



PetroAsian Energy Holdings Limited

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

Interim Report 2011



UNAUDITED INTERIM RESULTS

The Board of Directors (the "Board") of PetroAsian Energy Holdings Limited (the "Company") is pleased to present the unaudited interim results for the six months ended 30 September 2011 of the Company and its subsidiaries (collectively referred to as the "Group"), together with the comparative figures for the last corresponding period.

CONDENSED CONSOLIDATED INCOME STATEMENT

For the six months ended 30 September 2011

(Expressed in Hong Kong dollars)

	Note	(Unaudited) 30 September 2011 HK\$'000	(Unaudited) 30 September 2010 HK\$'000 (restated) (Notes 3(a) and (b))
Revenue	5	195,725	119,131
Other income		2,973	2,431
Other (losses)/gains, net	6	(34,710)	5,521
Purchases, processing and related expenses		(174,882)	(105,513)
Wages, salaries and other benefits		(15,337)	(12,297)
Share-based payments	17	(22,294)	(32,342)
Depreciation, depletion and amortisation		(9,226)	(4,687)
Other operating expenses		(28,285)	(45,342)
Operating loss	7	(86,036)	(73,098)
Finance income		44	802
Finance costs		(693)	(1,539)
Share of results of associates	13	(1,686)	(1,348)
Loss before income tax expenses		(88,371)	(75,183)
Income tax expenses	8	(22)	(18)
Loss for the period		(88,393)	(75,201)
Loss for the period attributable to:			
Owners of the Company		(85,950)	(76,480)
Non-controlling interests		(2,443)	1,279
		(88,393)	(75,201)
Loss per share for loss for the period attributable to owners of the Company	9	HK(2.08) cents	HK(2.08) cents
Basic			
Diluted		HK(2.08) cents	HK(2.08) cents
Dividend	10	-	-

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the six months ended 30 September 2011

(Expressed in Hong Kong dollars)

	(Unaudited) 30 September 2011 HK\$'000	(Unaudited) 30 September 2010 HK\$'000 (restated) (Notes 3(a) and (b))
Loss for the period	(88,393)	(75,201)
Other comprehensive income:		
Exchange differences arising on translation of foreign operations	8,177	6,409
Changes in fair values of available-for-sale investments	(1,122)	–
	7,055	6,409
Total comprehensive loss for the period	(81,338)	(68,792)
Total comprehensive loss attributable to:		
Owners of the Company	(79,023)	(70,196)
Non-controlling interests	(2,315)	1,404
	(81,338)	(68,792)

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 30 September 2011

(Expressed in Hong Kong dollars)

	Note	(Unaudited) 30 September 2011 HK\$'000	(Audited) 31 March 2011 HK\$'000
Non-current assets			
Property, plant and equipment	11	139,099	145,677
Prepaid land lease payments		3,180	3,180
Investment properties	12	63,355	38,391
Intangible assets		222,185	217,743
Interests in associates	13	108,042	91,951
Deposits paid for a jointly controlled operation		979	979
Deposits paid for long-term assets		91,141	84,274
Available-for-sale investments		22,243	23,414
		650,224	605,609
Current assets			
Inventories		21,126	13,912
Prepaid lease payments		55	110
Trade and other receivables	14	197,819	187,616
Held-for-trading investments		9,602	35,299
Derivative financial assets		190	1,391
Tax recoverable		12,463	11,263
Bank balances and cash		75,656	165,566
		316,911	415,157
Current liabilities			
Trade and other payables	15	88,399	88,727
Derivative financial liabilities		33,390	15,314
Tax liabilities		674	2,513
Bank borrowings		24,529	24,529
		146,992	131,083
Net current assets		169,919	284,074
Total assets less current liabilities		820,143	889,683

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION *(Continued)*

		(Unaudited) 30 September 2011 HK\$'000	(Audited) 31 March 2011 HK\$'000
	Note		
Capital and reserves			
Share capital	16	41,299	41,299
Reserves		744,573	799,302
Equity attributable to owners of the Company		785,872	840,601
Non-controlling interests		1,837	4,384
Total equity		787,709	844,985
Non-current liabilities			
Bank borrowings		31,961	44,225
Deferred tax liabilities		473	473
		32,434	44,698
		820,143	889,683

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

For the six months ended 30 September 2011

(Expressed in Hong Kong dollars)

	(Unaudited) 30 September 2011 HK\$'000	(Unaudited) 30 September 2010 HK\$'000
Net cash used in operating activities	(29,006)	(69,119)
Investing activities		
Deposits paid for acquisition of long term assets	(6,867)	(71,782)
Purchase of property, plant and equipment	(29,207)	(16,587)
Proceeds from sale of property, plant and equipment	2,315	265
Increase in additional interest of an associate	(17,778)	–
Other investing activities	(881)	1,360
Acquisition of an associate	–	(35,557)
Advance to the controlling shareholder of the possible acquisition of a long term asset	–	(28,571)
Increase in deposits paid for a jointly controlled operation	–	(25,676)
Net cash used in investing activities	(52,418)	(176,548)
Financing activities		
Proceeds from placing of warrants	2,000	2,500
Repayment of bank loans	(12,264)	(12,350)
Proceeds from exercise of share options	–	27,795
Proceeds from exercise of warrants	–	15,489
Net cash (used in)/generated from financing activities	(10,264)	33,434
Net decrease in cash and cash equivalents	(91,688)	(212,233)
Cash and cash equivalents at 1 April	165,566	393,225
Effect of foreign exchange rate changes	1,778	276
Cash and cash equivalents at 30 September	75,656	181,268
Balances of cash and cash equivalents represented by:		
Bank balances and cash	75,656	181,268

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the six months ended 30 September 2011

(Expressed in Hong Kong dollars)

	Attributable to owners of the Company							Non-controlling interests	Total
	Share capital	Share premium	Share-based payment reserve	Other reserves (Note a)	Exchange reserve (Note b)	Accumulated losses	Total		
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
At 1 April 2011 (audited)	41,299	1,751,622	64,067	(217,699)	33,330	(832,018)	840,601	4,384	844,985
Loss for the period	-	-	-	-	-	(85,950)	(85,950)	(2,443)	(88,393)
Exchange difference arising on translation of foreign operations	-	-	-	-	8,049	-	8,049	128	8,177
Loss from change in fair value of available-for-sale investments	-	-	-	(1,122)	-	-	(1,122)	-	(1,122)
Other comprehensive (loss)/income for the period	-	-	-	(1,122)	8,049	-	6,927	128	7,055
Total comprehensive (loss)/income for the period	-	-	-	(1,122)	8,049	(85,950)	(79,023)	(2,315)	(81,338)
Deduction contribution by non-controlling interests	-	-	-	-	-	-	-	(232)	(232)
Recognition of equity-settled share-based payments, plus subscription fee	-	-	24,294	-	-	-	24,294	-	24,294
Lapse of share options	-	-	(44,698)	-	-	44,698	-	-	-
	-	-	(20,404)	-	-	44,698	24,294	(232)	24,062
At 30 September 2011 (unaudited)	41,299	1,751,622	43,663	(218,821)	41,379	(873,270)	785,872	1,837	787,709

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY (Continued)

	Attributable to owners of the Company								
	Share capital	Share premium	Share-based payment reserve	Other reserves (Note a)	Exchange reserve (Note b)	Accumulated losses	Total	Non-controlling interests	Total
At 1 April 2010 (audited)	36,261	1,485,836	9,409	(212,647)	13,985	(528,459)	804,385	4,137	808,522
Loss for the period	-	-	-	-	-	(76,480)	(76,480)	1,279	(75,201)
Exchange difference arising on translation of foreign operations	-	-	-	-	6,284	-	6,284	125	6,409
Other comprehensive income for the period	-	-	-	-	6,284	-	6,284	125	6,409
Total comprehensive income/(loss) for the period	-	-	-	-	6,284	(76,480)	(70,196)	1,404	(68,792)
Recognition of equity-settled share-based payments	-	-	32,342	-	-	-	32,342	-	32,342
Exercise of share options	697	34,360	(7,262)	-	-	-	27,795	-	27,795
Exercise of warrants	341	29,170	-	(299)	-	-	29,212	-	29,212
Lapse of share options	-	-	(1,946)	-	-	1,946	-	-	-
	1,038	63,530	23,134	(299)	-	1,946	89,349	-	89,349
At 30 September 2010 (restated and unaudited)	37,299	1,549,366	32,543	(212,946)	20,269	(602,993)	823,538	5,541	829,079

Notes:

- (a) Other reserves mainly represents the difference of approximately HK\$220,795,000 (30 September 2010: HK\$218,538,000) between the amounts paid or received for any transaction related to the change of shareholding in a subsidiary without the overall gain or loss of control in that subsidiary and the non-controlling interest being acquired or disposed of. Other reserves also comprise warrant reserve, investment valuation reserve, merger reserve and statutory reserve of approximately Nil (30 September 2010: HK\$2,108,000), a debit of HK\$1,510,000 (30 September 2010: Nil), HK\$3,248,000 (30 September 2010: HK\$3,248,000) and HK\$236,000 (30 September 2010: HK\$236,000) respectively.
- (b) The exchange reserve comprises all foreign exchange differences arising from the translation of the financial statements of foreign operations as well as the effective portion of any foreign exchange differences arising from hedges of the net investment in these foreign operations.



NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

1 CORPORATE INFORMATION

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

The principal activities of the Group are exploitation and sale of crude oil, sale of paints, blended solvents and plastic colorants, provision of painting services, trading of commodity products and lease and trading of investment properties.

2 BASIS OF PREPARATION

The condensed consolidated financial information has been prepared in accordance with the applicable disclosure requirements of Appendix 16 to the Rules Governing the Listing of Securities on the Stock Exchange (the "Listing Rules") and with Hong Kong Accounting Standard (the "HKAS") 34 "Interim Financial Reporting" issued by the Hong Kong Institute of Certified Public Accountants (the "HKICPA"). This condensed consolidated interim financial information should be read in conjunction with the consolidated financial statements for the year ended 31 March 2011, which have been prepared in accordance with Hong Kong Financial Reporting Standards (the "HKFRS").

3 COMPARATIVES

(a) **Changes in presentation of the condensed consolidated income statement**

In previous periods, the Group presented an analysis of expenses on the face of its condensed consolidated income statement using a classification based on their function within the Group.

The Group has regularly reviewed the content and presentation of the financial statements to ensure compliance with relevant accounting standards as well as comparable to those of the other market participants within the same industry. As a result of this ongoing review, the Group has concluded to adopt an analysis of expenses on the face of its condensed consolidated income statement using a classification based on their nature which would be more appropriate to the Group's circumstances and more relevant to users of the Group's financial statements. Consequently, the presentation of the condensed consolidated income statement for the six months ended 30 September 2011 has been revised and the comparative figures have been reclassified in order to conform to the current period's presentation. The changes in presentation of the condensed consolidated income statement did not have any impact on the Group's loss for the period or the calculation of the Group's loss per share.

(b) **Restatement in relation to revision of estimated fair values of the oil exploitation rights made in last year**

The interim results for the six months ended 30 September 2010 have been restated for the purposes of this report to reflect the prior year restatements made in the Group's financial statements for the year ended 31 March 2011. For the year ended 31 March 2011, the Group revised the estimated fair values of the oil exploitation rights for financial reporting purposes with reference to an updated technical report for the two oil exploitation rights in the People's Republic of China acquired during each of the years ended 31 March 2008 and 2009.

3 COMPARATIVES *(Continued)*

(b) **Restatement in relation to revision of estimated fair values of the oil exploitation rights made in last year** *(Continued)*

The effect of the restatements described above on the condensed consolidated income statement for the six months ended 30 September 2010 is as follows:

	HK\$'000
Increase in depreciation, depletion and amortisation	(133)
Increase in loss for the period	(133)
Increase in other comprehensive income	5,212
Decrease in total comprehensive loss for the period	<u>5,079</u>

4 PRINCIPAL ACCOUNTING POLICIES

The accounting policies and method of computation used in the preparation of this condensed consolidated interim financial information are consistent with those used in the annual financial statements for the year ended 31 March 2011, except as mentioned below.

(a) **Effect of adopting amendments to standards and interpretations**

In the current period, the Group adopted HKAS 34 (Amendment) "Interim financial reporting", which is mandatory for accounting periods beginning on or after 1 January 2011.

Amendment to HKAS 34 "Interim financial reporting" is effective for annual periods beginning on or after 1 January 2011. It emphasises the existing disclosure principles in HKAS 34 and adds further guidance to illustrate how to apply these principles. Greater emphasis has been placed on the disclosure principles for significant events and transactions. Additional requirements cover disclosure of changes to fair value measurement (if significant), and the need to update relevant information from the most recent annual report. The change in accounting policy only results in additional disclosures.

4 PRINCIPAL ACCOUNTING POLICIES (Continued)

(a) Effect of adopting amendments to standards and interpretations (Continued)

The following amendments to standards and interpretations are mandatory for accounting periods beginning on or after 1 April 2011. The adoption of these amendments to standards and interpretations does not have any significant impact to the results and financial position of the Group.

HKFRSs (Amendment)	Improvements to HKFRSs 2010, except for amendment to HKAS 34 “Interim financial reporting” as disclosed above
HKAS 24 (Revised)	Related party disclosures
HKAS 32 (Amendment)	Classification of rights issue
HK(IFRIC)-Int 14	Prepayments of a minimum funding requirement
HK(IFRIC)-Int 19	Extinguishing financial liabilities with equity instruments

(b) New standards and amendments to standards that have been issued but are not effective for the financial year ending 31 March 2012 and have not been early adopted by the Group

HKFRS 7 (Amendment)	Disclosures — transfers of financial assets ¹
HKFRS 9	Financial instruments ⁴
Additions to HKFRS 9	Financial instruments — financial liabilities ⁴
HKFRS 10	Consolidated financial statements ⁴
HKFRS 11	Joint arrangements ⁴
HKFRS 12	Disclosures of interests in other entities ⁴
HKFRS 13	Fair value measurement ⁴
HKAS 1 (Amendment)	Presentation of financial statements ³
HKAS 12 (Amendment)	Deferred tax — recovery of underlying assets ²
HKAS 19 (2011)	Employee benefits ⁴
HKAS 27 (2011)	Separate financial statements ⁴
HKAS 28 (2011)	Investments in associates and joint ventures ⁴

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

² Effective for annual periods beginning on or after 1 January 2012

³ Effective for annual periods beginning on or after 1 July 2012

⁴ Effective for annual periods beginning on or after 1 January 2013

4 PRINCIPAL ACCOUNTING POLICIES *(Continued)*

(b) New standards and amendments to standards that have been issued but are not effective for the financial year ending 31 March 2012 and have not been early adopted by the Group *(Continued)*

The Directors anticipate that the adoption of these new standards and amendments to standards will not result in a significant impact on the results and financial position of the Group.

Taxes on income in the interim periods are accrued using the tax rate that would be applicable to expected total annual earnings.

5 REVENUE AND SEGMENT INFORMATION

The Group's operating segments, based on information reported to the Board of Directors for the purpose of resource allocation and performance assessment are as follows:

- Manufacture and sale of paints, blended solvents and plastic colorants ("paints, blended solvents and plastic colorants");
- Provision of painting services ("service contract");
- Exploitation and sale of crude oil ("crude oil");
- Trading of commodity products ("commodity");
- Lease and trading of investment properties ("property investment").

Information regarding the above segments is reported below.

5 REVENUE AND SEGMENT INFORMATION *(Continued)*

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

	(Unaudited)							
	Six months ended 30 September 2011							
	Paints, blended solvents and plastic colorants HK\$'000	Service contract HK\$'000	Crude oil HK\$'000	Commodity HK\$'000	Property investment HK\$'000	Segment total HK\$'000	Eliminations HK\$'000	Consolidated HK\$'000
Segment revenue								
External sales	138,079	1,091	15,221	41,334	-	195,725	-	195,725
Inter-segment sales	5,026	-	-	-	-	5,026	(5,026)	-
Total	143,105	1,091	15,221	41,334	-	200,751	(5,026)	195,725
Segment results	1,623	375	(4,941)	(4,293)	(2,188)	(9,424)	-	(9,424)
Unallocated other income								44
Unallocated expenses								(76,612)
Share of results of associates								(1,686)
Finance costs								(693)
Loss before income tax expenses								(88,371)

5 REVENUE AND SEGMENT INFORMATION (Continued)

(Restated and unaudited)
Six months ended 30 September 2010

	Paints, blended solvents and plastic colorants HK\$'000	Service contract HK\$'000	Crude oil HK\$'000	Commodity HK\$'000	Property investment HK\$'000	Segment total HK\$'000	Eliminations HK\$'000	Consolidated HK\$'000
Segment revenue								
External sales	97,480	8,831	2,990	-	9,830	119,131	-	119,131
Inter-segment sales	3,638	-	-	-	-	3,638	(3,638)	-
Total	101,118	8,831	2,990	-	9,830	122,769	(3,638)	119,131
Segment results	(17,728)	3,478	(24,899)	-	1,766	(37,383)	-	(37,383)
Unallocated other income								429
Unallocated expenses								(35,342)
Share of results of associates								(1,348)
Finance costs								(1,539)
Loss before income tax expenses								(75,183)

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

5 REVENUE AND SEGMENT INFORMATION *(Continued)*

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

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

	(Unaudited) As at 30 September 2011 HK\$'000	(Audited) As at 31 March 2011 HK\$'000
Segment assets		
Paint, blended solvents and plastic colorants	199,505	198,864
Service contract	22,013	19,484
Crude oil	349,502	404,953
Commodity	26,601	24,319
Property investment	71,442	44,262
Total segment assets	669,063	691,882
Unallocated	298,072	328,884
Consolidated assets	967,135	1,020,766

6 OTHER (LOSSES)/GAINS, NET

	(Unaudited) Six months ended September 2011 HK\$'000	(Unaudited) Six months ended September 2010 HK\$'000
(Loss)/gain from changes in fair value of derivative financial instruments	(17,941)	8,552
Loss from change in fair value of held-for-trading investments	(13,960)	(2,495)
Impairment loss recognised on trade and other receivables	–	(45)
Exchange loss, net	(533)	(197)
Loss on disposal of property, plant and equipment	(2,276)	(271)
Property, plant and equipment written off	–	(23)
	(34,710)	5,521

7 OPERATING LOSS

Operating loss has been arrived at after charging the following items:

	(Unaudited) Six months ended September 2011 HK\$'000	(Unaudited) Six months ended September 2010 HK\$'000 (restated)
Staff costs		
– Wages, salaries and other benefits	15,337	12,297
– Share-based payments	22,294	32,342
Total staff costs	37,631	44,639
Amortisation of intangible assets	512	423
Amortisation of prepaid lease payments	55	55
Depreciation of investment properties	594	594
Depreciation and depletion of property, plant and equipment	8,065	3,615

8 INCOME TAX EXPENSES

No Hong Kong profits tax has been provided for as the Group did not have any assessable profits in Hong Kong for the six months ended 30 September 2011 (six months ended 30 September 2010: Nil).

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

The amount of income tax expenses charged to the condensed consolidated income statement represents:

	(Unaudited) Six months ended September 2011 HK\$'000	(Unaudited) Six months ended September 2010 HK\$'000
Hong Kong profits tax	–	–
PRC Enterprise Income tax	22	18
	22	18

There is no tax impact relating to components of other comprehensive income for the six months ended 30 September 2011 (six months ended 30 September 2010: Nil).

9 LOSS PER SHARE FOR LOSS FOR THE PERIOD ATTRIBUTABLE TO OWNERS OF THE COMPANY

Loss per share is calculated by dividing loss for the period attributable to owners of the Company by the weighted average number of shares in issue during the six months period ended.

	(Unaudited) Six months ended September 2011 HK\$'000	(Unaudited) Six months ended September 2010 HK\$'000 (restated)
Loss for the period attributable to owners of the Company (HK\$'000)	(85,950)	(76,480)
Weighted average number of shares in issue (shares in thousands)	4,129,946	3,675,651
Loss per share (HK cents)	(2.08)	(2.08)

No diluted loss per share for the period has been presented because the share options and warrants outstanding had an anti-dilutive effect in the calculation of diluted loss per share.

10 DIVIDEND

The Board does not recommend the payment of an interim dividend for the six months ended 30 September 2011 (six months ended 30 September 2010: Nil).

11 PROPERTY, PLANT AND EQUIPMENT

During the period, the Group acquired property, plant and equipment with a cost of approximately HK\$3,649,000 (six months ended 30 September 2010: HK\$82,901,000) and disposed of and wrote off property, plant and equipment with carrying value of approximately HK\$4,591,000 (six months ended 30 September 2010: HK\$536,000) and Nil (six months ended 30 September 2010: HK\$23,000) respectively.

12 INVESTMENT PROPERTIES

During the period ended 30 September 2011, the Group acquired investment properties with a cost of HK\$25,558,000 (six months ended 30 September 2010: Nil).

13 INTERESTS IN ASSOCIATES

	(Unaudited) 30 September 2011 HK\$'000	(Audited) 31 March 2011 HK\$'000
Cost of investments in associates		
– Unlisted	75,592	75,592
– Listed (Note)	56,699	38,921
Share of post-acquisition losses	(24,249)	(22,562)
	108,042	91,951

Note: On 4 April 2011, the Company has given the undertaking in favour of Mobile Telecom Network (Holdings) Limited ("Mobile Telecom") and the underwriter under the underwriting agreement to procure the subscription of 177,785,861 Mobile Telecom Offer Shares ("MT Offer Shares"). The amount involved in the subscription of MT Offer Shares was approximately HK\$17,779,000, at subscription price of HK\$0.1 per MT Offer Share, which was included in the cost of investments in listed associate.

During the six months period ended 30 September 2011, the Group's interest in Mobile Telecom shares subsequent to the completion of MT Offer Shares has been increased from 177,785,861 to 355,571,722 after Mobile Telecom's offer of new shares issued in June 2011, representing 30.18% (31 March 2011: 30.21%).

14 TRADE AND OTHER RECEIVABLES

	(Unaudited) 30 September 2011 HK\$'000	(Audited) 31 March 2011 HK\$'000
Trade receivables	69,660	85,445
Less: impairment for trade receivables	(7,496)	(7,344)
	62,164	78,101
Bills receivable	2,934	2,709
Other receivables	101,811	79,131
Less: impairment for other receivables	(24,169)	(23,711)
	77,642	55,420
Deposits and prepayments	55,079	51,386
	197,819	187,616

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

14 TRADE AND OTHER RECEIVABLES *(Continued)*

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

Aged analysis of trade receivables net of impairment

	(Unaudited) 30 September 2011 HK\$'000	(Audited) 31 March 2011 HK\$'000
Less than 1 month	33,921	36,965
1 month to 3 months	13,377	27,401
More than 3 months but less than 1 year	13,752	11,952
Over 1 year	1,114	1,783
	62,164	78,101

Aged analysis of bills receivable net of impairment

	(Unaudited) 30 September 2011 HK\$'000	(Audited) 31 March 2011 HK\$'000
Less than 1 month	2,934	2,617
1 month to 3 months	–	92
	2,934	2,709

15 TRADE AND OTHER PAYABLES

	(Unaudited) 30 September 2011 HK\$'000	(Audited) 31 March 2011 HK\$'000
Trade payables	16,694	15,320
Bills payable	20,060	30,175
Other payables and accruals	51,645	43,232
	88,399	88,727

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

Aged analysis of trade payables

	(Unaudited) 30 September 2011 HK\$'000	(Audited) 31 March 2011 HK\$'000
Less than 1 month	3,991	8,938
1 month to 3 months	8,288	1,248
More than 3 months but less than 1 year	4,337	4,365
Over 1 year	78	769
	16,694	15,320

Aged analysis of bills payable

	(Unaudited) 30 September 2011 HK\$'000	(Audited) 31 March 2011 HK\$'000
Less than 1 month	20,060	13,561
1 month to 3 months	-	16,614
	20,060	30,175

16 SHARE CAPITAL

	Number of shares '000	Share Capital HK\$'000
Ordinary shares of HK\$0.01 each		
Authorised:	8,000,000	80,000
Issued and fully paid:		
At 1 April 2010	3,626,071	36,261
Exercise of share options (Note a)	69,700	697
Exercise of warrants (Note b)	34,176	341
At 30 September 2010	3,729,947	37,299
Placement of new shares (Note c)	400,000	4,000
At 31 March 2011 and 30 September 2011	4,129,947	41,299

Notes:

- (a) During the six months ended 30 September 2010, the Company allotted and issued 69,700,000 shares of HK\$0.01 each for cash at the exercise price ranging from HK\$0.300 to HK\$0.475 as a result of the exercise of share options.
- (b) For the six months ended 30 September 2010, 30,500,000 warrants have been exercised at the exercise price at HK\$0.45, and 3,676,000 shares of bonus warrants granted in the prior year had been exercised at the exercise price at HK\$0.48 per warrant. These shares ranked pari passu with other shares in issue in all aspect.
- (c) On 19 October 2010, the Company entered into a placing agreement with a placing agent pursuant to which the placing agent agreed to place shares comprising up to 400,000,000 existing shares at the placing price of HK\$0.55 per placing share, representing a discount of approximately 15.38% to the closing date on 18 October 2010. Accordingly, the Company has increased its issued share capital and share premium by HK\$4,000,000 and HK\$216,000,000 respectively.

17 SHARE-BASED PAYMENTS

The Company has a share option scheme for eligible directors and employees of the Group and issued warrants to the chairman of the Group. Details of the share options granted under the share option scheme and warrants outstanding as at 30 September 2011 and 31 March 2011 are as follows:

	Date of grant	Exercise period	Exercise price	Number of shares subject to the options or warrants	
				30 September 2011	31 March 2011
Share options					
Directors	13 August 2004	13 August 2004 to 12 August 2014	HK\$0.251	100,000	100,000
	29 April 2009	29 April 2009 to 28 April 2012	HK\$0.206	216,000	216,000
	3 May 2010	3 May 2010 to 2 May 2011	HK\$1.250	-	68,800,000
Chief executive	3 May 2010	3 May 2010 to 2 May 2011	HK\$1.250	-	5,000,000
Employees	4 May 2010	4 May 2010 to 3 May 2011	HK\$1.248	-	135,000,000
				316,000	209,116,000
Warrants					
Chairman	21 June 2010	21 June 2010 to 20 June 2013	HK\$1.35	250,000,000	250,000,000
	3 June 2011	3 June 2011 to 2 June 2014	HK\$0.45	200,000,000	-
				450,000,000	250,000,000
				450,316,000	459,116,000

During the six months period ended 30 September 2011, 200,000,000 non-listed warrants were granted to Mr. Poon Sum, a director and a shareholder of the Company, at exercise price of HK\$0.45 without vesting period. The exercisable period of the warrants is 3 years. No warrants were exercised in the current period.

17 SHARE-BASED PAYMENTS *(Continued)*

The fair values of warrants granted on 3 June 2011 were calculated using the Binomial model. The inputs into the model were as follows:

Share price at grant date	HK\$0.365
Exercise price	HK\$0.450
Expected volatility	60%
Risk-free rate	0.7290%
Expected dividend yield	Nil

Expected volatility was determined by using the historical volatility of the Company's share price over the previous one year.

The Binominal model has been used to estimate the fair value of the warrants. The variables and assumptions used in computing the fair value of the warrants are based on the independent professional valuer's best estimate. The value of warrant varies with different variables of certain subjective assumptions.

The Group recognised net aggregate share-based payment expense of HK\$22,294,000 (six months ended 30 September 2010: HK\$32,342,000) in relation to the share options granted to directors and employees of the Group and warrants issued to the chairman of the Group.

18 CAPITAL COMMITMENTS

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

	(Unaudited) 30 September 2011 HK\$'000	(Audited) 31 March 2011 HK\$'000
Contracted but not provided for		
– property, plant and equipment	39,709	38,825
– construction in progress	6,040	2,233
	45,749	41,058
Authorised but not contracted for		
– acquisition of 52% participating interest of Project Modamuji	172,158	172,158
– acquisition of a company engaged in oil technology consultancy service (Note)	–	41,380
	172,158	213,538

Note: The Group paid an amount of HK\$4,966,000 in December 2009 as an initial deposit, which was refundable if the acquisition did not take place finally, after signing a memorandum of understanding ("MOU") in respect of the acquisition of 51% equity interest of Shenzhen Baohui Oil Exploration Technology Consultancy Company Limited (深圳寶滙石油開採技術諮詢有限公司) ("Shenzhen Baohui"), a company established in the PRC that engages in the provision of oil exploration technology consultancy service for a consideration of HK\$46,346,000. Under the MOU, it is agreed that Easyrich Group Holdings Limited, an indirect wholly-owned subsidiary of the Company and Mr. Poon Sum, an executive director of the Company, who is also a major shareholder of the Company, will acquire 51% and 19% of the issued share capital of Shenzhen Baohui, respectively.

On 31 August 2011, the MOU has been terminated pursuant to the terms and conditions thereto and the proposed acquisition would not proceed to completion, the vendor shall return the deposit of HK\$4,966,000 to the Company, the Group has not made any further payment to the vendor related to the proposed acquisition.

19 RELATED PARTY TRANSACTIONS

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

	(Unaudited) Six months ended September 2011 HK\$'000	(Unaudited) Six months ended September 2010 HK\$'000
Consultancy fee paid to Mr. Poon Sau Tin	–	288

Mr. Poon Sau Tin has beneficial interest in the Company and is the elder brother of Mr. Poon Sum.

20 PLEDGE OF ASSETS

As at the date of this report, the Group pledged the following assets to secure the Group's bank borrowings granted by certain banks:

- (a) trade receivables as first legal charges held by a wholly-owned subsidiary of the Group with a total carrying amount of HK\$11,812,000 (31 March 2011: HK\$33,705,000);
- (b) 51% equity interest in Northeast Oil (China) Development Company Limited, a wholly owned subsidiary of the Company, as a register of all monies first share charge;
- (c) a deposit in the sum of HK\$20,000,000 or its equivalent in other currency as minimum deposit;
- (d) an investment property held by a wholly-owned subsidiary of the Group with total carrying value of HK\$25,558,000 (31 March 2011: Nil).

21 CONTINGENT LIABILITIES

(a) Contingencies on Hong Kong Profits Tax

The prior years' tax position of the Company is under tax investigation, and the Hong Kong Inland Revenue Department (the "IRD") had made certain enquiries on the taxability of profits of certain subsidiaries of the Company in respect of Hong Kong Profits Tax since the year of assessment 1996/97 (i.e. for the accounting year ended 31 March 1997). Neither conclusion nor settlement was reached by the IRD up to the date of this condensed consolidated financial information.

The IRD's investigation is still at the stage of collation of evidence and considering that the management is of the opinion that the Company and the subsidiaries under investigation have strong set of facts to justify its tax position. After taking into account the professional advice from its tax representative, the management considers that there is no reasonable basis to determine the accurate amount of additional tax and penalty at this stage under the tax investigation. Accordingly, no provision for such potential liabilities has been made in this condensed consolidated financial information.

In the unlikely event that the profits of the Company and the relevant subsidiaries would be treated by the IRD as onshore and chargeable to Hong Kong Profits Tax, the maximum exposure of tax liabilities will be approximately HK\$24 million (31 March 2011: HK\$24 million), HK\$11 million (31 March 2011: HK\$11 million), out of which the potential liabilities prior to the listing of the Company in 2003 had been indemnified by Mr. Poon Sum, the director. At the end of the reporting period, the Group had purchased tax reserve certificate of approximately HK\$16 million (31 March 2011: HK\$15 million) at the IRD's request.



21 CONTINGENT LIABILITIES *(Continued)*

(b) Environmental contingencies

Due to the underground oil exploitation method adopted by the Group, the Group has not incurred any significant expenditure on environmental rehabilitation since its establishment. There is, however, no assurance that stringent environmental policies and/or standard on environmental rehabilitation will not be implemented by the relevant authorities in the PRC in the future which require the Group to undertake environment measures. The financial position of the Group may be adversely affected by any environment liabilities, which may be imposed under such new environment policies and/or standards.



MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS REVIEW

During the six months ended 30 September 2011, the Group recorded a consolidated revenue of approximately HK\$195,725,000 (six months ended 30 September 2010: HK\$119,131,000), representing an increase of approximately HK\$76,594,000 or 64.29% compared to the corresponding period of last period. The Group incurred a loss for the period attributable to owners of the Company of approximately HK\$85,950,000 (six months ended 30 September 2010: Loss of HK\$76,480,000). Basic loss per share for the current period amounts to HK2.08 cents (six months ended 30 September 2010: HK2.08 cents).

The increase in the Group's revenue was mainly attributable to the new business activity of the commodity trading which recorded a revenue of approximately HK\$41,334,000. The Group's loss for the period attributable to owners of the Company was mainly a result of the following: (1) loss from changes in fair values of derivative financial instruments and held-for-trading investments totalling approximately HK\$31,901,000, and (2) share-based payments of approximately HK\$22,294,000.

Excluding the loss from changes in fair values of derivative financial instruments and held-for-trading investments as well as share-based payments totalling approximately HK\$54,195,000 (six months ended 30 September 2010: approximately HK\$26,285,000), the Group's loss for the six months ended 30 September 2011 decreased from approximately HK\$48,916,000 in the corresponding period of last year to approximately HK\$34,198,000 in the current period.

During the six months ended 30 September 2011, the Group's Qiqihar project had for the first time achieved a positive earnings before interest, taxation, depreciation and amortisation of approximately HK\$4,748,000 (six months ended 30 September 2010: a loss before interest, taxation, depreciation and amortisation of approximately HK\$6,680,000). For further details of this line of business, please refer to the section below entitled "Qiqihar operations".

Tunisia operations

In January 2011, the previous operator of the Ksar Hadada Permit (namely Petroceltic Ksar Hadada Limited) ("Permit") had decided to withdraw from the Permit effective 25 February 2011 and had assigned its participation interest to the remaining members of the contractor group, namely PetroAsian Energy (Tunisia) Limited and Independent Resources (Ksar Hadada) Limited. The assignment had been approved by both Entreprise Tunisienne D'Activités Pétrolières ("ETAP", namely the "Tunisia National Oil Company") and Le Directeur General de l'Energie ("DGE", namely the "Tunisia Department of Energy") in a meeting of the Hydrocarbons Advisory Committee on 27 April 2011. A total of 3,360 square km of the original Permit area was relinquished as per contractual requirement. The current remaining area in the Permit is 2,252 square km with 5 identified prospects.

On 8 June 2011, a telefax confirmation in French (translated into English) was received by the Group from DGE whereby DGE had granted a favourable opinion for the second renewal of the Permit for a period of 3 years starting from 20 April 2011 till 19 April 2014. Formal gazetting of the renewal will be done by the relevant governmental authorities in due course as per government protocol. Contractual commitment will be 100 km of 2D seismics and one exploratory well drilled down to the Ordovician. Subsequent to the second renewal of the Permit, the previous operator Petroceltic Ksar Hadada Limited had withdrawn therefrom and had intended to assign its participating interests to the remaining members of the contracting group, including both PetroAsian Energy (Tunisia) Limited and Independent Resources (Ksar Hadada) Limited.

A Joint Operating Committee Meeting was held on 6 July 2011 in Tunis to present to ETAP the revised budget for 2011 and the work programme for 2011.

Waste management and clean-up of the Oryx-1 and Sidi Toui-4 well locations have been completed. An Environmental Assessment Survey study for the 2D seismic exercise has also been done. An office has been set up in Tunis for the Group in preparation for taking the role of operator in the Permit and the forthcoming 100 km of 2D seismic acquisition in the first quarter of 2012 before drilling thereafter.



Qiqihar operations

The Group has a 95% interest, held through an indirect wholly-owned subsidiary Northeast Oil (China) Development Company Limited, in an oilfield project in the Qiqihar City of the Heilongjiang Province of China.

Following the success of the 2010 drilling programme, the Group had satisfactorily completed the drilling of two more horizontal wells (namely, TH4 and TH5) in the Fu 718 area of the Fulaerjiqu oilfield in the Qiqihar City in September 2011. TH4, with a total measured depth of 935 meters, encountered 98.31 meters of horizontal net oil pay, with an average pay thickness of 5.96 meters. TH5, with a total measured depth of 900 meters, encountered 121 meters of horizontal net oil pay, with an average pay thickness of 6.67 meters.

As with all previous drilling programmes, the Group's technical team designed these wells and Great Wall Drilling Downhole Operating Company, a subsidiary of China National Petroleum Corporation, was the contractor to carry out the actual drilling operations. The wells were drilled with state-of-the-art US patented Logging While Drilling (LWD) technology and were also completed with down-hole laser cut slit production liners for maximum oil outflow. Horizontal oil pumps were also installed to increase production efficiency.

Despite difficult geological challenges, the successful drilling and the discovery of oil in these two wells has proved that the Fu 718 area is prosperous and deserves further studies and exploitation. The Group now has a total of nine horizontal wells in the Fulaerjiqu oilfield.

As the theme for the rest of the financial year is to improve oil production and project profitability, the Group is replacing fuel oil with natural gas as fuel for the operation of the steam machines to generate steam for injection into the oil well to increase oil flow. For this purpose, a gas pipeline had been constructed during the period under review and the overall work in this connection was completed in October 2011. In view of this move, it is expected that the fuel costs (which is one of the largest production expense items for this project) would be reduced by as much as 50%.



There were other ongoing improvements in the business and operational management of the oilfield as well. During the period under review, the Group has appointed a dedicated person at a senior level charged with the responsibility for coordinating and liaising with various governmental authorities and departments at local level in order to ensure that the Group would be able to comply at all times with various rules, regulations as well as governmental directives. Regular management meetings are convened at both the holding and subsidiary company levels and between the Hong Kong headquarters as well as the local management personnel in order to discuss and resolve issues to achieve corporate objectives. In the Fu 710 area, a new waste water treatment plant is being constructed to accommodate the increase in waste water as a result of an increase in oil production. In the Fu 718 area, roads were paved in the production site and new trees were planted to restore the area to its original natural state.

Commodity trading

General

On 1 January 2011, the Company entered into a 70:30 joint venture agreement with the shareholder of Ding He Trading Limited ("Ding He"), a company based in the Zhanjiang City of the Guangdong Province to carry on coal trading business. The business includes the import of coking and steam coal into China. Upon request from Ding He, the Group has taken over the management of the business and operations with effect from 1 July 2011. The focus of the Group is to increase the volume of coal transactions, resolve financing issues and reduce operating costs. The Group has also signed contracts with PT. China Coal Geology Mining and Fujian Huarong Energy Company Limited to purchase and sell steam coal in Indonesia with end customers in the Fujian Province of China. Up to the end of September 2011, a contract for a total of 52,000 tonnes of coal has been signed.

Within the commodity trading business, there are three divisions in operation, in addition to the Indonesia operations. Details of these operating units are as follows:

Division 1

Division 1, which is based in Ulaanbaatar, Mongolia, focuses on import of coal from Mongolia. This division has an office in Ulaanbaatar and a team of 9 staff situated at Gants Mod in Inner Mongolia. The Group, through a wholly-owned subsidiary, Wing Shing Chemical Macao Commercial Offshore Company Limited, has signed contracts with Mongolian companies Deediin Gobi and Anneng Power to supply and transport 50,000 tonnes of coking coal from No. 8 coal mine to Gants Mod in Inner Mongolia. The first lot of 13,000 tonnes was successfully transported from the coal mine to Deediin's warehouse in Tsagan Khad in April 2011. To maximize the profit margin, it is the objective of the Group to sell this first lot at Gants Mod across the border, and recently the cross border logistical and paperwork issues were resolved with the plan that this first lot of coal can be transported across the border in November 2011. With this success in line, the group will then continue to transport and sell the remaining quantity of coal from Mongolia.

Division 2

Division 2, which is based in Baotou, Inner Mongolia, distributes coal products to 5 provinces in Central and Eastern China. Its customers are mainly independent power plants. This division has a staff strength of 15. The strategy of this division is to be close to coal sources in Inner Mongolia and North West China in order to undertake more efficient logistic management to transport coal to destinations in various provinces including Shandong, Hubei, Henan, Hebei and Sichuan. A stockpile was rented with operations commenced in August 2011 which enables coal sorting and price differentiating and retail sale to customers. At the end of September 2011, the stockpile is in full operation and a sale volume of 9,100 tonnes was completed. Sale trend is expected to move upwards, with 3 major buying parties having been identified. It is expected that transactions will be increasing over the next few months to meet transaction target of 50,000 tonnes per month and an operating cost target of RMB5/tonne.

Division 3

Division 3, which is based in Xiyi, Guizhou Province, distributes coal products to independent power plants within the province and its neighbouring cities. This division has a small office and a staff strength of 7. The Division's coal business commenced in April this year. Coal was purchased in Guizhou and despatched by train mainly to Huaneng Guigang Power Plant, Liuzhou Chemical Plant and Yangchun Sanyang Cement Plant of Guangdong. Up to September, 2011, a total supply of 32,500 tonnes was made. Due to constraints and frequent changes in local policies, the scale of business was restricted to a monthly average of 4,000 tonnes, which is lower than our scheduled target. After reviewing the operations in the past months, Division 3 plans to consolidate and increase the profitability of its coal business in



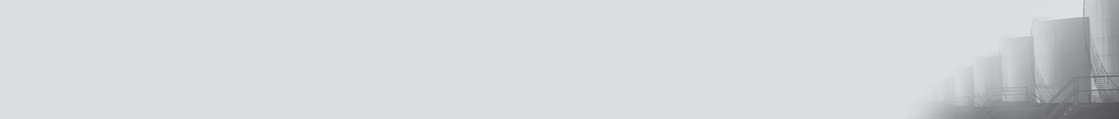
Guizhou, while at the same time develops new customers beyond Guizhou. Particularly, it will (1) consolidate the fundamentals and improve the profitability of coal business in Guizhou, aiming at a supply of over 5,000 tonnes per month; and (2) strive to secure new customers in November and beyond. We have already arranged a 'wagon schedule' with railway stations in Shanxi and agreed on a coal supply plan with Guangdong Yudean Group Company Limited, which will enable us to dispatch dedicated trains carrying coal from Shanxi to the yards at Caofeidian Port in Tianjin. Each train will carry 8,160 tonnes, with a target of two trains or about 16,000 tonnes per month to accomplish a turnover target of 20,000 tonnes per month for Division 3. Meanwhile, the operating costs of Division 3 is well managed and well positioned to reach a target of RMB5/tonne.

Indonesia

Beginning in July 2011, the Group entered into a cooperation agreement with a business partner to jointly develop international coal market, under which steam coal will be procured from Indonesia to China by vessel shipment. In November 2011, the Group has been arranging the first shipment of coal from Sumatra, Indonesia with about 20,000 tonnes of steam coal scheduled for loading in the beginning of December 2011 for a destination in southern China. Both parties wish to strengthen the cooperation and set a strategic target of gradually increasing the turnover to one shipment per month.

Other businesses

As at 30 September 2011, the Group is interested in a total of 355,571,722 shares in Mobile Telecom Network (Holdings) Limited ("Mobile Telecom", Stock Code: 8266), representing approximately 30.18% of its entire issued share capital. In order to diversify its business under the increasingly competitive environment in the mobile entertainment and mobile applications businesses, and to maximise return to shareholders, the board of directors of Mobile Telecom has identified further investment opportunities. On 3 June 2011, Mobile Telecom successfully completed its acquisition of two property development projects in Yangjiang, Guangdong Province, the PRC. Also, on 28 September 2011, Mobile Telecom, through one of its wholly-owned subsidiaries, entered into an agreement to acquire 33.3% of a company engaged in technology development, design, manufacturing and selling of liquid crystal display modules.



The Group has an effective 34.4% interest in a vanadium mineral project in the Xiaowujiang vanadium mining region, Yuqing County, Guizhou Province, China. Management of this business is being undertaken by the major shareholder of the project company. The project is in the final stage of exploitation licence application. In recent years, both the central and local governments of China exercise stringent control over the mining industry including in particular the granting of new mining permits. This stringent attitude is good for upgrading the quality standard of the entire mining industry throughout the country. Management of the project is now under the direct guidance of the local governmental authorities to take positive measures in order to secure the relevant permits. Approval has now been granted by the Department of Land and Resources of the Guizhou Province of China and this approval, which is granted at the provincial level, has been notified to the Department of Land and Resources of the Zunyi City of Guizhou for further processing.

BUSINESS OUTLOOK

During the financial period under review, worldwide equities and commodities prices had recorded a downward trend with Dow Jones Industrial Average and Hang Seng indexes dropping some 13% and 33% respectively while crude oil price was down 29%. Concerns about the fiscal sustainability in high-income countries persist throughout the period. High fiscal deficits and rising sovereign debt pose medium- to long-term challenges to many countries.

The problem is especially serious in Europe where a number of countries is suffering from different degrees of financial stresses. The economic turmoil is spreading from Greece to Italy then to Spain and the crisis is still continuing at the date of this report. In Japan, the nuclear leakage incident, which was caused by earthquake and associated tsunami, has only contributed to a modest slowing in global industrial production and trade. Elsewhere in the Middle East and North Africa, with the exception of a few countries, the political unrest there has shown signs of settlement with life gradually back to normal in the wake of political reforms.

In accordance with a report on the global economic prospects issued by the World Bank in June 2011, gross sovereign debt is projected to reach a high level in respect of certain countries compared to GDP in 2012. Although steps being taken by authorities to resolve short-term problems in the euro-zone should prevent an acute crisis, a loss of confidence could have negative implications for both developed and developing countries. The United States as well as European countries, in particular, will continue to struggle with crisis-related problems. Despite all these, supply conditions remain tight and further increases in fuel prices cannot be ruled out.



During the last quarter of 2011 and beyond, it is expected that the global economy will continue the current turmoil. Further financial stresses may emerge, as monetary policies in high-income countries begins to tighten. As short- and long-term interest rates and re-financing costs rise, both banks and commercial organisations may find their balance sheets coming under renewed pressure. Banks and financial institutions are downsizing their operations for cost-control reasons.

As the global economic outlook remains fragile and significant challenges stand in the way of a steady recovery, the Group will turn towards productivity enhancements in order to manage risks associated with the global economic unrest. As Hong Kong is still benefiting from its close proximity to China where the economy is still growing albeit at a slower pace, the Group will continue to identify and evaluate attractive, prosperous and reasonably-priced acquisition targets in order to integrate these opportunities into the Group to achieve long-term growth. The Group will continue to exercise care in structuring and restructuring its business portfolios. With the current team of experienced management personnel with expertise in every aspects of business and operations, the Group is confident that it is in a good position to count on the foundations that it has built up over the years to achieve long-term growth in the future.

FINANCIAL REVIEW

Working capital

As at 30 September 2011, the Group's current assets were kept at approximately HK\$316,911,000 (31 March 2011: approximately HK\$415,157,000). The current ratio, being the proportion of total current assets against total current liabilities, was 2.16 (31 March 2011: 3.16). The Directors consider that the present working capital level is conservatively sufficient to meet the upcoming operating needs.

Liquidity and Financial Resources

As at 30 September 2011, the Group had total outstanding bank borrowings of approximately HK\$56,490,000 (31 March 2011: approximately HK\$68,754,000), bank balances and cash of approximately HK\$75,656,000 (31 March 2011: approximately HK\$165,566,000) and total assets of approximately HK\$967,135,000 (31 March 2011: approximately HK\$1,020,766,000). Current assets of the Group on the same date amounted to approximately HK\$316,911,000 (31 March 2011: approximately HK\$415,157,000) whilst current liabilities were approximately HK\$146,992,000 (31 March 2011: approximately HK\$131,083,000). The gearing ratio, calculated by dividing the total borrowings by the total assets, was equal to 5.84% on the reporting date (31 March 2011: 6.74%).

PLEDGE OF ASSETS

As at the date of this report, the Group's trade receivables of approximately HK\$11,812,000 (31 March 2011: approximately HK\$33,705,000) and the carrying values of investment property of approximately HK\$25,558,000 (31 March 2011: Nil) were pledged to secure banking facilities granted to the Group. In addition, a register of all monies first share charge over 51% of all the issued shares in a subsidiary and a deposit with sum of HK\$20,000,000 or its equivalent in other currency as minimum deposit to secure the banking facilities.

INTERIM DIVIDEND

The directors of the Company do not recommend the payment of an interim dividend for the six months ended 30 September 2011 (30 September 2010: Nil).

COMMITMENTS

As at 30 September 2011, the Group had capital expenditure commitments as followings:

	30 September 2011 HK\$'000	31 March 2011 HK\$'000
Contracted but not provided for		
– property, plant and equipment	39,709	38,825
– construction in progress	6,040	2,233
	45,749	41,058
Authorised but not contracted for		
– acquisition of 52% participating interest of Project Modamuji	172,158	172,158
– acquisition of a company engaged in oil technology consultancy service	–	41,380
	172,158	213,538

CONTINGENT LIABILITIES

(a) Contingencies on Hong Kong Profits Tax

The prior years' tax position of the Company is under tax investigation, and the Hong Kong Inland Revenue Department (the "IRD") had made certain enquiries on the taxability of profits of certain subsidiaries of the Company in respect of Hong Kong Profits Tax since the year of assessment 1996/97 (i.e. for the accounting year ended 31 March 1997). Neither conclusion nor settlement was reached by the IRD up to the date of this condensed consolidated financial information.

The IRD's investigation is still at the stage of collation of evidence and considering that the management is of the opinion that the Company and the subsidiaries under investigation have strong set of facts to justify its tax position. After taking into account the professional advice from its tax representative, the management considers that there is no reasonable basis to determine the accurate amount of additional tax and penalty at this stage under the tax investigation. Accordingly, no provision for such potential liabilities has been made in this condensed consolidated financial information.

In the unlikely event that the profits of the Company and the relevant subsidiaries would be treated by the IRD as onshore and chargeable to Hong Kong Profits Tax, the maximum exposure of tax liabilities will be approximately HK\$24 million (31 March 2011: HK\$24 million), HK\$11 million (31 March 2011: HK\$11 million), out of which the potential liabilities prior to the listing of the Company in 2003 had been indemnified by Mr. Poon Sum, the director. At the end of the reporting period, the Group had purchased tax reserve certificate of approximately HK\$16 million (31 March 2011: HK\$15 million) at the IRD's request.

(b) Environmental contingencies

Due to the underground oil exploitation method adopted by the Group, the Group has not incurred any significant expenditure on environmental rehabilitation since its establishment. There is, however, no assurance that stringent environmental policies and/or standard on environmental rehabilitation will not be implemented by the relevant authorities in the PRC in the future which require the Group to undertake environment measures. The financial position of the Group may be adversely affected by any environment liabilities, which may be imposed under such new environment policies and/or standards.

EXPOSURE TO FOREIGN EXCHANGE RISK AND INTEREST RATE RISK

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

DISCLOSURES PURSUANT TO RULES 13.21 OF THE LISTING RULES

In accordance with the disclosure requirements of rule 13.21 of the Listing Rules, the Company makes the following disclosures in relation to the details of the facility letter, which includes conditions relating to specific performance of the controlling shareholder of the Company:-

The Group has accepted a facility letter dated 2 November 2011 issued by a bank in Hong Kong in relation to various working capital facilities up to the amount of approximately HK\$113,818,000. The terms included corporate guarantees on subsidiaries, an all money first share charge(s) over 51% of all issued shares of a subsidiary and financial covenants on the financial statements of the Group. In addition, it is required the Company depositing a sum of HK\$20,000,000 or its equivalent in other currency as minimum deposit. Other terms and conditions have no material difference with the information disclosed previously. Should there be any breach of such conditions, the Bank shall have the right to demand for repayment of all outstanding amounts due by the Group under the Facilities.

As at 8 November 2011, the Group accepted a mortgage overdraft facility letter issued by another bank in Hong Kong in relation to an investment property with value of approximately HK\$25,558,000. The mortgage overdraft facility amount is approximately HK\$12,250,000, and the Group's holding company also provides corporate guarantee for this facility amount.

EMPLOYEES AND REMUNERATION POLICIES

As at 30 September 2011, the Group had an aggregate of 179 employees (2010: 146) of which about 152 employees located in mainland China while the rest were based in Hong Kong and Macau. During the period, employees' remuneration package includes salary, bonus and share options. Under the Group's remuneration policy, employees are rewarded on the basis of merits and market conditions and in accordance with the statutory requirements of the respective jurisdiction where the employees are engaged.

DIRECTORS' AND CHIEF EXECUTIVE'S INTERESTS

At 30 September 2011, the interests of the directors and chief executive and their associates in the shares, underlying shares or debentures of the Company or any of its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance ("SFO")), as recorded in the register maintained by the Company pursuant to Section 352 of the SFO, or as otherwise notified to the Company and The Stock Exchange of Hong Kong Limited (the "Stock Exchange") pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers contained in the Rules Governing the Listing of Securities on the Stock Exchange ("Listing Rules") were as follows:

Name	Capacity	Nature of Interest	Number of Shares held	Equity Derivative	Total Interest	Total % of Issued Shares
Directors:						
Mr. Poon Sum	Beneficial Owner	Personal Interest (Note 1)	185,770,453 (L)	459,629,537 (L)	987,145,427 (L)	23.90%
	Founder of a Discretionary Trust	Other Interest (Note 2)	310,262,558 (L)	31,482,879 (L)		
Mr. Wong Kwok Leung	Beneficial Owner	Personal Interest (Note 3)	16,285 (L)	317,357 (L)	333,642 (L)	0.01%
Mr. Poon Wai Kong	Beneficial Owner	Personal Interest (Note 4)	7,900,000 (L)	100,000 (L)	8,000,000 (L)	0.19%
Mr. Chan Shu Kin	Beneficial Owner	Personal Interest	61,500 (L)	-	61,500 (L)	0.001%
Mr. Chan Kam Ching, Paul	Beneficial Owner	Personal Interest (Note 5)	704,000 (L)	100,000 (L)	804,000 (L)	0.02%
Mr. Cheung Kwan Hung	Beneficial Owner	Personal Interest	234,000 (L)	-	234,000 (L)	0.01%

L: Long Position

Notes:

1. All interests in underlying shares of equity derivatives of the Company are interests in warrants of the Company (the "Listed Warrants") which conferred rights to subscribe for 9,629,537 shares at an initial subscription price of HK\$0.48 per share (subject to adjustment) exercisable during the period from 17 October 2008 to 16 October 2011, interests in warrants of the Company which conferred rights to subscribe for 250,000,000 shares at an initial subscription price of HK\$1.35 per share (subject to adjustment) exercisable during the period from 21 June 2010 to 20 June 2013 and interests in warrants of the Company which conferred rights to subscribe for 200,000,000 shares at an initial subscription price of HK\$0.45 per share (subject to adjustment) exercisable during the period from 30 June 2011 to 29 June 2014.
2. All interests in underlying shares of equity derivatives of the Company are interests in the Listed Warrants. These shares and Listed Warrants are held by Ever Source Enterprises Limited. The issued share capital of Ever Source Enterprises Limited is beneficially owned as to 50% by Time Concord Limited, a company incorporated in the British Virgin Islands and indirectly owned by a discretionary trust, the beneficiaries of which are family members of Mr. Poon Sum, and as to 50% by Guidance Investments Limited, a company incorporated in the British Virgin Islands and indirectly owned by a discretionary trust, the beneficiaries of which are family members of Mr. Poon Sau Tin, the elder brother of Mr. Poon Sum. Accordingly, Mr. Poon Sum is deemed to be interested in 310,262,558 shares, representing approximately 7.51% of the shares in issue as at 30 September 2011, through his shareholding in Ever Source Enterprises Limited.
3. All interests in underlying shares of equity derivatives of the Company are interests in the Listed Warrants which conferred rights to subscribe for 1,357 shares and interests in share options of the Company granted under the share option scheme of the Company, 100,000 of which may be exercised during the period from 13 August 2004 to 12 August 2014 at an adjusted exercise price of HK\$0.251 per share and 216,000 of which may be exercised during the period from 29 April 2009 to 28 April 2012 at the exercise price of HK\$0.2064 per share.
4. All interests in underlying shares of equity derivatives of the Company are interests in the Listed Warrants which conferred rights to subscribe for 100,000 shares.
5. All interests in underlying shares of equity derivatives of the Company are interests in the Listed Warrants which conferred rights to subscribe for 100,000 shares.

Save as disclosed above, as at 30 September 2011, none of the directors and chief executive of the Company had held any interests or short positions in the shares, underlying shares or debentures of the Company or any of its associated corporations (as defined in Part XV of the SFO) as recorded in the register required to be kept by the Company under Section 352 of the SFO or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Companies.

SHARE OPTIONS

Pursuant to the Company's share option scheme, whereby employees, executive and independent non-executive directors, officers, advisers and consultants of the Group may be granted options to subscribe for the shares of the Company, details of the share options outstanding as at 30 September 2011 were as follows:

Participants	Date of grant	Exercise price per share HK\$	Exercise period	Number of options				Price of Company's shares	
				Outstanding as at 1 Apr 2011	Granted during the period	Exercised during the period	Lapsed during the period	Outstanding as at 30 Sep 2011	For Options granted HK\$ (Note 1)
Executive Directors									
Mr. Poon Sum	3 May 2010	1.250	3 May 2010 to 2 May 2011	50,000,000	-	-	(50,000,000)	-	-
Mr. Poon Wai Kong	3 May 2010	1.250	3 May 2010 to 2 May 2011	8,000,000	-	-	(8,000,000)	-	-
Mr. Wong Kwok Leung	13 August 2004	0.251 (adjusted)	13 August 2004 to 12 August 2014	100,000	-	-	-	100,000	-
	29 April 2009	0.206 (adjusted)	29 April 2009 to 28 April 2012	216,000	-	-	-	216,000	-
Independent Non-executive Directors									
Mr. Chan Kam Ching, Paul	3 May 2010	1.250	3 May 2010 to 2 May 2011	3,600,000	-	-	(3,600,000)	-	-
Mr. Chan Shu Kin	3 May 2010	1.250	3 May 2010 to 2 May 2011	3,600,000	-	-	(3,600,000)	-	-
Mr. Cheung Kwan Hung	3 May 2010	1.250	3 May 2010 to 2 May 2011	3,600,000	-	-	(3,600,000)	-	-
Chief Executive									
Mr. Leung Kam Lung, Danny	3 May 2010	1.250	3 May 2010 to 2 May 2011	5,000,000	-	-	(5,000,000)	-	-
Employees in aggregate									
	4 May 2010	1.248	4 May 2010 to 3 May 2011	135,000,000	-	-	(135,000,000)	-	-
			Total	209,116,000	-	-	(208,800,000)	316,000	

Notes:

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

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

SUBSTANTIAL SHAREHOLDERS' INTERESTS

At 30 September 2011, the interests of the shareholders, not being a director or chief executive of the Company, in the shares and underlying shares of the Company as recorded in the register required to be kept under Section 336 of the SFO were as follows:

Name of Substantial Shareholders	Capacity	Nature of Interests	Number of Shares held	Equity Derivative	Total Interest	Total Interest as Percentage Of Issued Shares
BNP Paribas Jersey Trust Corporation Limited	Trustee	Other Interest (Notes 1, 2 and 3)	310,262,558 (L)	31,482,879 (L)	341,745,437 (L)	8.27%
Ground Point Limited	Interest of Controlled Corporation	Corporate Interest (Notes 1, 2 and 3)	310,262,558 (L)	31,482,879 (L)	341,745,437 (L)	8.27%
Red Tiles Limited	Interest of Controlled Corporation	Corporate Interest (Notes 1, 2 and 3)	310,262,558 (L)	31,482,879 (L)	341,745,437 (L)	8.27%
Guidance Investments Limited	Interest of Controlled Corporation	Corporate Interest (Notes 1, 2 and 3)	310,262,558 (L)	31,482,879 (L)	341,745,437 (L)	8.27%
Time Concord Limited	Interest of Controlled Corporation	Corporate Interest (Notes 1, 2 and 3)	310,262,558 (L)	31,482,879 (L)	341,745,437 (L)	8.27%
Ever Source Enterprises Limited	Beneficial Owner	Corporate Interest (Notes 1, 2 and 3)	310,262,558 (L)	31,482,879 (L)	341,745,437 (L)	8.27%

Name of Substantial Shareholders	Capacity	Nature of Interests	Number of Shares held	Equity Derivative	Total Interest	Total Interest as Percentage Of Issued Shares
Mr. Poon Sau Tin	Beneficial Owner	Personal Interest (Notes 1)	16,292,453 (L)	3,852,037 (L)	361,889,927(L)	8.76%
	Founder of a Discretionary Trust	Other Interest (Notes 1, 2 and 3)	310,262,558 (L)	31,482,879 (L)		

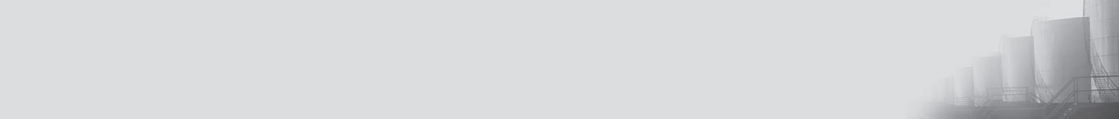
L: Long position

Notes:

- All interests in underlying shares of equity derivatives of the Company are interests in Listed Warrants. All interests of BNP Paribas Jersey Trust Corporation Limited, Ground Point Limited, Red Tiles Limited, Guidance Investments Limited, Time Concord Limited and Ever Source Enterprises Limited and the other interest of Mr. Poon Sau Tin are duplicated.
- BNP Paribas Jersey Trust Corporation Limited is deemed to be interested in the shares in the capacity of a trustee of the two discretionary trusts as mentioned in paragraph 3 below through interests of corporations controlled by it as follows:

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

- These shares and Listed warrants are held by Ever Source Enterprises Limited. The issued share capital of Ever Source Enterprises Limited is beneficially owned as to 50% by Time Concord Limited, a company incorporated in the British Virgin Islands and indirectly owned by a discretionary trust, the beneficiaries of which are family members of Mr. Poon Sum, and as to 50% by Guidance Investments Limited, a company incorporated in the British Virgin Islands and indirectly owned by a discretionary trust, the beneficiaries of which are family members of Mr. Poon Sau Tin, the elder brother of Mr. Poon Sum. Accordingly, each of Mr. Poon Sum and Mr. Poon Sau Tin will be deemed to be interested in 310,262,558 shares, which represent approximately 7.51% of the shares in issue as at 30 September 2011, because each of them is the respective founder of the aforesaid two discretionary trusts which indirectly own 50% beneficial interest in Ever Source Enterprises Limited respectively.



Save as disclosed above, there was no person known to the directors of the Company, other than a director of the Company, who as at 30 September 2011 had an interest or short position in the shares or underlying shares of the Company as recorded in the register kept under section 336 of the SFO.

DIRECTORS' INTEREST IN COMPETING BUSINESS

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

MANAGEMENT CONTRACTS

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

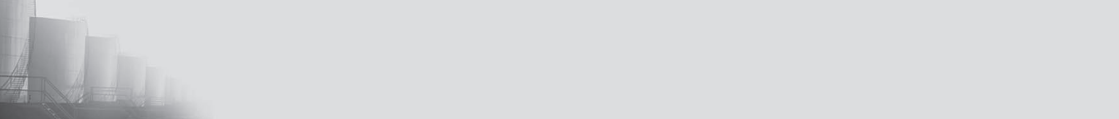
PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES

Neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the Company's listed securities during the six months ended 30 September 2011.

CORPORATE GOVERNANCE

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

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



AUDIT COMMITTEE

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

During the period under review, the Audit Committee has reviewed with the management the accounting principles and practices adopted by the Group and discussed internal controls, risk management and financial matters including the review of the unaudited interim report of the Group for the six months ended 30 September 2011.

COMPLIANCE WITH THE MODEL CODE

The Group has adopted the Model Code for Securities Transactions by Directors of Listed Issuers ("the Model Code") as set out in Appendix 10 of the Listing Rules as the code of conduct regarding securities transactions by the directors. Having made specific enquiry of all directors, all directors have confirmed that they have fully complied with the required standard set out in the Model Code throughout the review period.

By Order of the Board

Poon Sum

Chairman

Hong Kong, 26 November 2011

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