$'000
0 to 30 days	**437,800**	632,238

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

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

22. DEPOSITS PLACED WITH BROKERS

The amount represents margin deposits placed with brokers for trading derivatives. The amount carried interest at interest rates which ranged from 0.0001% to 0.001% (2010: 0.0001% to 0.001%) per annum for the year.

23. PLEDGED BANK DEPOSITS AND BANK BALANCES AND CASH

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

Bank balances and cash comprised cash on hand, balances in saving and current accounts, and short-term bank deposits. As at 31 March 2011, the bank balances and cash of approximately HK$769,000 (2010: HK$422,000) were denominated in RMB which is not freely convertible into other currencies.

Pledged bank deposits, balances in saving account and short-term bank deposits carried effective interest at prevailing market rates which range from 0.01% to 0.6% (2010: 0.001% to 0.4%) per annum for the year.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2011

24. TRADE AND BILLS PAYABLES, OTHER PAYABLES AND ACCRUALS

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

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

	2011	2010
	HK$'000	HK$'000
0 to 30 days	**667,471**	369,353

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

As at 31 March 2011, included in other payables and accruals are the director fees of HK$105,000 (2010: HK$105,000) payable to all three independent non-executive directors. The balances are unsecured, non-interest bearing and repayable by the end of June 2011 (2010: end of June 2010).

25. BANK BORROWINGS

At 31 March 2011, the bank borrowings represent the trust receipt loans used to purchase inventories. At 31 March 2010, the bank borrowings represent the trust receipt loans and short-term margin loan. The loans carried interest at variable market rates of range from 0.73% to 3.00% (2010: 1.55% to 2.3075%) and are repayable within 3 months. The bank borrowings are secured by the buildings, certain inventories and bank deposits. Details of which were set out in notes 15, 20 and 23 respectively.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2011

26. DERIVATIVE FINANCIAL INSTRUMENTS

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

The major terms of these contracts are as follows:

At 31 March 2011

Notional amount	**Expiry date**	**Strike price**
Crude oil swap contracts - long position:		
USD35,202,500	29.04.2011 to 31.05.2011	USD632.5 to USD648.5 per metric ton
Crude oil swap contracts - short position:		
USD77,748,750	01.04.2011 to 31.05.2011	USD594 to USD655.75 per metric ton
Crude oil futures contracts - long position:		
USD15,323,310	14.04.2011 to 18.04.2011	USD99.95 to USD116.9 per barrel
Crude oil futures contracts - short position:		
USD34,080,630	14.04.2011 to 18.04.2011	USD98.55 to USD115.6 per barrel

At 31 March 2010

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

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

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2011

27. DEFERRED TAX

The following is the analysis of the deferred tax balances for financial reporting purposes:

	2011	2010
	HK$'000	HK$'000
Deferred tax asset	**4,358**	4,358
Deferred tax liability	**(7,477)**	—
	(3,119)	4,358

	Accelerated tax depreication	**Tax loss**	**Total**
	HK$'000	*HK$'000*	*HK$'000*
At 1 April 2009	—	—	—
Credit to profit or loss	—	4,358	4,358
At 31 March 2010	—	4,358	4,358
Charge to profit or loss	(7,477)	—	(7,477)
At 31 March 2011	(7,477)	4,358	(3,119)

At the end of the reporting period, the Group has estimated tax loss of approximately HK$63,873,000 (2010: HK$32,443,000) available for offset against future profits. A deferred tax asset has been recognised in respect of HK$26,411,000 (2010: HK$26,411,000), as the management considers it is probable that taxable profit will be available against which the tax loss can be utilised, based on the forecasted future profit streams. No deferred tax asset has been recognised in respect of the remaining HK$37,462,000 (2010: HK$6,032,000) due to the unpredictability of future profit streams. The losses may be carried forward indefinitely.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2011

28. SHARE CAPITAL

	Notes	Number of shares	Share capital HK$'000
Authorised:			
Ordinary shares of HK$0.1 each at 1 April 2009		1,000,000,000	100,000
Share subdivision	(a)	3,000,000,000	—
Ordinary shares of HK$0.025 each at 31 March 2010 and 2011		4,000,000,000	100,000
Issued:			
Ordinary shares of HK$0.1 each at 1 April 2009		400,000,000	40,000
Share subdivision	(a)	1,200,000,000	—
Exercise of share options		5,860,000	147
Ordinary shares of HK$0.025 each at 31 March 2010		1,605,860,000	40,147
Exercise of share options		7,930,000	198
Shares repurchased and cancelled	(b)	(2,116,000)	(53)
Ordinary shares of HK$0.025 each at 31 March 2011		1,611,674,000	40,292

Notes:

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

(b) During the year, the Company repurchased its own shares through the Stock Exchange as follows:

Month of repurchase	No. of ordinary shares of HK$ 0.025 each '000	Price per share Highest HK$	Price per share Lowest HK$	Aggregate consideration paid HK$'000
December 2010	1,110	1.40	1.32	1,523
January 2011	1,006	1.40	1.36	1,397
	2,116			2,920

The above shares were cancelled upon repurchase. None of the Company' s subsidiaries repurchased, sold or redeemed any of the Company' s listed shares during the year.

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2011

29. CAPITAL AND OTHER COMMITMENTS

As at 31 March 2011, the Group had authorised but not contracted for capital expenditure of approximately RMB92,951,000 (equivalent to approximately HK$110,372,000) (2010: RMB93,381,000 (equivalent to approximately HK$106,209,000)) in respect of the construction of the petroleum and petrochemical products storage facilities on two leasehold land parcels in Nantong City, Jiangsu Province, the PRC.

As at 31 March 2011 and 2010, the total registered capital of an associate, Tianjin Port Sinochem Petrochemical Dock Co., Ltd. was RMB180,000,000 (equivalent to approximately HK$204,727,000). The Group is required to pay the committed registered capital contributions of approximately RMB6,092,000 (equivalent to approximately HK$7,233,000) (2010: RMB22,950,000 (equivalent to approximately HK$26,103,000)) in the coming year. On 9 May 2011, the Board of directors of Tianjin Port Sinochem Petrochemical Dock Co., Ltd. passed a resolution pursuant to which the total registered capital of the entity will be reduced to RMB 139,388,000 ("Capital Reduction"). The Capital Reduction is subject to the approval granted by relevant bureau. After the Capital Reduction, the unsettled committed contributions are not required. As at the date of this report, the Capital Reduction is pending for approval.

30. COMMITMENTS

(a) Operating lease commitments

The Group as lessee

As at 31 March 2011, the Group had outstanding commitments under non-cancellable operating leases in respect of oil storage facilities, a vessel and rented office premises of approximately HK$1,627,000 (2010: HK$3,534,000), which expire within one year. Leases are negotiated and rentals are fixed for an average of one year.

The Group as lessor

Rental income earned from leasing car parking spaces and unutilised storage area of the self-owned vessel during the year ended was approximately HK$2,976,000 (2010: HK$30,635,000). Upon the expiration of lease agreement during the year, the vessel and car parking spaces were not leased out for rental income and fully utilised by the Group.

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

	2011	2010
	HK$'000	HK$'000
Operating leases which expire within one year	**–**	2,973

(b) Other commitment

On 18 November 2010, a wholly-owned subsidiary of the Company entered into a conditional subscription agreement, pursuant to which the Group has agreed to subscribe 67 new shares, representing 40% of the enlarged issued share capital of a joint venture enterprise, Asia Sixth Energy Resources Limited ("Asia Sixth"), incorporated in British Virgin Island ("BVI") for a consideration of US$67. As part of the transaction under the subscription agreement, the Group has agreed to provide the shareholders loan of approximately US$11.24 million to Asia Sixth for the purpose of enabling Asia Sixth to fulfill its payment obligation for the acquisition of 60% of Aral Petroleum Capital LLP ("Aral"), an entity incorporated in the Republic of Kazakhstan. The principal activities of Aral are production and exploration of crude oil. At the end of the reporting period, the transaction has not yet been completed since certain conditions have not been fulfilled. The relevant parties have agreed that the long stop date for completion of the transaction is extended from 18 May 2011 to 20 July 2011. Details of the investment are set out in the announcements on 18 November 2010 and 19 May 2011.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2011

31. RETIREMENT BENEFITS SCHEMES

The Group operates a MPF Scheme under the rules and regulations of the Mandatory Provident Fund Schemes Ordinance for all its employees in Hong Kong. All the employees of the Group in Hong Kong are required to join the MPF Scheme. Contributions are made based on a percentage of the employees' salaries and are charged to 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. No forfeited contribution is available to reduce the contribution payable in the future years as at the end of the reporting period.

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

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

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

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

32. RELATED PARTY TRANSACTIONS

During the year, the Group paid the rental expenses of approximately HK$998,000 (2010: HK$1,795,000) to Strong Property Limited, a company in which the controlling shareholders have beneficial interests, for the use of office premises.

Compensation of key management personnel

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

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2011

33. SHARE-BASED PAYMENT TRANSACTIONS

Equity-settled share option scheme

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

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

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

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

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

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2011

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

Equity-settled share option scheme *(continued)*

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

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

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

Eligible participants	At 1.4.2009	Granted during the year	Adjusted upon the share subdivision	Exercise during the year	Outstanding at 31.3.2010	Reclassification during the year (note 2)	Exercise during the year	Outstanding at 31.3.2011
Directors	—	2,900,000	8,700,000	(2,560,000)	9,040,000	—	(3,320,000)	**5,720,000**
Employees	—	3,500,000	10,500,000	(2,160,000)	11,840,000	(1,440,000)	(2,340,000)	**8,060,000**
Others (note 1)	—	33,600,000	100,800,000	(1,140,000)	133,260,000	1,440,000	(2,270,000)	**132,430,000**
	—	40,000,000	120,000,000	(5,860,000)	154,140,000	—	(7,930,000)	**146,210,000**

Notes:

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

(2) During the year, some individuals worked for the Group as consultants rather than employees. Since they are committed to provide services to the Group on continuous basis till 8 May 2011, the options were not cancelled or forfeited.

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

In respect of the share options exercised during the year, the weighted average share price at the dates of exercise is HK$1.489 (2010: HK$1.346).

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2011

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

Equity-settled share option scheme *(continued)*

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

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

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

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

The Group recognised the total expense of HK$8,990,000 for the year ended 31 March 2011 (2010: HK$37,074,000) in relation to share options granted by the Company.

34. PLEDGE OF ASSETS

The Group had pledged the buildings, certain inventories and bank deposits to secure certain banking facilities including bank borrowings and bills payable. Details of which were set out in notes 15, 20 and 23 respectively.

35. EVENT AFTER THE REPORTING PERIOD

On 20 May 2011, the Company entered into a service agreement with a financial service company, pursuant to which the financial service company will provide the financial advisory services to the Company in relation to a proposed offering and listing of Taiwan Depositary Receipts ("Proposed TDR listing") on the Taiwan Stock Exchange Corporation. The Proposed TDR listing is still in preliminary stage. Details are set out in the announcement dated 20 May 2011.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2011

36. PARTICULARS OF SUBSIDIARIES

Particulars of the Company's subsidiaries are as follows:

Name of the Company	Place of incorporation/ establishment	Equity interest attributable to the Group 2011 %	2010 %	Issued and fully paid share capital/ registered capital	Principal activities
Strait Petrochemical Holdings Limited	Cayman Islands	**100**	100	HK$0.2	Inactive
Wide Sea	British Virgin Islands ("BVI")	**100**	100	US$2	Investment holding
Keen Star Holdings Limited	BVI	**100**	100	US$1	Investment holding
Santron Holdings Limited	BVI	**100**	100	US$10,000	Investment holding
Strong Petrochemical Limited	Hong Kong	**100**	100	HK$20,000,000	Trading of petroleum products, crude oil and petrochemical product
Strong Petrochemical (Macao)	Macao	**100**	100	MOP100,000	Trading of petroleum products, crude oil and petrochemical product
Charming Energy Holdings Ltd.	BVI	**100**	100	US$2	Investment holding
Teamskill Investments Limited	BVI	**100**	100	US$1	Investment holding
Smart Team Investments Limited	Hong Kong	**100**	100	HK$10,000	Investment holding
南通潤德石油化工有限公司# Strong Petrochemical (Nantong) Logistics Co., Limited*	PRC	**100**	100	US$5,000,000	Provision of petroleum and petrochemical products storage services

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2011

36. PARTICULARS OF SUBSIDIARIES *(continued)*

Name of the Company	Place of incorporation/ establishment	Equity interest attributable to the Group 2011 %	2010 %	Issued and fully paid share capital/ registered capital	Principal activities
Strong Petrochemical (Asia) Company Limited	Hong Kong	**100**	100	HK$1	Investment holding
Perlama Corporation	Panama	**100**	100	US$1	Vessel holding
Million Smart Investments Limited	BVI	**100**	100	US$1	Inactive
China Smart Team Bunkering Limited	Hong Kong	**100**	100	HK$1	Inactive
Excellent Harvest Holdings Ltd.	BVI	**100**	—	US$1	Inactive
Yi Feng Holdings Limited	BVI	**100**	—	US$1	Investment holding
Strong New Energy Investment Holdings Company Limited	Hong Kong	**100**	—	HK$1	Inactive
Nantong Strong International Trading Company Limited #	PRC	**100**	—	US$1,000,000	Inactive

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

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

Wholly foreign owned enterprise registered in the PRC.

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

FINANCIAL EXTRACT

	As at 31 March		
	2011	2010	%
	HK$'000	HK$'000	
Financial Position			
Total assets	**2,304,820**	1,687,699	36.57
Net assets	**841,148**	769,143	9.36
Net current assets	**511,117**	433,735	17.84
Bank balances and cash	**400,866**	152,605	162.68
Trade receivables	**437,800**	632,238	(30.75)
Trade and bills payables	**667,471**	369,353	80.71

	For the year ended 31 March		
	2011	2010	%
	HK$'000	HK$'000	
Operating Results			
Revenue	**7,890,665**	5,713,234	38.11
Gross profit	**364,162**	434,736	(16.23)
Profit before taxation	**105,006**	197,250	(46.77)
Profit for the year	**102,320**	201,597	(49.25)
Earning per share			
– basic	**HKD 0.06**	HKD 0.13	(53.85)
– diluted	**HKD 0.06**	HKD 0.12	(50.00)
Net assets value per share			
– basic	**HKD 0.52**	HKD 0.48	8.33
– diluted	**HKD 0.50**	HKD 0.46	8.70
Key statistics	**%**	%	
Gross margin	**4.62**	7.61	(2.99)
Net profit margin	**1.30**	3.53	(2.23)
Return on equity	**12.16**	26.21	(14.05)

GLOSSARY

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