中聯能源投資集團有限公司

Sino Union Energy Investment Group Limited

(Incorporated in Bermuda with limited liability)

Stock Code: 00346

ANNUAL REPORT 2011

Contents

Corporate Information

EXECUTIVE DIRECTORS
Dr. Zhuo Ze Fan
(Chairman & Chief Executive Officer)
Dr. William Rakotoarisaina *(Vice Chairman)*
Mr. Shen Hao
Mr. Feng Da Wei
Mr. Hu Zongmin
Ms. Xie Yiping
Mr. Liu Xingyuan

INDEPENDENT NON-EXECUTIVE DIRECTORS
Mr. Ng Wing Ka
Mr. Leung Ting Yuk
Mr. Ng Tang

COMPANY SECRETARY
Mr. Law Hing Lam

AUDIT COMMITTEE
Mr. Leung Ting Yuk *(Chairman)*
Mr. Ng Wing Ka
Mr. Ng Tang

REMUNERATION COMMITTEE
Mr. Ng Tang *(Chairman)*
Mr. Leung Ting Yuk
Ms. Xie Yiping

NOMINATION COMMITTEE
Mr. Ng Wing Ka *(Chairman)*
Mr. Ng Tang
Ms. Xie Yiping

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AUTHORISED REPRESENTATIVES
Dr. Zhuo Ze Fan
Mr. Law Hing Lam

PRINCIPAL BANKERS
Bank of China
Shanghai Pudong Development Bank
China Minsheng Bank Corporation Limited
DBS Bank (Hong Kong) Limited

AUDITORS
HLB Hodgson Impey Cheng
Chartered Accountants
Certified Public Accountants
31st Floor, Gloucester Tower
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Hong Kong

BERMUDA PRINCIPAL SHARE REGISTRAR AND TRANSFER OFFICE
HSBC Securities Services (Bermuda) Limited
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HONG KONG BRANCH SHARE REGISTRAR AND TRANSFER OFFICE
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STOCK CODE
00346

WEBSITE
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Chairman's Statement

On behalf of the board (the "Board") of directors (the "Director(s)") of Sino Union Energy Investment Group Limited (the "Company"), I am pleased to present the annual report of the Company and its subsidiaries ("the Group") for the 9 months ended 31 December 2011.

RESULT SUMMARY

The Group is principally engaged in the activities of: (i) investments in the oil, gas and energy related business; (ii) oil and gas exploration, exploitation and operation; and (iii) trading of fuel oil.

The Company resolved to change the financial year end date from 31 March to 31 December in order to align with that of the Company's principal subsidiaries in the PRC and Shaanxi Yanchang Petroleum (Group) Co., Limited ("Yanchang Petroleum"), a substantial and strategic shareholder of the Company. Having conterminous year end date not only enables the Company to better co-ordinate its business development with Yanchang Petroleum in the future, but also facilitate the preparation of the Group's consolidated financial statements and save costs accordingly.

During the current period, the Group recorded a turnover of HK$512,210,000 as compared to last year of HK$1,020,769,000, the decrease in turnover was due to the shorter financial period covered (i.e. 9 months of the current period as against 12 months of the last year). Nevertheless, the Group had restructured its fuel oil business and acquired the Henan refined oil business in November 2011. Benefited from the consolidation of such newly acquired refined oil business, the overall gross profit margin for trading of fuel oil rose from the last year of 3.4% to the current period of 6.5% and gross profit of HK$33,354,000 recorded for the period under review (for the 12 months ended 31 March 2011: HK$35,145,000). With secured supply from Yanchang Petroleum, the Board expects that the Henan refined oil business could achieve sales volume over 600,000 tonnes in 2012, and will have better return to the Group. Due to mainly an one-off accounting charge share option expenses of HK$145,561,000 was incurred in respect of share options granted, the Group recorded a loss of HK$144,288,000 for the period under review as compared to the profit of HK$23,013,000 in the last year. However, if non-cash share option expenses of HK$145,561,000 being excluded, profit of HK$1,273,000 will be arrived for the Group.

BUSINESS REVIEW

Drilling works in the oilfield blocks in Madagascar

The Group has made good progress in the exploration works of the Oilfield Block 3113. During the period under review, the second batch of 3 wells (namely SKL-2n, BKM-1 and BKM-2) drilling works were completed successfully and encouraging drilling results were obtained. Based on the logging results on oil and gas, whereas 37 reservoirs with total thickness of approximately 79 m, 8 reservoirs with total thickness of approximately 46 m, and 15 reservoirs with total thickness of approximately 31 m were found in SKL-2n, BKM-1 and BKM-2, respectively. Oil in the reservoirs is in the desirable light oil category. In this regard, Office Des Mines Nationales Et Des Industries Strategiques ("OMNIS") was greatly satisfied and confirmed the well drilling technology and results related to the Oilfield Block 3113.

The drilling project has come to the evaluation stage and has been put forward to the Oilfield Block 3113 Management Committee for review and discussion. According to the requirements of the evaluation and next step exploration plan in relation to the Oilfield Block 3113, the need for single-well evaluation studies will be processed. Having studied, considered and compared the data of the 3 wells, Shaanxi Yanchang Petroleum International Exploration & Development Engineering Company Limited, the contractor of the drilling project, has recognised that the choice of BKM-2 for single-well evaluation would be more meaningful; and that would have a better understanding of hydrocarbon migration pattern in the Oilfield Block 3113, and well testing will be conducted later this year for the next step exploration and exploitation plan.

Chairman's Statement

Regarding the Oilfield Block 2104, drilling works of 5 wells had been completed, while oil and gas were discovered in 3 wells with depth range of 450 m to 2,153 m. The Group will commit more resources on the Oilfield Block 2104, where the Group is planning more drilling works to be done for the exploration later this year.

Granting share options to Yanchang Petroleum

In order to tighten the relationship as shareholder and business partner of the Company, so as to further strengthen the business co-operation and open up more business opportunities in future with Yanchang Petroleum, the Company granted Yanchang Petroleum 1,000,000,000 share options with the right to subscribe for up to a maximum of 1,000,000,000 shares of the Company at the exercise price of HK$0.716 each pursuant to a share option agreement entered into on 29 April 2011. The grant of share options will provide incentive to Yanchang Petroleum for its further involvement in the business growth of the Group in the long run. The Board believes that more close support and involvement from Yanchang Petroleum will benefit the development of the Group's oil, gas and energy related business both in the PRC and overseas; and that the exercise of share options, if any, by Yanchang Petroleum will improve the financial position of the Group.

Acquisition of refined oil business in Henan Province of the PRC

The Company has for long been committed to expand its oil, gas and energy related business in order to create better investment value and return for its shareholders. Therefore the Group entered into a sale and purchase agreement with an independent third party, Golden Soar Investments Limited ("Golden Soar") on 26 July 2011, to acquire from Golden Soar 70% equity interests in Henan Yanchang Petroleum Sales Co., Limited ("Henan Yanchang").

Henan Yanchang is mainly engaged in the wholesale, retail, storage and transportation of refined oil (gasoline, diesel oil, paraffin fuel oil, lubricating oil, grease and asphalt) and has been granted a valid licence for the distribution and sale of refined oil in the PRC. Henan Yanchang currently has land parcels in aggregate of 209 mu, 120,000 cubic meters of storage tanks area, a private railway line of 2,500 metres, a retail network with 10 gas stations and around 50 employees with distribution and sale capacity of handling up to 2,000,000 tonnes of refined oil yearly. Henan Yanchang, under the application of Yanchang Petroleum, was approved by PetroChina Company Limited (中國石油天然氣股份有限公司) to construct a sub-pipeline connecting the Zhengzhou distribution station of the Lanzhou-Zhengzhou-Changsha refined oil major pipeline. Upon completion of 23 kilometres long sub-pipeline, the transportation and sale of refined oil in Henan Province will be improved. The pipeline expected to be completed in 2012 together with the dedicated oil railway of Henan Yanchang will benefit the overall management and operation of the refined oil wholesales and distribution business of Henan Yanchang. Apart from reducing the transportation cost for refined oil, it will also provide oil products transportation service for other oil corporate customers in the Henan region so as to broaden income stream of Henan Yanchang.

With the anticipated growth in demand and increasing market penetration of refined oil in the PRC including Henan region, it is expected that Henan Yanchang could achieve sales volume over 600,000 tonnes in 2012, and with the completion of additional oil storage facilities, Henan Yanchang could achieve and reach sales volume of 1,500,000 tonnes in 2013. The acquisition of Henan Yanchang will enable the Group to further enhance its fuel oil business, strengthen its trading position and enlarge its distribution network in the PRC.

Supply of refined oil to Henan Yanchang from Yanchang Petroleum

In order to meet the above sales targets, Henan Yanchang and Yanchang Petroleum entered into an agreement and a supplemental agreement respectively on 26 July 2011 and 1 November 2011, pursuant to which Yanchang Petroleum has agreed to supply to Henan Yanchang refined oil with the most favourable price as compared to that quoted to independent third party customers of Yanchang Petroleum. With sufficient and stable supply of refined oil from Yanchang Petroleum, Henan Yanchang, which owns dedicated oil storage facilities, railway and oil pipeline, could rapidly enhance its business

Chairman's Statement

development and operation to cope with the enormous demand of refined oil in Henan Province and the PRC. Leveraging on the bulk volume and stable supply of refined oil from Yanchang Petroleum, the Board believes that without significant increase in both financial and human resources, Henan Yanchang could achieve the expected level of performance in 2012.

Interests in industrial development district project in Madagascar

Apart from the acquisition of Henan Yanchang, the Group also entered into separate sale and purchase agreements with Jubilee Star Holdings Limited ("Jubilee Star"), an independent third party, on 15 December 2011 and 6 January 2012 to acquire from Jubilee Star 10% and 30% equity interests in Gold Grand Investments Limited ("Gold Grand"), respectively.

Gold Grand has obtained the business operation right granted by the government of Madagascar in relation to the industrial development district (including plants, residential properties and bonded warehouse) and the provision of industries (including oil refining, power and utilities, petroleum and natural gas processing, production and sales) located near the coastal area in the Toliara Province of Madagascar, with an area of 50 hectares. Gold Grand also has the perpetual land use right of such piece of land.

In view of the rapid development of the oilfields in Madagascar along with pressing demand of energy for its industrial development, the government of Madagascar has been actively supporting the industrial development district and energy utilities projects. The Board considers that, through the opportunity to participate in this project, the Group can capture the pre-emptive advantage in the country's development of the energy industry, not only can the project provide good returns, but more important the project could provide favorable conditions to facilitate the development of the Group's oilfields and create operating synergy in the next step production.

OUTLOOK

As the crude oil price has maintained in the high level of around US$100 per barrel, which in turn will benefit the Group's oil distribution and sale business as well as enhance the valuation of the Group's oilfield blocks in Madagascar. The Board is of the opinion that with continuous support from Yanchang Petroleum, the oil and gas business and the development of the oilfield blocks in Madagascar will have optimistic future. Besides, in view of the enormous demand and the recent reform on price adjustment of refined oil in the PRC, the Board believes that the newly acquired refined oil business in Henan Province will have bright prospect, contribute substantial profit and bring in additional cash flow to the Group starting from 2012. Given the strengthening business co-operation and strategic relationship with Yanchang Petroleum, the Company has confidence and capabilities to further enhance and expand the Group's business.

APPRECIATION

On behalf of the Board, I would like to extend my sincere gratitude to the Directors, the management team, all staff member, customers, suppliers, business partners, bankers and shareholders for their support and contribution to the Group over the years.

Dr. Zhuo Ze Fan
Chairman

Hong Kong, 30 March 2012

Management Discussion and Analysis

FINANCIAL REVIEW

Highlights on Financial Results

	9 months ended 31 December 2011	12 months ended 31 March 2011
	HK$'000	*HK$'000*
Turnover	**512,210**	1,020,769
Gross profit	**33,354**	35,145
Gross profit margin	***6.5%***	*3.4%*
Other revenue, gains and losses	**18,714**	34,580
Selling and distribution costs	**(4,784)**	(11,791)
Administrative expenses	**(38,915)**	(30,722)
Equity-settled share option expenses (non-cash)	**(145,561)**	(1,877)
Finance costs	**(1,631)**	—
Taxation	**(5,465)**	(2,322)
(Loss)/profit for the period/year	**(144,288)**	23,013
Basic (loss)/earnings per share	**(2.34 cents)**	0.37 cents

For the period under review, the Group's operating segments comprised (i) storage, transportation, supply and procurement of fuel oil and (ii) oil and gas exploration, exploration and operation. 100% turnover of the Group was derived from fuel oil trading business in the PRC during the 9 months ended 31 December 2011.

As a result of change in financial year end date from 31 March to 31 December for the Group, the current period covered a shorter period of 9 months in contrast of 12 months for the last year. Accordingly, the sales generated from the trading of fuel oil had dropped to HK$512,210,000 for the period under review as compared to HK$1,020,769,000 of the last year, nevertheless the Group had restructured its fuel oil business and acquired the Henan refined oil business in November 2011. Benefited from the consolidation of newly acquired refined oil business, the overall gross profit margin for trading of fuel oil rose from the last year of 3.4% to the current period of 6.5% and gross profit of HK$33,354,000 recorded for the current period (for the 12 months ended 31 March 2011: HK$35,145,000). With secured supply from Yanchang Petroleum, the Board expects that the Henen refined oil business could achieve sales volume over 600,000 tonnes in 2012, and will have better return to the Group.

In addition to the profit from trading of fuel oil, there were other gains of HK$18,714,000 recorded for the period under review which was mainly the aggregate effect of: (i) the net gain on disposal of subsidiaries of HK$19,954,000; (ii) consideration and reimbursement received in total of HK4,050,000 related to the share options granted; and (iii) the impairment of HK$5,550,000 made on the intangible asset of the petroleum related business licence in Madagascar.

Management Discussion and Analysis

FINANCIAL REVIEW *(Continued)*

Highlights on Financial Results *(Continued)*

Selling and distribution costs had been reduced from last year of HK$11,791,000 to HK$4,784,000 during the 9 months ended 31 December 2011 which was in line with the decrease in turnover.

The increase in administrative expenses amounted to HK$8,193,000 during the period under review was mainly attributable to the inclusion of the administration fees of HK$6,423,000 payable to OMNIS for the development of the Oilfield Blocks 2104 and 3113 as well as the administrative expenses of HK$1,517,000 incurred by the newly acquired subsidiary Henan Yanchang for running of the refined oil business in the PRC.

Equity-settled share option expenses had been significantly increased by HK$143,684,000 to HK$145,561,000, which was merely an one-off non-cash accounting charge, incurred mainly in respect of 1 billion share options granted to Yanchang Petroleum in June 2011.

Finance costs of HK$1,631,000 were interest expenses incurred for bills and bank borrowings from Henan Yanchang in support of running the refined oil business in the PRC.

Taxation expenses of HK$5,465,000 mainly represented the provision for the PRC enterprise income tax on the profit earned from refined oil business of Henan Yanchang during the period.

Due to the drop in turnover coupled with the one-off substantial accounting charge of equity-settled share option expenses in respect of share options granted , the Group incurred a loss of HK$144,288,000 for the current period as compared of the last year profit of HK$23,013,000. However, if the non-cash share option expense of HK$145,561,000 being excluded, profit of HK$1,273,000 will be arrived for the Group.

Highlights on Financial Position

	As at 31 December 2011 ***HK$'000***	As at 31 March 2011 *HK$'000*
Property, plant and equipment	**143,875**	3,581
Goodwill	**51,418**	—
Prepaid lease payments	**21,247**	897
Investment properties	**39,652**	7,800
Intangible assets	**316,693**	40,000
Exploration and evaluation assets	**8,546,675**	8,481,756
Available-for-sale investments	**73,950**	—
Trade receivables	**46**	91,166
Prepayments, deposits and other receivables	**31,643**	136,266
Inventories	**106,054**	—
Cash and bank balances	**29,485**	103,000
Pledged deposits	**49,300**	—
Trade and other payables	**120,288**	89,683
Borrowings	**129,995**	—
Promissory note	**84,654**	—

Management Discussion and Analysis

FINANCIAL REVIEW *(Continued)*

Highlights on Financial Position *(Continued)*

Property, plant and equipment consisted of buildings, fixtures and furniture, equipment, plant and machineries, motor vehicles and construction-in-progress. A significant increase of HK$140,294,000 as at 31 December 2011 when compared to 31 March 2011 was mainly due to the inclusion of the assets owned by the newly acquired subsidiary Henan Yanchang in November 2011.

Resulting from the acquisition of 70% interests in Henan Yanchang in November 2011, goodwill of HK$51,418,000 arising on consolidation was recorded. Since no impairment subsequent to the acquisition had been made during the period, such goodwill stated in the same balance as at 31 December 2011.

Prepaid lease payments represented the leasehold lands in Madagascar and the PRC owned by the Group for its own use. The increase of HK$20,350,000 in prepaid lease payments was mainly attributable to the acquisition of Henan Yanchang which holds certain leasehold lands for its business operation in the PRC.

Due to the acquisition of Henan Yanchang, investment properties increased from HK$7,800,000 to HK$39,652,000 as at 31 December 2011 which mainly represented:(i) acquired gas stations and properties in the PRC from Henan Yanchang either leased out in return of receiving rental income or held for capital appreciation; and (ii) a leasehold land held for capital appreciation in Madagascar.

During the period under review, there was an increase in intangible assets amounted to HK$276,693,000 attributable to the valuation and recognition of a supply agreement signed with Yanchang Petroleum which enables Henan Yanchang to have stable and sufficient supply of refined oil in PRC, and such increase was partly offset by an impairment of HK$5,550,000 on a petroleum related business licence which allows the Group to carry on the business of import, transportation and distribution of petroleum and gas in Madagascar.

Exploration and evaluation assets represented the valuation of the Group's investment in the Oilfield Blocks 2104 and 3113 in Madagascar and the addition of HK$64,919,000 represented well drilling cost put into the Oilfield Block 3113 through the Oilfield Block 3113 Management Committee.

Available-for-sale investments represented the 10% equity interests in Gold Grand, which was acquired by the Group in December 2011. Gold Grand has a freehold land and also holds a business operation right grant by the government of Madagascar in relation to the industrial development district and the provision of the industries including oil refining, power and utilities, petroleum and natural gas processing, production and sales.

The significant decrease in trade receivables balance reflected most of the debts had been settled by the fuel oil customers before the end of the reporting period.

Prepayments, deposits and other receivables mainly represented purchase deposits paid for refined oil by Henan Yanchang and funds deposited in the Oilfield Block 3113 Management Committee for the development of the Oilfield Block 3113. The decrease in balance was mainly due to the decrease in deposits shared under the custody of the Oilfield Block 3113 Management Committee as a result of settlement of well drilling costs.

Inventories of HK$106,054,000 represented refined oil held in oil storage tanks of Henan Yanchang in the PRC as at 31 December 2011.

Management Discussion and Analysis

FINANCIAL REVIEW *(Continued)*

Highlights on Financial Position *(Continued)*

The decrease in cash and bank balances at 31 December 2011 was mainly due to the payment of HK$73,950,000 for the acquisition of 10% interests in Gold Grand in December 2011. The pledged deposits as at 31 December 2011 was used to pledge against bills payable amounted to HK$49,300,000 of Henan Yanchang.

The increase in trade and other payables by HK$30,605,000 was mainly due to the inclusion of the bill payables to suppliers of refined oil business of Henan Yanchang.

Borrowing of HK$129,995,000 as at 31 December 2011 mainly represented the PRC bank loans drawdown by Henan Yanchang to finance its refined oil business in the PRC.

Promissory note of HK$84,654,000 was issued by the Company as part of the consideration for the acquisition of 70% interests in Henan Yanchang in November 2011.

LIQUIDITY AND FINANCIAL RESOURCES

The Group funded its operation mainly by bank borrowings together with its internal resources for the 9 months ended 31 December 2011.

	As at 31 December 2011 ***HK$'000***	As at 31 March 2011 *HK$'000*
Current assets	**216,528**	331,854
Total assets	**9,410,038**	8,865,888
Current liabilities	**358,251**	104,521
Total liabilities	**443,676**	105,866
Total equity	**8,966,362**	8,760,022
Gearing ratio	**4.9%**	1.2%
Current ratio	**60%**	318%

The Group had outstanding bank borrowings of HK$123,250,000 under Henan Yanchang as at 31 December 2011 (31 March 2011: Nil). Subsequent to the period end, the Group has obtained bank facilities of RMB200,000,000 (equivalent to HK$246,500,000) from a bank in the PRC. As at 31 December 2011, the Group had cash and bank balances of approximately HK$29,485,000 (31 March 2011: HK$103,000,000) and pledged deposits of HK$49,300,000 (31 March 2011: Nil). In view of the profitable refined oil business and with the available bank facilities, the Group has sufficient working capital to finance its business operation.

Management Discussion and Analysis

LIQUIDITY AND FINANCIAL RESOURCES *(Continued)*

As at 31 December 2011, the gearing ratio, measured on the basis of total liabilities as a percentage of total equity, remained in a low and healthy ratio of 4.9% (31 March 2011: 1.2%). The current ratio decreased to 60% as at 31 December 2011 (31 March 2011: 318%), measured on the basis of current assets as a percentage of current liabilities, mainly due to the acquisitions of 70% interests in Henan Yanchang and 10% interests in Gold Grand which taken place in November and December 2011, respectively.

TREASURY MANAGEMENT AND POLICIES

The Group adopts a prudent approach for its cash management and risk control. The objective of the Group's treasury policies is to minimise risks and exposures due to the fluctuations in foreign currency exchange rates and interest rates.

Cash has been generally placed in short-term deposits denominated in Hong Kong dollar, US dollar and Renminbi. The Group has obtained bank facilities and borrowings with rather stable interest rates, though on floating basis. The Group does not foresee any significant interest rate risks. Since the Group's transactions and investment are mostly denominated in Hong Kong dollar, United Stated dollar and Renminbi, of which the exchange rates are relatively stable, and hence the Group does not anticipate any material foreign exchange exposures and risks.

During the period under review, no hedging transactions related to foreign exchange had been made, proper steps will be taken when the management considers appropriate.

MATERIAL ACQUISITIONS AND DISPOSALS

The Group entered into a sale and purchase agreement with Golden Soar, an independent third party, on 26 July 2011, to acquire from Golden Soar 70% equity interests in Henan Yanchang which is principally engaged in the wholesale, retail, storage and transportation of refined oil business and has been granted a valid licence for the distribution and sale of refined oil in the PRC for an aggregate consideration of HK$285,993,470.

Apart from the above acquisition, the Group also entered into a sale and purchase agreement with Jubilee Star, an independent third party, on 15 December 2011 to acquire from Jubilee Star 10% equity interests in Gold Grand, which has a freehold land and also holds a business operation right grant by the government of Madagascar in relation to the industrial development district and the provision of industries including oil refining, power and utilities, petroleum and natural gas processing, production and sales, for a consideration of HK$73,950,000.

During the period under review, the Group disposed of its entire equity interests in Amistar Enterprises Limited and Glory Hill Group Limited with their respective subsidiaries for a total consideration of HK$1, to an independent third party and realized a gain of HK$20,164,000.

Save as the aforesaid, the Group had no other material acquisitions and disposals for the 9 months ended 31 December 2011.

SIGNIFICANT INVESTMENTS

Save as the acquisitions mentioned above, the Group did not hold any significant investments during the 9 months ended 31 December 2011.

Management Discussion and Analysis

CAPITAL COMMITMENT

As at 31 December 2011, the Group had committed to pay the balances of a sub-pipeline construction fees amounted to HK$788,000.

Save as the aforesaid, the Group did not have any other material commitments as at 31 December 2011.

PLEDGE OF ASSETS

As at 31 December 2011, certain machineries, land and buildings of Henan Yanchang had been pledged in favour of a bank in the PRC for granting a bank loan of RMB20,000,000 (31 March 2011: Nil).

CONTINGENT LIABILITY

As at 31 December 2011, the Group did not have any significant contingent liabilities (31 March 2011: Nil).

LITIGATION

As at 31 December 2011, the Group had no litigation.

EVENT AFTER THE REPORTING PERIOD

Subsequent to the period end, the Group entered into a sale and purchase agreement with Jubilee Star on 6 January 2012 to further acquire from Jubilee Star 30% equity interests in Gold Grand at a consideration of HK$398,800,000.

EMPLOYEES AND REMUNERATION POLICY

As at 31 December 2011, the Group's total number of staff was around 90 (31 March 2011: 48). Salaries of employees are maintained at a competitive level with total staff costs (excluding the equity-settled share option expenses) for the 9 months ended 31 December 2011 amounted to HK$8,502,000 (for the 12 months ended 31 March 2011: HK$12,840,000). Remuneration policy is based on principle of equality, motivation, performance and prevailing market practice, whereas remuneration packages are normally reviewed on an annual basis. Other staff benefits including provident fund, medical insurance coverage and share option scheme are offered to the employees. No share options were granted to the eligible participants under the Company's share option scheme during the period under review and there were outstanding share options of 12,000,000 as at 31 December 2011 (31 March 2011: 41,000,000).

Directors' and Senior Management's Biographies

EXECUTIVE DIRECTORS

Dr. ZHUO Ze Fan

Aged 41, was appointed as an executive Director and the chairman of the Board on 30 July 2010 and was then appointed as the chief executive officer (the "CEO") of the Company on 25 November 2010. Dr. Zhuo is primarily responsible for the corporate planning, overall strategic direction of the Group and taking a leading role in managing and overseeing the day-to-day business operations of the Group.

Dr. Zhuo holds a master degree in Business Administration from Northwest University in the PRC and a doctorate degree in Business Administration from West Coast University in the United States of America. He has over 18 years' experience in professional investment, mergers and acquisitions covering a wide range of businesses such as petroleum and chemical, metal mining, finance and securities, real estate, modern agriculture and television media. Dr. Zhuo owned six patents of device, and developed the study of carbon measurement in soil nutrition (碳基營養計量學説) using carbon dioxide to develop new type of potassium carbonate fertilizer; the study of which published in the journal of China JiaYan Industry (中國鉀鹽工業雜誌). Dr. Zhuo was granted the "National Scientific and Technological Progress Second Prize in Shaanxi Province" (陝西省科技進步二等獎) in year 2003 and an honor of "The Outstanding Contributions Experts in Shaanxi Province" (陝西省突出貢獻專家) in year 2006 by Shaanxi Provincial People's Government. Dr. Zhuo is an associate member of Global Investor in Geneva (日內瓦全球發明家工會) and an international patent affairs valuer (國際專利事務評估師) on World Patent Assessment and Promotion Committee (世界專利交易評估及促進委員會). Dr. Zhuo is currently the vice chairman of the national organization of agriculture industry under All-China Federation of Industry & Commerce (全國工商聯農業產業商會), the member of Shaanxi Provincial Political Consultative Committee (陝西省政協委員會), the executive vice president of HK (Xi'an) Trade Association Limited (香港(西安)商會), the honor chairman of MBA Association of Northwest University in China (中國西北大學MBA聯合會) and the founder of Chunshan Education Foundation in Hong Kong. Dr. Zhuo is a senior consultant of Hydrocarbon and Mining Department in the Republic of Madagascar, he is also the chairman of the board of Shaanxi Daqinling Energy Investment Group Company Limited (陝西大秦嶺能源投資集團有限公司) and Shaanxi Daqinling Energy Investment Holding Company Limited (陝西大秦嶺能源投資控股有限公司), the president and general manager of Juchuan International Investment Limited (巨川國際投資有限公司). Dr. Zhuo was the chairman of the board of China Nonferrous Metals Company Limited, a company listed on The Stock Exchange of Hong Kong Limited (the "Stock Exchange"). He was also the director of Shaanxi Xiying Company Limited (陝西西影股份有限公司), the vice general manager of Jianxing Lixin Investment Corporation (建行利信投資公司) in Shaanxi Province, the vice president of Xian Gold Investment Corporation (西安金業投資公司), the vice president of Shaanxi Jinrun Properties Company Limited (陝西金潤物業有限公司) and the president of Xian Huifu Investment Consulting Company Limited (西安滙富投資顧問有限公司). Save as the aforesaid, Dr. Zhuo did not have any directorship in other listed companies in the past three years. Dr. Zhuo currently also holds directorship of certain subsidiaries of the Company.

Directors' and Senior Management's Biographies

EXECUTIVE DIRECTORS *(Continued)*

Dr. William RAKOTOARISAINA

Aged 52, was appointed as an executive Director and the vice chairman of the Board on 30 July 2010. Dr Rakotoarisaina was born in Toamasina (Madagascar) and moved, at the age of 13, to Paris (France) where he completed his education, earning a Doctorate in Medicine from the University of Paris VI, France.

He spent the decade of the 90's in Asia (mainly in Taiwan) holding high ranking executive as well as special advisory positions to the chairman of the Board in various companies in the sectors of property investment and development (i.e. The Durban Group/德安開發) and luxury retailing (i.e. The Sincere Department Store/台灣先施百貨公司).

True to his personal belief that the development of a country needs contributions from its Diaspora, he returned to Madagascar in 2000 where, among many endeavours, he cared for jobless rates by founding a garment factory, for industrial policy by advising incumbent authorities on the development planning of the World Bank funded EPZ of Tsarakofafa in Toamasina of Madagascar, and lately advising the Prime Minister of the Malagasy Republic on economic and Asian affairs. His appointment at the Company aims to draw on his extensive knowledge of Madagascar. Save as the aforesaid, Dr. Rakotoarisaina did not have any directorship in other listed companies in the past three years.

With effect from 10 January 2012, the monthly rental value for the quarter provided to Dr. Rakotoarisaina has been revised to HK$17,000.

Mr. SHEN Hao

Aged 59, was appointed as an executive Director on 11 January 2010. Mr. Shen holds a postgraduate qualification and is a senior engineer. He is currently the chairman of Yanchang Petroleum and is the party committee secretary. Mr. Shen is the leader of several government departments and state-owned enterprises which engaged in oil and natural gas exploration and exploitation, and coal chemical production and operation. He has abundant leadership experience in the oil, gas and coal chemical industries. He was the president of 陝西銅川礦務局 (Tongchuan Mining Bureau of Shaanxi), vice general manager of 陝西省煤炭運銷(集團)有限責任公司 (Shaanxi Coal Transportation of Marketing (Group) Limited), the chairman of 陝西省彬長礦區開發建設公司 (Shaanxi Binchang Mining Development and Construction Company), the chairman of 陝西省煤業集團 (Shaanxi Coal Industrial Group) and the chairman of 陝西省煤業化工集團有限責任公司 (Shaanxi Coal Chemical and Industrial Group Limited). He was the representative of the 17th National Congress of the Communist Party of China, the representative of the 11th Provincial Party Congress, and the alternate member of the Commission of Communist Party of Shaanxi Province and the representative of the 9th and 11th People's Congress of Shaanxi Province and the committee member of the 9th Chinese People's Political Consultative Conference. Mr. Shen was elected the executive vice president of China Petroleum Enterprise Association in September 2009. Mr. Shen did not have any directorship in other listed companies in the past three years.

Directors' and Senior Management's Biographies

EXECUTIVE DIRECTORS *(Continued)*

Mr. FENG Da Wei

Aged 55, was appointed as an executive Director on 11 January 2010. Mr. Feng holds a bachelor degree in Northwestern Polytechnical University in the PRC and a master degree in chemical engineering. He is a senior engineer and has decades of leadership experience and professional knowledge in oil and natural gas exploration, exploitation and processing, petrochemical and coal chemical. He is currently the deputy general manager of Yanchang Petroleum and the party committee member of the Communist Party. He was the vice president and president of planning office of 陝西省石油化學工業局規劃處 (Shaanxi Petroleum Chemical and Industrial Bureau) and the deputy general manager of 陝西省延長石油工業集團公司 (Shaanxi Yanchang Petroleum Industrial Group Company). Mr. Feng is currently the chairman of the board of directors and the authorised representative of 河南延長石油銷售有限公司 (Henan Yanchang Petroleum Sales Co., Limited), an indirect non wholly-owned subsidiary of the Company.

Mr. HU Zongmin

Aged 66, was appointed as an executive Director on 6 October 2010. Mr. Hu graduated from the Department of Refining of Beijing Petroleum Institute (now known as China University of Petroleum). Mr. Hu is currently the chief engineer of Qilu Petrochemical Qingdao Branch Company (齊魯石化青島分公司) and has 40 years professional and leadership experience in petrochemical and refining. Mr. Hu was the senior engineer of Shengli Refinery (勝利煉油廠); the chief engineer of the leading group of Qingdao Refinery Project (青島大煉油項目領導小組) (the leading agency for preparation of the project in Shandong Province); Qirun Petrochemical Company (齊潤石化公司) (a joint venture of Hong Kong China Resources and China Petroleum & Chemical Corporation Qilu Branch (中石化齊魯公司)). Mr. Hu participated in the renovation of project design, construction and commissioning of production and related works in Shengli Refinery (勝利煉油廠); organized and leaded more than 30 projects relating to the transformation of standard technology public relation unit in Qilun Petrochemical, organized and implemented 100,000 m^3 oil depot in Qilun Petrochemical, the first stop of the long pipeline construction, and succeeded in one time to put into use; also led the overall planning and design of the 2,700,000 m^3 liquid chemical and petrochemical tank storage area in Yantai Port Terminal (煙臺港), the overall planning and feasibility studies of the long pipeline from Yantai (煙臺) to Zibo (淄博); the project planning, design, construction and production management of the 50,000 tons of sulfur and tail gas and other related works in Changyi Petrochemical Company (中化昌邑石化公司). The petrochemical technology projects implemented under the leadership of Mr. Hu had won from the Government and China Petroleum & Chemical Corporation and other organizations a number of Technical Progress Award. Mr. Hu did not hold any directorship in other listed companies during the past three years.

Directors' and Senior Management's Biographies

EXECUTIVE DIRECTORS *(Continued)*

Ms. XIE Yiping

Aged 48, was appointed as an executive Director on 6 October 2010. Ms. Xie is also a member each of the remuneration committee and the nomination committee of the Company. Ms. Xie holds a bachelor degree in accounting. Ms. Xie has been engaged in the fields of finance and investment management for more than 20 years. She is currently the financial controller each of Shaanxi Daqinling Energy Investment Group Limited (陝西大秦嶺能源投資集團有限公司), Shaanxi Daqinling Energy Investment Holding Company Limited (陝西大秦嶺能源投資控股有限公司) and Juchuan International Investment Limited (巨川國際投資有限公司), the executive director of China Nonferrous Metals Company Limited (a company listed on the Stock Exchange). Ms. Xie had engaged in finance and investment management fields in the Building Research Institute of Shaanxi Province (陝西省建築研究院), Xian Hong Fu Group (西安市宏府集團), Shanshan Group (杉杉集團) and other large state-owned enterprises and private enterprises. She has extensive experience in the fields of investment and finance. She had participated in the projects development, securities restructuring, operating system, venture investment research, analysis and assessment, and counseling of listed securities, and accomplished the overseas listing audit of the relevant group companies, evaluation and other listing related works. Save as the aforesaid, Ms. Xie did not hold any directorship in other listed companies during the past three years. Ms. Xie currently also holds directorship of certain subsidiaries of the Company.

Mr. LIU Xingyuan

Aged 50, was appointed as an executive Director on 28 February 2011. Mr. Liu graduated from the 中南財經大學 (Zhongnan University of Economics) with a bachelor degree in Economic Management. Mr. Liu is an economist and has over 20 years' experience and professional knowledge in executive leadership in the PRC's government, economic management and financial investment business. Mr. Liu is currently the chairman of the board of 中國君恒海外投資有限公司 (China Junheng Foreign Investment Company Limited) and the vice president and secretary of 東方研究院(上海) (Academy of Oriental Shanghai). Mr. Liu did not have any directorship in other listed companies in the past three years.

INDEPENDENT NON-EXECUTIVE DIRECTORS

Mr. NG Wing Ka

Aged 42, was appointed as an independent non-executive director of the Company ("INED(s)") on 7 January 2005. Mr. Ng is also the chairman of the nomination committee and a member of the audit committee of the Company. Mr. Ng graduated with a Bachelor of Laws degree and a Post-graduated Certified in Laws Degree from The University of Hong Kong. He is the partner of Tung, Ng, Tse & Heung, Solicitors. He is now the legal adviser as to Hong Kong laws of the Foreign Economics and Trade Committee of the People's Government of Chongqing City (重慶市對外經濟貿易委員會) and 中豪律師事務所 in Chongqing City, the PRC. Mr. Ng is also the vice president of The Chinese Manufacturers' Association of Hong Kong and a member of the Chinese People's Political Consultative Conference of Chongqing City, the PRC. Mr. Ng has been appointed as an independent non-executive director of China Weaving Materials Holdings Limited (a company listed on the Stock Exchange) since 3 December 2011. Save as the aforesaid, Mr. Ng did not have any directorship in other listed companies in the past three years.

Directors' and Senior Management's Biographies

INDEPENDENT NON-EXECUTIVE DIRECTORS *(Continued)*

Mr. LEUNG Ting Yuk

Aged 37, was appointed as an INED on 3 December 2009. Mr. Leung is also the chairman of the audit committee and a member of the remuneration committee of the Company. Mr. Leung holds a bachelor of Commerce with major in accounting in University of Wollongong, Australia. He is a member of the Certified Practising Accountants, Australia and the Hong Kong Institute of Certified Public Accountants. He has over 10 years' experience in accounting and auditing. Mr. Leung is currently the chief financial officer and company secretary of China 33 Media Group Limited ("China 33 Media"), (a company listed on the Stock Exchange). Mr. Leung is responsible for the preparation of China 33 Media's financial statements as well as the review and development of the effective financial policies and control procedures in China 33 Media. Save as the aforesaid, Mr. Leung did not have any directorship in other listed companies in the past three years.

Mr. NG Tang

Aged 50, was appointed as an INED on 25 November 2010. Mr. Ng is also the chairman of the remuneration committee and a member each of the audit committee and the nomination committee of the Company. Mr. Ng graduated from The East China University of Politics and Law Department (中國華東政法學院法律專業(大專)). He has over 15 years' experience in corporate management both in Hong Kong and the PRC. He was the manager of 中國汽車工業進出口廈門公司 (China Motor Industry Import and Export Xiamen Company) from early 1990 to August 1992 and the managing director of 中國汽車工業進出口(香港)有限公司 (China Motor Industry Import and Export (Hong Kong) Limited) since May 1995. Mr. Ng had been the deputy chairman and an executive director of China Best Group Holding Limited until his resignation on 24 June 2011, and is currently an executive director of China Nonferrous Metals Company Limited, both companies are listed on the Stock Exchange. Save as the aforesaid, Mr. Ng did not have any directorship in other listed companies in the past three years.

COMPANY SECRETARY

Mr. LAW Hing Lam

Aged 48, was appointed as the company secretary of the Company on 21 March 2011. Mr. Law is a member of the Hong Kong Institute of Certified Public Accountants and also a member of the American Institute of Certified Public Accountants. Mr. Law has more than 18 years' extensive experience in accounting, auditing and finance. He was also appointed as the financial controller and an authorised representative of the Company with effect from 21 March 2011.

Report of the Directors

The Directors have pleasure in presenting their report together with the audited financial statements of the Company and the Group for the 9 months ended 31 December 2011.

PRINCIPAL ACTIVITIES

The principal activity of the Company is investment holding. Details of the principal activities of the principal subsidiaries are set out in Note 25 to the consolidated financial statements.

SEGMENT INFORMATION

As analysis of the Group's turnover and contribution to results by principal activities and geographical areas of operations for the 9 months ended 31 December 2011 is set out in Note 7 to the consolidated financial statements.

RESULTS AND APPROPRIATIONS

The results of the Group for the 9 months ended 31 December 2011 and the state of affairs of the Company and of the Group at that date are set out in the financial statements on pages 32 to 35.

The Directors do not recommend the payment of any dividends for the 9 months ended 31 December 2011 (for the 12 months ended 31 March 2011: Nil).

SUMMARY OF FINANCIAL INFORMATION

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

Results

	9 months ended 31 December 2011	12 months ended 31 March				
		2011	2010	2009	2008	2007
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
Turnover	**512,210**	1,020,769	1,039,758	1,276,639	1,712,962	554,686
(Loss)/profit before taxation	**(138,823)**	25,335	(44,795)	(1,834,729)	1,935,739	10,872
Taxation	**(5,465)**	(2,322)	(2,548)	(4,066)	(6,370)	(2,809)
(Loss)/profit for the period/year	**(144,288)**	23,013	(47,343)	(1,838,795)	1,929,369	8,063
(Loss)/profit attributable to						
— Owners of the Company	**(149,335)**	23,013	(47,343)	(1,838,419)	1,929,369	8,063
— Non-controlling interests	**5,047**	—	—	(376)	—	—
	(144,288)	23,013	(47,343)	(1,838,795)	1,929,369	8,063

Report of the Directors

Assets and Liabilities

	At 31 December 2011	At 31 March 2011	2010	2009	2008	2007
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
Non-current assets	**9,913,510**	8,534,034	8,537,208	8,554,869	5,880,792	624
Current assets	**216,528**	331,854	204,786	240,059	535,345	291,151
Total assets	**9,410,038**	8,865,888	8,741,994	8,794,928	6,416,137	291,775
Current liabilities	**(358,251)**	(104,521)	(132,839)	(273,832)	(236,453)	(79,690)
Non-current liabilities	**(85,425)**	(1,345)	(1,766)	(3,088)	(2,650)	—
Total liabilities	**(443,676)**	(105,866)	(134,605)	(276,920)	(239,103)	(79,690)
Total equity	**8,966,362**	8,760,022	8,607,389	8,518,008	6,177,034	212,085

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

PROPERTY, PLANT AND EQUIPMENT AND INVESTMENT PROPERTY

Details of movements in the property, plant and equipment of the Company and the Group during the 9 months ended 31 December 2011 are set out in Note 18 to the consolidated financial statements. Details of movement in investment properties of the Group during the 9 months ended 31 December 2011 are set out in Note 20 to the consolidated financial statements.

SHARE CAPITAL AND SHARE OPTIONS

Details of movements in the Company's share capital during the 9 months ended 31 December 2011 and details of the Company's share option scheme are set out in Note 32 to the consolidated financial statements.

PRE-EMPTIVE RIGHTS

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

PURCHASE, REDEMPTION OR SALE OF LISTED SECURITIES OF THE COMPANY

Neither the Company, nor any of its subsidiaries purchased, redeemed or sold any of the Company's listed securities during the 9 months ended 31 December 2011 and up to the date of this report.

Report of the Directors

RESERVES

Details of movements in the reserves of the Company and the Group during the 9 months ended 31 December 2011 are set out in Note 33 to the consolidated financial statements and in the consolidated statement of changes in equity respectively.

DISTRIBUTABLE RESERVES

At 31 December 2011, the Company's reserves available for distribution and/or distribution in specie, calculated in accordance with the Companies Act of Bermuda, amounted to HK$3,830,649,000. This amount included the Company's contributed surplus in the amount of HK$54,045,000 at 31 December 2011, which may only be distributed in certain circumstances. In addition, the Company's share premium account, in the amount of HK$4,030,410,000 at 31 December 2011, may be distributed in the form of fully paid bonus shares.

MAJOR CUSTOMERS AND SUPPLIERS

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

(1) The aggregate amount of sales attributable to the Group's five largest customers represented 95% of the Group's total sales for the period. The amount of sales to the Group's largest customer included therein amounted to 72%.

(2) The aggregate amount of purchases attributable to the Group's five largest suppliers represented 100% of the Group's total purchases for the period. The amount of purchases from the Group's largest supplier included therein amounted to 75%.

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

MATERIAL RELATED PARTY TRANSACTIONS

Details of the related party transactions of the Group are set out in Note 46 to the consolidated financial statements.

PENSION SCHEMES AND COSTS

Details of the Group's pension schemes and costs charged to profit or loss for the 9 months ended 31 December 2011 are set out in Note 42 to the consolidated financial statements.

At 31 December 2011, the Group did not have any significant obligations for long service payments to its employees pursuant to the requirements under the Employment Ordinance, Chapter 57 of the Laws of Hong Kong.

Report of the Directors

DIRECTORS

The Directors during the 9 months ended 31 December 2011 and up to the date of this report were as follows:

Executive Directors

Dr. Zhuo Ze Fan *(Chairman & Chief Executive Officer)*
Dr. William Rakotoarisaina *(Vice Chairman)*
Mr. Shen Hao
Mr. Feng Da Wei
Mr. Li Jiangdong *(passed away on 26 January 2012)*
Mr. Hu Zongmin
Ms. Xie Yiping
Mr. Liu Xingyuan
Dr. Wang Tao *(Honorary Chairman) (resigned on 27 April 2011)*

Independent Non-Executive Directors

Mr. Ng Wing Ka
Mr. Leung Ting Yuk
Mr. Ng Tang

Pursuant to bye-law 87 of the Company's Bye-laws, Dr. Zhuo Ze Fan, Mr. Shen Hao, Mr. Feng Da Wei and Mr. Leung Ting Yuk will retire by rotation and, being eligible, offer themselves for re-election at the forthcoming 2012 annual general meeting.

The Company has received, from each of the INEDs, an annual confirmation of his independence pursuant to Rule 3.13 of the Rules Governing the Listing of Securities on the Stock Exchange (the "Listing Rules"). The Company considers all of the INEDs are independent.

DIRECTORS' BIOGRAPHIES

Biographical details of the Directors are set out on pages 13 to 16 of this annual report.

DIRECTORS' SERVICE CONTRACTS

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

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

DIRECTORS' INTERESTS IN CONTRACTS

Save as disclosed in Note 46 to the consolidated financial statements, no Director had a material interest, whether directly or indirectly, in any contract of significance to the business of the Group to which the Company or any of its subsidiaries was a party during the 9 months ended 31 December 2011.

Report of the Directors

DIRECTORS' INTERESTS IN SHARE CAPITAL

At 31 December 2011, the interests and short positions of the Directors and chief executives in the share capital of the Company and its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance (the "SFO") as recorded in the register required to be kept by the Company under Section 352 of the SFO or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Companies ("the Model Code") were as follows:

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

Name of Director	Nature of interest	Long position/ Short position	Number of ordinary shares of the Company held	Approximate percentage of the total issued ordinary share capital of the Company
Dr. Zhuo Ze Fan	Interest of controlled corporation *(Note)*	Long position	1,636,575,555	25.00%
Mr. Liu Xingyuan	Beneficial interest	Long position	354,110,000	5.41%

Note: These shares are held through by Shaanxi Daqinling Energy and Investment Group Limited ("Shaanxi Daqinling"), a company wholly and beneficially owned by Dr. Zhuo Ze Fan.

Save as disclosed above, as at 31 December 2011, none of the directors or chief executives of the Company or their respective associates had any personal, family, corporate or other interests in the share capital of the Company or any of its associated corporations as defined in the SFO.

DIRECTORS' RIGHTS TO ACQUIRE SHARES OR DEBENTURES

Apart from as disclosed under the heading "Share Option Scheme" below, at no time during the 9 months ended 31 December 2011 and up to the date of this report was the Company or any of its subsidiaries a party to any arrangement to enable the Company's Directors, their respective spouse or children under 18 years of age to acquire benefits by means of the acquisition of shares in or debentures of the Company or any other body corporate.

SHARE OPTION SCHEME

The Company operates a share option scheme, further details of which are set out in Note 32 to the consolidated financial statements.

Report of the Directors

SUBSTANTIAL SHAREHOLDERS

As at 31 December 2011, the interests of persons, other than a Director or chief executive of the Company, in the shares of the Company as recorded in the register maintained pursuant to Section 336 of the SFO were as follows:

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

Name	Capacity	Long position/ Short position	Number of ordinary shares of the Company held	Approximate percentage of the total issued ordinary share capital of the Company
Yanchang Petroleum *(Note 1)*	Interest of controlled corporation	Long position	1,917,019,547	29.29%
Shaanxi Daqinling	Directly beneficially owned	Long position	1,636,575,555	25.00%
Yanchang Petroleum Group (Hong Kong) Co., Limited ("Yanchang Petroleum HK") *(Note 1)*	Directly beneficially owned	Long position	917,019,547	14.01%
Golden Soar Investments Limited ("Golden Soar") *(Note 2)*	Directly beneficially owned	Long position	436,109,400	6.66%

Note 1: Included in the shareholding in which Yanchang Petroleum is interested, Yanchang Petroleum is beneficially interested in 917,019,547 Shares (which held these Shares through its direct wholly-owned subsidiary, Yanchang Petroleum HK) and is deemed to be interested in 1,000,000,000 Shares under the SFO by virtue of the share option agreement under which the Company has granted to Yanchang Petroleum the right to subscribe for up to a maximum of 1,000,000,000 Shares at the exercise price of HK$0.716 each within the exercise period as stated in the share option agreement.

Note 2: Pursuant to a sale and purchase agreement dated 26 July 2011 (the "Acquisition Agreement") entered into between Sino Union Energy International Limited (a wholly-owned subsidiary of the Company) (as the purchaser) and Golden Soar (as the vendor), the Company has issued and allotted 226,109,400 consideration Shares to Golden Soar at the issue price of HK$0.73 per consideration Share; and granted to Golden Soar the right to subscribe for up to a maximum of 210,000,000 option Shares at the exercise price of HK$0.73 per option Share within the exercise period as stipulated in the Acquisition Agreement on completion. As such, Golden Soar is accordingly interested and deemed to be interested in these Shares and underlying Shares under the SFO.

Save as disclosed above, the Company had not been notified of any other interests or short positions in the shares and underlying shares of the Company representing 5% or more of the issued share capital of the Company as at 31 December 2011.

Report of the Directors

CONTINUING CONNECTED TRANSACTIONS

During the 9 months ended 31 December 2011, Yanchang Petroleum and Henan Yanchang (an indirect non-wholly owned subsidiary of the Company) entered into a supply agreement dated 26 July 2011 (as supplemented by a supplemental agreement dated 1 November 2011) (the "Supply Agreement"), pursuant to which Yanchang Petroleum agreed to supply and Henan Yanchang agreed to purchase refined oil. Further details of the transactions are included in Note 45 to the consolidated financial statements.

The INEDs of the Company have reviewed the continuing connected transactions contemplated under the Supply Agreement mentioned above and have confirmed that:

(1) The aggregate value of the continuing connected transactions contemplated under the Supply Agreement for the 9 months ended 31 December 2011 as indicated above did not exceed the 2011 annual cap amount of RMB3,600,000,000 (equivalent to approximately HK$4,337,000,000); and

(2) the continuing connected transactions were entered into (a) in the ordinary and usual course of business of the Group; (b) on normal commercial terms or on terms no less favourable to the Group than terms available from independent third parties; and (c) in accordance with the terms of the Supply Agreement governing such transactions, which are fair and reasonable and in the interests of the shareholders of the Company as a whole.

HLB Hodgson Impey Cheng, the Company's auditors, were engaged to report on the Group's continuing connected transactions in accordance with Hong Kong Standard on Assurance Engagements 3000 "*Assurance Engagements Other Than Audits or Review of Historical Financial Information*" and with reference to Practice Note 740 "*Auditor's Letter on Continuing Connected Transactions under the Hong Kong Listing Rules*" issued by the Hong Kong Institute of Certified Public Accountants. HLB Hodgson Impey Cheng have issued their unqualified letter containing their findings and conclusions in respect of the continuing connected transactions disclosed above by the Group in accordance with Rule 14A.38 of the Listing Rules. A copy of the auditors' letter has been provided by the Company to the Stock Exchange.

EVENTS AFTER THE REPORTING PERIOD

Details of the significant events after the reporting period of the Group are set out in Note 48 to the consolidated financial statements.

MODEL CODE FOR SECURITIES TRANSACTIONS

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

Having made specific enquiry of all Directors, they confirmed that they have complied with the required standards as set out in the Model Code as the Company's code of conduct regarding Directors' securities transactions with the Company for the 9 months ended 31 December 2011.

Report of the Directors

CORPORATE GOVERNANCE

The Company is committed to maintaining a high standard of corporate governance practices. Information on the corporate governance practices adopted by the Company is set out in the "Corporate Governance Report" on pages 25 to 29.

SUFFICIENCY OF PUBLIC FLOAT

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

AUDITORS

The accounts for the period were audited by HLB Hodgson Impey Cheng whose term of office will expire upon the forthcoming annual general meeting. In March 2012, the practice of HLB Hodgson Impey Cheng was reorganised as HLB Hodgson Impey Cheng Limited. A resolution for the appointment of HLB Hodgson Impey Cheng Limited as the auditors of the Company for the subsequent year is to be proposed at the forthcoming annual general meeting.

On behalf of the Board

Dr. Zhuo Ze Fan
Chairman

Hong Kong, 30 March 2012

Corporate Governance Report

CORPORATE GOVERNANCE PRACTICES

The Board is committed to achieve a high standard of corporate governance with a view to enhance the management of the Company as well as to safeguard the interests of the shareholders as a whole in terms of transparency, independence, accountability, responsibilities and fairness. In the opinion of the Board, the Company had complied with the code provisions set out in the Code on Corporate Governance Practices (the "CG Code") in Appendix 14 of the Listing Rules throughout the 9 months ended 31 December 2011, except for the following deviations:

1. code provision A.2.1 of the CG Code provides that the roles and responsibilities of chairman ("Chairman") and chief executive officer ("CEO") should be separate. Currently, Dr. Zhuo assumes the roles of both the Chairman and the CEO. Dr. Zhuo has substantial experience in commerce, investments, mergers and acquisitions covering a wide range of businesses such as petroleum, chemical and metal mining, and owns several patents of device and was granted various awards and prizes in the PRC that is essential to fulfilling the role of the Chairman. At the same time, Dr. Zhuo has the appropriate management skills and business acumen that are the pre-requisites for assuming the role of the CEO in the day-to-day management of the Group. During the period, the Board was composed of eight executive Directors (including the Chairman) and three independent non-executive Directors with a balance of skills and experience appropriate for the requirements of the Group. The Board considers that there is no need to segregate the roles of the Chairman and the CEO as the balance of power and authority is already ensured by the current structure. The Board believes that the combination of the roles of the Chairman and the CEO which are performed by the same individual would be beneficial to the overall corporate performance of the Group;

2. code provision A.4.1 of the CG Code provides that the non-executive Directors should be appointed for a specific term. Messrs. Leung Ting Yuk and Ng Wing Ka, the independent non-executive Directors, were not appointed for a specific term but they are subject to retirement by rotation at least once every three years in accordance with the Bye-laws of the Company; and

3. code provision A.4.2 of the CG Code provides that all Directors appointed to fill a casual vacancy should be subject to election by shareholders at the first general meeting after their appointment. In accordance with the Bye-laws of the Company, any Director appointed to fill a casual vacancy shall hold office only until the next following annual general meeting ("AGM") of the Company and shall then be eligible for re-election. The Board considers that such a deviation is not material as casual vacancy seldom happens and duration between appointment to fill casual vacancy and the immediate following AGM of the Company is less than one year and is considered to be short.

DIRECTORS' SECURITIES TRANSACTIONS

The Company has adopted the Model Code as set out in Appendix 10 to the Listing Rules. Having made specific enquiry of all Directors, the Directors confirmed that they had complied with the required standard set out in the Model Code throughout the 9 months ended 31 December 2011.

AUDITORS' REMUNERATION

Auditors' remuneration for the 9 months ended 31 December 2011 amounted to a total of HK$1,590,000, of which HK$1,000,000 was incurred for audit service and HK$590,000 for non-audit services, including professional fees for announcements and circular.

Corporate Governance Report

BOARD OF DIRECTORS

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

(a) seven executive Directors, namely Dr. Zhuo Ze Fan, Dr. William Rakotoarisaina, Mr. Shen Hao, Mr. Feng Da Wei, Mr. Hu Zongmin, Ms. Xie Yiping and Mr. Liu Xingyuan;

(b) three lNEDs required under Rule 3.10(1) of the Listing Rules, namely Mr. Ng Wing Ka, Mr. Leung Ting Yuk and Mr. Ng Tang which represent 30% of the Board. One of the INEDs has appropriate professional qualifications and accounting and related financial expertise required under Rule 3.10(2) of the Listing Rules.

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

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

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

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

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

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

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

Corporate Governance Report

BOARD OF DIRECTORS *(Continued)*

During the 9 months ended 31 December 2011, the Board held 13 meetings. Details of the attendance of the Board members (either in person or by phone) during the 9 months ended 31 December 2011 are as follows:

Directors	Attendance
Dr. Zhuo Ze Fan	13/13
Dr. William Rakotoarisaina	13/13
Mr. Shen Hao	0/13
Mr. Feng Da Wei	4/13
Mr Li Jiangdong *(passed away on 26 January 2012)*	12/13
Mr. Hu Zongmin	13/13
Ms. Xie Yiping	13/13
Mr. Liu Xingyuan	13/13
Mr. Ng Wing Ka	10/13
Mr. Leung Ting Yuk	12/13
Mr. Ng Tang	12/13
Dr. Wang Tao *(resigned on 27 April 2011)*	0/0

CHAIRMAN AND CHIEF EXECUTIVE OFFICER

The Group adopts a leadership structure in which the roles of the chairman and the CEO are exercised by the same Director. The chairman is responsible for overseeing all Board functions, while the executive Directors and senior management under the leadership of the chairman to oversee the day-to-day operations of the Group and implement the strategies and policies approved by the Board.

NON-EXECUTIVE DIRECTORS

Two of the INEDs, Mr. Ng Tang and Mr. Leung Ting Yuk, were appointed for a specific term of two years whereas the other INED, Mr. Ng Wing Ka, was not appointed for a specific term. All of these three INEDs are subject to retirement by rotation at the annual general meeting of the Company at least once every three years in accordance with the Bye-laws of the Company. Details of changes in the Board during the 9 months ended 31 December 2011 are set out in the "Report of the Directors" on page 20.

DIRECTORS' RESPONSIBILITY FOR THE FINANCIAL STATEMENTS

The financial statements of the Company for the 9 months ended 31 December 2011 have been reviewed by the audit committee and audited by the external auditors, HLB Hodgson Impey Cheng. The Directors acknowledge their responsibility for preparing the consolidated financial statements of the Group which give a true and fair view. The Directors' responsibilities for the accounts are set out in the Independent Auditors' Report on page 30.

Corporate Governance Report

BOARD COMMITTEE

Audit Committee

The audit committee has been established with specific written terms of reference formulated in accordance with the requirements of the Listing Rules. The audit committee currently comprises the three INEDs, namely Mr. Ng Wing Ka, Mr. Leung Ting Yuk and Mr. Ng Tang. Mr. Leung Ting Yuk is the chairman of the audit committee. Given below are the main duties of the audit committee:

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

(b) Reviewing the systems of internal control and risk management of the Group;

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

(d) Reviewing the audited financial statements and the annual report of the Company; and

(e) Maintaining an appropriate relationship with the external auditors of the Group.

During the 9 months ended 31 December 2011, the audit committee held 2 meetings.

Name of the members of the audit committee	Number of attendance
Mr. Leung Ting Yuk	2/2
Mr. Ng Wing Ka	2/2
Mr. Ng Tang	2/2

Remuneration Committee

The remuneration committee has been established for the purpose of making recommendations to the Board on the Company's policy and structure for all remuneration of Directors and senior management. The written terms of reference which describes the authority and duties of the remuneration committee was prepared and adopted.

The remuneration committee currently comprises two INEDs, namely Mr. Ng Tang and Mr. Leung Ting Yuk, and an executive Director, Ms. Xie Yiping. Mr. Ng Tang is the chairman of the remuneration committee.

During the 9 months ended 31 December 2011, the remuneration committee held 1 meeting.

Name of the members of the remuneration committee	Number of attendance
Mr. Ng Tang	1/1
Mr. Leung Ting Yuk	1/1
Ms. Xie Yiping	1/1

Nomination Committee

The nomination committee has been established and responsible for reviewing the structure, size and composition of the board as well as identifying individuals suitable and qualified to become Board members. The written terms of reference which describes the authority and duties of the nomination committee was prepared and adopted.

Corporate Governance Report

BOARD COMMITTEE *(Continued)*

Nomination Committee *(Continued)*

The nomination committee currently comprises two INEDs, namely Mr. Ng Wing Ka and Mr. Ng Tang, and an executive Director, Ms. Xie Yiping. Mr. Ng Wing Ka is the chairman of the nomination committee.

During the 9 months ended 31 December 2011, the nomination committee held 1 meeting.

Name of the members of the nomination committee	Number of attendance
Mr. Ng Wing Ka	1/1
Mr. Ng Tang	1/1
Ms. Xie Yiping	1/1

INTERNAL CONTROL

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

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

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

— Monitoring the strategic plan and performance

— Designing an effective accounting and information system

The Board has conducted an annual review of the effectiveness of its internal control system covering all material controls, including financial, operational and compliance as well as risk management. Based on the assessments, the Board considers that the internal control system and procedures of the Group are effective and adequate.

COMMUNICATION WITH SHAREHOLDERS

During the period under review, the Group has proactively enhanced its corporate transparency and communications with its shareholders and the investment community through its announcements, circulars, annual and interim reports. Constantly being updated in a timely manner, the Company maintains its website at www.sueig.com on which press releases, announcements, circulars and other information relating to the Company and its business are disclosed.

The annual report together with the annual general meeting circular which contains the notice of the annual general meeting is distributed to all the shareholders at least 20 clear business days before the meeting. The annual general meeting provides a useful forum for shareholders to exchange views with the Board. The chairman of the Board as well as the chairman each of the audit committee, nomination committee and remuneration committee are pleased to answer shareholders' questions.

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

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

Independent Auditors' Report

HLB 國衛會計師事務所
Hodgson Impey Cheng

Chartered Accountants
Certified Public Accountants

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

TO THE SHAREHOLDERS OF
SINO UNION ENERGY INVESTMENT GROUP LIMITED
(Incorporated in Bermuda with limited liability)

We have audited the consolidated financial statements of Sino Union Energy Investment Group Limited (the "Company") and its subsidiaries (collectively referred to as the "Group") set out on pages 32 to 110, which comprise the consolidated and company statement of financial position as at 31 December 2011, and the consolidated statement of comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the period from 1 April 2011 to 31 December 2011, 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 consolidated 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.

AUDITORS' RESPONSIBILITY

Our responsibility is to express an opinion on these consolidated financial statements based on our audit and to report our opinion solely to you, as a body, in accordance with Section 90 of the Bermuda Companies Act, 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.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditors consider internal control relevant to the entity's preparation 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.

Independent Auditors' Report

OPINION

In our opinion, the consolidated financial statements give a true and fair view of the state of affairs of the Company and of the Group as at 31 December 2011 and of the Group's loss and cash flows for the period from 1 April 2011 to 31 December 2011 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.

EMPHASIS OF MATTER

Without qualifying our opinion, we draw attention to Note 3(a) in the consolidated financial statements which indicates that the Group incurred a net loss of approximately HK$144,288,000 for the period from 1 April 2011 to 31 December 2011, and as of that date, the Group's current liabilities exceeded its current assets by approximately HK$141,723,000. These conditions, along with other matters as set forth in Note 3(a), indicate the existence of a material uncertainty that may cast significant doubt about the Group's ability to continue as a going concern.

HLB Hodgson Impey Cheng
Chartered Accountants
Certified Public Accountants

Hong Kong, 30 March 2012

Consolidated Statement of Comprehensive Income

For the period from 1 April 2011 to 31 December 2011

	Notes	**9 months ended 31 December 2011** ***HK$'000***	12 months ended 31 March 2011 *HK$'000*
Turnover	8	**512,210**	1,020,769
Cost of sales		**(478,856)**	(985,624)
Gross profit		**33,354**	35,145
Other revenue	8	**650**	272
Other gains and losses	9	**18,064**	34,308
Selling and distribution costs		**(4,784)**	(11,791)
Administrative expenses		**(38,915)**	(30,722)
Equity-settled share option expenses	10	**(145,561)**	(1,877)
(Loss)/profit from operating activities	10	**(137,192)**	25,335
Finance costs	13	**(1,631)**	—
(Loss)/profit before taxation		**(138,823)**	25,335
Taxation	14	**(5,465)**	(2,322)
(Loss)/profit for the period/year		**(144,288)**	23,013
Other comprehensive income			
Exchange differences on translating foreign operations		**3,038**	2,022
Other comprehensive income for the period/year, net of tax		**3,038**	2,022
Total comprehensive (loss)/income for the period/year		**(141,250)**	25,035
(Loss)/profit attributable to:			
Owners of the Company		**(149,335)**	23,013
Non-controlling interests		**5,047**	—
		(144,288)	23,013
Total comprehensive (loss)/income attributable to:			
Owners of the Company		**(146,959)**	24,963
Non-controlling interests		**5,709**	72
		(141,250)	25,035
(Loss)/earnings per share	17		
Basic, HK cents		**(2.34)**	0.37
Diluted, HK cents		**(2.34)**	0.37

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

Consolidated Statement of Financial Position

At 31 December 2011

	Notes	31 December 2011 HK$'000	31 March 2011 HK$'000
ASSETS			
Non-current assets			
Property, plant and equipment	18	**143,875**	3,581
Prepaid lease payments	19	**21,247**	897
Investment properties	20	**39,652**	7,800
Intangible assets	21	**316,693**	40,000
Exploration and evaluation assets	22	**8,546,675**	8,481,756
Available-for-sale investments	23	**73,950**	—
Goodwill	24	**51,418**	—
		9,193,510	8,534,034
Current assets			
Inventories	27	**106,054**	—
Trade receivables	28	**46**	91,166
Prepayments, deposits and other receivables	29	**31,643**	136,266
Amount due from a non-controlling shareholder	30	**—**	1,422
Pledged deposits	31	**49,300**	—
Cash and bank balances	31	**29,485**	103,000
		216,528	331,854
Total assets		**9,410,038**	8,865,888
EQUITY			
Capital and reserves			
Share capital	32	**130,911**	126,389
Reserves	33	**8,741,714**	8,631,855
Equity attributable to owners of the Company		**8,872,625**	8,758,244
Non-controlling interests		**93,737**	1,778
Total equity		**8,966,362**	8,760,022

Consolidated Statement of Financial Position

At 31 December 2011

	Notes	31 December 2011 HK$'000	31 March 2011 HK$'000
LIABILITIES			
Current liabilities			
Trade, bills and other payables	34	**120,288**	89,683
Tax payable		**23,314**	14,838
Promissory note	35	**84,654**	—
Borrowings	36	**129,995**	—
		358,251	104,521
Non-current liability			
Deferred taxation	37	**85,425**	1,345
Total liabilities		**443,676**	105,866
Total equity and liabilities		**9,410,038**	8,865,888
Net current (liabilities)/assets		**(141,723)**	227,333
Total assets less current liabilities		**9,051,787**	8,761,367

Approved by the Board on 30 March 2012 and signed on its behalf by:

Dr. Zhuo Ze Fan
Chairman

Dr. William Rakotoarisaina
Vice Chairman

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

Statement of Financial Position

At 31 December 2011

	Notes	31 December 2011 HK$'000	31 March 2011 HK$'000
ASSETS			
Non-current assets			
Interests in subsidiaries	25	**6,115,061**	5,883,011
Property, plant and equipment	18	**226**	218
		6,115,287	5,883,229
Current assets			
Prepayment and other receivables		**368**	547
Cash and bank balances		**132**	14,402
		500	14,949
Total assets		**6,115,787**	5,898,178
EQUITY			
Capital and reserves			
Share capital	32	**130,911**	126,389
Reserves	33	**5,819,071**	5,698,949
Total equity		**5,949,982**	5,825,338
LIABILITIES			
Current liabilities			
Amounts due to subsidiaries	25	**71,002**	71,004
Other payables and accruals		**3,403**	1,836
Promissory note	35	**84,654**	—
Borrowings	36	**6,746**	—
		165,805	72,840
Total liabilities		**165,805**	72,840
Total equity and liabilities		**6,115,787**	5,898,178
Net current liabilities		**(165,305)**	(57,891)
Total assets less current liabilities		**5,949,982**	5,825,338

Approved by the Board on 30 March 2012 and signed on its behalf by:

Dr. Zhuo Ze Fan
Chairman

Dr. William Rakotoarisaina
Vice Chairman

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

Consolidated Statement of Changes in Equity

For the period from 1 April 2011 to 31 December 2011

	Attributable to owners of the Company										
		Reserves									
	Share capital HK$'000	Share premium HK$'000 (Note i)	Contributed surplus HK$'000 (Note ii)	Exchange reserve HK$'000	Revaluation reserve HK$'000 (Note iii)	Reserve on acquisition of additional interests in subsidiaries HK$'000	Share option reserve HK$'000	Retained profits HK$'000	Subtotal HK$'000	Non-controlling interests HK$'000	Total HK$'000
At 1 April 2010	122,269	5,605,001	3,156	24,676	385,000	2,286,365	18,000	147,887	8,470,085	15,035	8,607,389
Profit for the year	–	–	–	–	–	–	–	23,013	23,013	–	23,013
Other comprehensive income for the year	–	–	–	1,950	–	–	–	–	1,950	72	2,022
Total comprehensive income for the year	–	–	–	1,950	–	–	–	23,013	24,963	72	25,035
Cancellation of share options	–	–	–	–	–	–	(18,000)	18,000	–	–	–
Equity-settled share option expenses	–	–	–	–	–	–	1,877	–	1,877	–	1,877
Issue of ordinary shares	4,120	134,930	–	–	–	–	–	–	134,930	–	139,050
Termination of co-operation in a subsidiary with non-controlling shareholder	–	–	–	–	–	–	–	–	–	(15,035)	(15,035)
Incorporation of a subsidiary	–	–	–	–	–	–	–	–	–	1,706	1,706
At 31 March 2011 and 1 April 2011	126,389	5,739,931	3,156	26,626	385,000	2,286,365	1,877	188,900	8,631,855	1,778	8,760,022
(Loss)/profit for the period	–	–	–	–	–	–	–	(149,335)	(149,335)	5,047	(144,288)
Other comprehensive income for the period	–	–	–	2,376	–	–	–	–	2,376	662	3,038
Total comprehensive (loss)/income for the period	–	–	–	2,376	–	–	–	(149,335)	(146,959)	5,709	(141,250)
Equity-settled share option expenses	–	–	–	–	–	–	145,561	–	145,561	–	145,561
Release upon disposal of subsidiaries	–	–	–	(19,049)	–	–	–	–	(19,049)	–	(19,049)
Acquisition of additional interests in a subsidiary	–	–	–	(57)	–	(1,100)	–	–	(1,157)	(1,778)	(2,935)
Acquisition of subsidiaries	4,522	119,838	–	–	–	–	11,625	–	131,463	88,028	224,013
At 31 December 2011	**130,911**	**5,859,769**	**3,156**	**9,896**	**385,000**	**2,285,265**	**159,063**	**39,565**	**8,741,714**	**93,737**	**8,966,362**

Consolidated Statement of Changes in Equity

For the period from 1 April 2011 to 31 December 2011

Note:

(i) The share premium account of the Group includes (i) shares issued at premium of approximately HK$4,030,410,000 (31 March 2011: HK$3,869,872,000); and (ii) special reserve of approximately HK$1,829,359,000 (31 March 2011: HK$1,870,059,000). Included in the special reserve debited amount of approximately HK$40,700,000 represents the difference between the fair value and the contracted value of the consideration shares paid for acquisitions of subsidiaries for the 9 months ended 31 December 2011.

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

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

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

Consolidated Statement of Cash Flows

For the period from 1 April 2011 to 31 December 2011

	9 months ended 31 December 2011 HK$'000	12 months ended 31 March 2011 HK$'000
Cash flows from operating activities		
(Loss)/profit before taxation	**(138,823)**	25,335
Adjustments for:		
Interest income	**(339)**	(196)
Depreciation of property, plant and equipment	**1,481**	760
Amortisation of prepaid lease payments	**97**	19
Equity-settled share option expenses	**145,561**	1,877
Fair value changes on investment properties	**390**	1,560
Impairment loss of intangible assets	**5,550**	3,000
Impairment loss of other receivables	**—**	407
Gain on wavier of other payables	**—**	(591)
Net gain on disposal of subsidiaries	**(19,954)**	(18,684)
Loss on disposal of property, plant and equipment	**184**	53
Finance costs	**1,631**	—
Operating (loss)/profit before working capital changes	**(4,222)**	13,540
Decrease/(increase) in trade receivables	**91,229**	(37,245)
Increase in inventories	**(16,723)**	—
Decrease/(increase) in prepayments, deposits and other receivables	**42,825**	(120,505)
(Decrease)/increase in trade, bills and other payables	**(67,908)**	16,238
Decrease in amounts due to related companies	**—**	(15,700)
Decrease in amount due to a Director	**—**	(12,324)
Cash generated from/(used in) operations	**45,201**	(155,996)
Interest received	**339**	196
Net cash generated from/(used in) operating activities	**45,540**	(155,800)
Cash flows from investing activities		
Purchases of property, plant and equipment	**(1,361)**	(2,218)
Purchase of available-for-sale investments	**(73,950)**	—
Proceeds from disposal of property, plant and equipment	**9**	—
Net cash outflow on acquisition of additional interests in a subsidiary	**(1,467)**	—
Net cash outflow on acquisition of subsidiaries	**(35,569)**	—
Net cash outflow on disposal of subsidiaries	**(278)**	(6)
Net cash used in investing activities	**(112,616)**	(2,224)

Consolidated Statement of Cash Flows

For the period from 1 April 2011 to 31 December 2011

	9 months ended 31 December 2011 *HK$'000*	12 months ended 31 March 2011 *HK$'000*
Cash flows from financing activities		
Proceeds from borrowings	**6,746**	—
Interest paid	**(1,631)**	—
Repayment of bank borrowings	**(12,256)**	—
Proceeds from issue of shares	**—**	139,050
Capital injection by a non-controlling shareholder	**—**	341
Net cash (used in)/generated from financing activities	**(7,141)**	139,391
Net decrease in cash and cash equivalents	**(74,217)**	(18,633)
Cash and cash equivalents at beginning of period/year	**103,000**	119,668
Effect of exchange rate changes on the balance of cash held in foreign currencies	**702**	1,965
Cash and cash equivalents at end of period/year	**29,485**	103,000
Analysis of balances of cash and cash equivalents		
Cash and bank balances	**29,485**	103,000

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

Notes to the Consolidated Financial Statements

31 December 2011

1. CORPORATE INFORMATION

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

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

The Company announced on 1 November 2011 that the financial year end date of the Company was changed from 31 March to 31 December commencing from the current period. Accordingly, the consolidated financial statements for the current period cover the 9 months from 1 April 2011 to 31 December 2011. The corresponding amounts shown for the consolidated statement of comprehensive income, the consolidated statement of changes in equity, the consolidated statement of cash flows and related notes cover the 12 months from 1 April 2010 to 31 March 2011 and therefore may not be comparable with the amounts shown for the current period. Certain comparative figures have been adjusted to conform with the current presentation.

The consolidated financial statements are presented in Hong Kong dollars, which is also the functional currency of the Company. All values are rounded to the nearest thousand, unless otherwise stated.

The directors of the Company (the "Directors") consider the ultimate holding company of the Company to be Shaanxi Daqinling Energy and Investment Group Limited, a company incorporated in the British Virgin Islands.

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

The accounting policies adopted in the consolidated financial statements for the period from 1 April 2011 to 31 December 2011 are consistent with those followed in the preparation of the Group's consolidated statements for the 12 months ended 31 March 2011 except as described below.

In the current period, the Group has applied, for the first time, a number of new and revised standards, amendments and interpretations (the "new HKFRSs") issued by the Hong Kong Institute of Certified Public Accountants (the "HKICPA") which are effective for the Group's financial period beginning 1 April 2011. A summary of the new HKFRSs are set out as below:

HKFRSs (Amendments)	Improvements to HKFRSs issued in 2010
HKAS 24 (Revised)	Related Party Disclosures
HKAS 32 (Amendments)	Classification of Rights Issues
HKFRS 1 (Amendment)	Limited Exemption from Comparative HKFRS 7 — Disclosure for First-time Adopters
HK(IFRIC)-Int 14 (Amendments)	Prepayments of a Minimum Funding Requirements
HK(IFRIC)-Int 19	Extinguishing Financial Liabilities with Equity Instruments

Notes to the Consolidated Financial Statements

31 December 2011

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

The application of the above new HKFRSs had no material effect on the results and financial positions of the Group for the current or prior accounting periods have been prepared and presented. Accordingly, no prior period adjustment has been required.

The Group has not early applied the following new HKFRSs that have been issued but are not yet effective.

HKFRS 1 (Amendment)	Severe Hyperinflation and Removal of Fixed Dates for First-time Adopters[1]
HKFRS 1 (Amendments)	Government Loans[4]
HKFRS 7 (Amendments)	Disclosures — Transfers of Financial Assets[1]
HKFRS 7 (Amendments)	Disclosure — Offsetting Financial Assets and Financial Liabilities[4]
HKFRS 9	Financial Instruments[6]
HKFRS 10	Consolidated Financial Statements[4]
HKFRS 11	Joint Arrangements[4]
HKFRS 12	Disclosure of Interests in Other Entities[4]
HKFRS 13	Fair Value Measurement[4]
HKAS 1 (Amendments)	Presentation of Items of Other Comprehensive Income[3]
HKAS 12 (Amendments)	Deferred Tax — Recovery of Underlying Assets[2]
HKAS 19 (as revised in 2011)	Employee Benefits[4]
HKAS 27 (as revised in 2011)	Separate Financial Statements[4]
HKAS 28 (as revised in 2011)	Investments in Associates and Joint Ventures[4]
HKAS 32 (Amendments)	Presentation — Offsetting Financial Assets and Financial Liabilities[5]
HK(IFRIC) — Int 20	Stripping Costs in the Production Phase of a Surface Mine[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*
5 *Effective for annual periods beginning on or after 1 January 2014*
6 *Effective for annual periods beginning on or after 1 January 2015*

The amendments to HKFRS 7 increase the disclosure requirements for transactions involving transfers of financial assets. These amendments are intended to provide greater transparency around risk exposures when a financial asset is transferred but the transferor retains some level of continuing exposure in the asset. The amendments also require disclosures where transfers of financial assets are not evenly distributed throughout the period.

The revised disclosure requirements contained in the amendments HKFRS 7 are intended to help investors and other financial statement users to better assess the effect or potential effect of offsetting arrangements on a company's financial position. The amendments also improve transparency in the reporting of how companies mitigate credit risk, including disclosure of related collateral pledged or received. Companies and other entities are required to apply the amendments for annual periods beginning on or after 1 January 2013, and also interim periods within those annual periods. The required disclosures should be provided retrospectively.

HKFRS 9 issued in 2009 introduces new requirements for the classification and measurement of financial assets. HKFRS 9 amended in 2010 includes the requirements for the classification and measurement of financial liabilities and for derecognition.

Notes to the Consolidated Financial Statements

31 December 2011

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

Key requirements of HKFRS 9 are described as follows:

- HKFRS 9 requires all recognised financial assets that are within the scope of HKAS 39 *Financial Instruments: Recognition and Measurement* to be subsequently measured at 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 reporting periods. All other debt investments and equity investments are measured at their fair values at the end of subsequent accounting periods. In addition, under HKFRS 9, entities may make an irrevocable election to present subsequent changes in the fair value of an equity investment (that is not held for trading) in other comprehensive income, with only dividend income generally recognised in profit or loss.

- The most significant effect of HKFRS 9 regarding the classification and measurement of financial liabilities relates to the presentation of changes in the fair value of a financial liability (designated as at fair value through profit or loss ("FVTPL")) attributable to changes in the credit risk of that liability. Specifically, under HKFRS 9, for financial liabilities that are designated as at FVTPL, 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 recognition 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 FVTPL was presented in profit or loss.

HKFRS 9 is effective for annual periods beginning on or after 1 January 2015, with earlier application permitted.

HKFRS 10 replaces the parts of HKAS 27 *Consolidated and Separate Financial Statements* that deal with consolidated financial statements and HK (SIC)-Int 12 *Consolidation — Special Purpose Entities*. HKFRS 10 includes a new definition of control that contains three elements: (a) power over an investee, (b) exposure, or rights, to variable returns from its involvement with the investee, and (c) the ability to use its power over the investee to affect the amount of the investor's returns. Extensive guidance has been added in HKFRS 10 to deal with complex scenarios.

HKFRS 11 replaces HKAS 31 *Interests in Joint Ventures* and HK (SIC)-Int 13 *Jointly Controlled Entities — Non-Monetary Contributions by Venturers*. HKFRS 11 deals with how a joint arrangement of which two or more parties have joint control should be classified. Under HKFRS 11, joint arrangements are classified as joint operations or joint ventures, depending on the rights and obligations of the parties to the arrangements. In contrast, under HKAS 31, there are three types of joint arrangements: jointly controlled entities, jointly controlled assets and jointly controlled operations.

Notes to the Consolidated Financial Statements

31 December 2011

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

In addition, joint ventures under HKFRS 11 are required to be accounted for using the equity method of accounting, whereas jointly controlled entities under HKAS 31 can be accounted for using the equity method of accounting or proportionate accounting.

HKFRS 12 is a disclosure standard and is applicable to entities that have interests in subsidiaries, joint arrangements, associates and/or unconsolidated structured entities. In general, the disclosure requirements in HKFRS 12 are more extensive than those in the current standards.

HKFRS 13 establishes a single source of guidance for fair value measurements and disclosures about fair value measurements. The Standard defines fair value, establishes a framework for measuring fair value, and requires disclosures about fair value measurements. The scope of HKFRS 13 is broad; it applies to both financial instrument items and non-financial instrument items for which other HKFRSs require or permit fair value measurements and disclosures about fair value measurements, except in specified circumstances. In general, the disclosure requirements in HKFRS 13 are more extensive than those in the current standards. For example, quantitative and qualitative disclosures based on the three-level fair value hierarchy currently required for financial instruments only under HKFRS 7 *Financial Instruments: Disclosures* will be extended by HKFRS 13 to cover all assets and liabilities within its scope.

HKFRS 13 is effective for annual periods beginning on or after 1 January 2013, with earlier application permitted.

The amendments to HKAS 1 retain the option to present profit or loss and other comprehensive income in either a single statement or in two separate but consecutive statements. However, the amendments to HKAS 1 require additional disclosures to be made in the other comprehensive income section such that items of other comprehensive income are grouped into two categories: (a) items that will not be reclassified subsequently to profit or loss; and (b) items that may be reclassified subsequently to profit or loss when specific conditions are met. Income tax on items of other comprehensive income is required to be allocated on the same basis.

The amendments to HKAS 1 are effective for annual periods beginning on or after 1 July 2012. The presentation of items of other comprehensive income will be modified accordingly when the amendments are applied in the future accounting periods.

The amendments to HKAS 12 provide an exception to the general principles in HKAS 12 that the measurement of deferred tax assets and deferred tax liabilities should reflect the tax consequences that would follow from the manner in which the entity expects to recover the carrying amount of an asset. Specifically, under the amendments, investment properties that are measured using the fair value model in accordance with HKAS 40 *Investment Property* are presumed to be recovered through sale for the purposes of measuring deferred taxes, unless the presumption is rebutted in certain circumstances.

The amendments to HKAS 12 are effective for annual periods beginning on or after 1 January 2012.

Notes to the Consolidated Financial Statements

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

The amendments to HKAS 19 change the accounting for defined benefit plans and termination benefits. The most significant change relates to the accounting for changes in defined benefit obligations and plan assets. The amendments require the recognition of changes in defined benefit obligations and in the fair value of plan assets when they occur, and hence eliminate the 'corridor approach' permitted under the previous version of HKAS 19. The amendments require all actuarial gains and losses to be recognised immediately through other comprehensive income in order for the net pension asset or liability recognised in the consolidated statement of financial position to reflect the full value of the plan deficit or surplus.

The amendments to HKAS 19 are effective for annual periods beginning on or after 1 January 2013 and require retrospective application with certain exceptions.

The amendments to HKAS 32 address inconsistencies in current practice when applying the offsetting criteria and clarify:

- the meaning of 'currently has a legally enforceable right of set-off'; and
- that some gross settlement systems may be considered equivalent to net settlement.

The amendments are effective for annual periods beginning on or after 1 January 2014 and are required to be applied retrospectively.

HK(IFRIC)-Int 20 *Stripping Costs in the Production Phase of a Surface Mine* clarifies the requirements for accounting for stripping costs in the production phase of a surface mine. It clarifies when production stripping should lead to the recognition of an asset and how that asset should be measured, both initially and in subsequent periods. HK(IFRIC)-Int 20 is effective for annual periods beginning on or after 1 January 2013 with earlier application permitted.

The Group is in the process of assessing the potential impact of the above new HKFRSs upon initial application but is not yet in a position to state whether the above new HKFRSs will have a significant impact on the Group's and the Company's results of operations and financial position.

Notes to the Consolidated Financial Statements

31 December 2011

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

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

(a) Basis of preparation

The consolidated financial statements have been prepared on the basis that the Group will continue to operate throughout the next 12 months as a going concern. The Group incurred a net loss of approximately HK$144,288,000 for the period from 1 April 2011 to 31 December 2011 and the Group's current liabilities exceeded its current assets by approximately HK$141,723,000 as at 31 December 2011. Based on the anticipated ability of the Group to obtain an unpledged bank facility and generate cash inflows from its future sale of refined oil business to finance its continuing operations, the Directors have prepared the consolidated financial statements on a going concern basis.

(b) Basis of consolidation

The consolidated financial statements incorporate the financial statements of the Company and entities controlled by the Company. 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 period 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 in line with those used by other members of the Group.

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

Notes to the Consolidated Financial Statements

31 December 2011

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

(b) Basis of consolidation *(Continued)*

Changes in the Group's ownership interests in existing subsidiaries

Changes in the Group's ownership interests in subsidiaries that do not result in the Group losing control over the subsidiaries are accounted for as equity transactions. The carrying amounts of the Group's interests and the non-controlling interests are adjusted to reflect the changes in their relative interests in the subsidiaries. Any difference between the amount by which the non-controlling interests are adjusted and the fair value of the consideration paid or received is recognised directly in equity and attributed to owners of the Company.

When the Group loses control of a subsidiary, it (i) derecognises the assets (including any goodwill) and liabilities of the subsidiary at their carrying amounts at the date when control is lost, (ii) derecognises the carrying amount of any non-controlling interests in the former subsidiary at the date when control is lost (including any components of other comprehensive income attributable to them), and (iii) recognises the aggregate of the fair value of the consideration received and the fair value of any retained interests, with any resulting difference being recognised as a gain or loss in profit or loss attributable to the Group. When assets of the subsidiary are carried at revalued amounts or fair values and the related cumulative gain or loss has been recognised in other comprehensive income and accumulated in equity, the amounts previously recognised in other comprehensive income and accumulated in equity are accounted for as if the Group had directly disposed of the related assets (i.e. reclassified to profit or loss or transferred directly to retained earnings as specified by applicable HKFRSs). The fair value of any investment retained in the former subsidiary at the date when control is lost is regarded as the fair value on initial recognition for subsequent accounting under HKAS 39 *Financial Instruments: Recognition and Measurement* or, when applicable, the cost on initial recognition of an investment in an associate or a jointly controlled entity.

(c) Business combination

Acquisitions of businesses are accounted for using the acquisition method. The consideration transferred in a business combination is measured at fair value, which is calculated as the sum of the acquisition-date fair values of the assets transferred by the Group, liabilities incurred by the Group to the former owners of the acquiree and the equity interests issued by the Group in exchange for control of the acquiree. Acquisition-related costs are generally recognised in profit or loss as incurred.

At the acquisition date, the identifiable assets acquired and the liabilities assumed are recognised at their fair value, except that:

- deferred tax assets or liabilities, and assets or liabilities related to employee benefit arrangements are recognised and measured in accordance with HKAS 12 *Income Taxes* and HKAS 19 *Employee Benefits* respectively;

- liabilities or equity instruments related to share-based payment arrangements of the acquiree or share-based payment arrangements of the Group entered into to replace share-based payment arrangements of the acquiree are measured in accordance with HKFRS 2 *Share-based Payment* at the acquisition date (see the accounting policy below); and

- assets (or disposal groups) that are classified as held for sale in accordance with HKFRS 5 *Non-current Assets Held for Sale and Discontinued Operations* are measured in accordance with that standard.

Notes to the Consolidated Financial Statements

31 December 2011

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

(c) Business combination *(Continued)*

Goodwill is measured as the excess of the sum of the consideration transferred, the amount of any non-controlling interests in the acquiree, and the fair value of the acquirer's previously held equity interests in the acquiree (if any) over the net of the acquisition-date amounts of the identifiable assets acquired and the liabilities assumed. If, after reassessment, the net of the acquisition-date amounts of the identifiable assets acquired and liabilities assumed exceeds the sum of the consideration transferred, the amount of any non-controlling interests in the acquiree and the fair value of the acquirer's previously held interests in the acquiree (if any), the excess is recognised immediately in profit or loss as a bargain purchase gain.

Non-controlling interests that are present ownership interests and entitle their holders to a proportionate share of the entity's net assets in the event of liquidation may be initially measured either at fair value or at the non-controlling interests' proportionate share of the recognised amounts of the acquiree's identifiable net assets. The choice of measurement basis is made on a transaction-by-transaction basis. Other types of non-controlling interests are measured at their fair value or, when applicable, on the basis specified in another HKFRS.

When the consideration transferred by the Group in a business combination includes assets or liabilities resulting from a contingent consideration arrangement, the contingent consideration is measured at its acquisition-date fair value and included as part of the consideration transferred in a business combination. Changes in the fair value of the contingent consideration that qualify as measurement period adjustments are adjusted retrospectively, with the corresponding adjustments against goodwill. Measurement period adjustments are adjustments that arise from additional information obtained during the "measurement period" (which cannot exceed one year from the acquisition date) about facts and circumstances that existed at the acquisition date.

The subsequent accounting for changes in the fair value of the contingent consideration that do not qualify as measurement period adjustments depends on how the contingent consideration is classified. Contingent consideration that is classified as equity is not remeasured at subsequent reporting dates and its subsequent settlement is accounted for within equity. Contingent consideration that is classified as an asset or a liability is remeasured at subsequent reporting dates in accordance with HKAS 39, or HKAS 37 *Provisions, Contingent Liabilities and Contingent Assets*, as appropriate, with the corresponding gain or loss being recognised in profit or loss.

When a business combination is achieved in stages, the Group's previously held equity interests in the acquiree is remeasured to fair value at the acquisition date (i.e. the date when the Group obtains control) and the resulting gain or loss, if any, is recognised in profit or loss. Amounts arising from interests in the acquiree prior to the acquisition date that have previously been recognised in other comprehensive income are reclassified to profit or loss where such treatment would be appropriate if that interests were disposed of.

If the initial accounting for a business combination is incomplete by the end of the reporting period in which the combination occurs, the Group reports provisional amounts for the items for which the accounting is incomplete. Those provisional amounts are adjusted during the measurement period (see above), or additional assets or liabilities are recognised, to reflect new information obtained about facts and circumstances that existed at the acquisition date that, if known, would have affected the amounts recognised at that date.

The policy described above is applied to all business combinations that take place on or after 1 April 2010.

Notes to the Consolidated Financial Statements

31 December 2011

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

(d) Goodwill

Goodwill arising on an acquisition of a business is carried at cost as established at the date of acquisition of the business (see the accounting policy above) less accumulated impairment losses, if any.

For the purposes of impairment testing, goodwill is allocated to each of the Group's cash-generating units (or groups of cash-generating units) that is expected to benefit from the synergies of the combination.

A cash-generating unit to which goodwill has been allocated is tested for impairment annually, or more frequently when there is indication that the unit may be impaired. If the recoverable amount of the cash-generating unit is less than its carrying amount, the impairment loss is allocated first to reduce the carrying amount of any goodwill allocated to the unit and then to the other assets of the unit on a pro-rata basis based on the carrying amount of each asset in the unit. Any impairment loss for goodwill is recognised directly in profit or loss. An impairment loss recognised for goodwill is not reversed in subsequent periods.

On disposal of the relevant cash-generating unit, the attributable amount of goodwill is included in the determination of profit or loss on disposal.

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

At the end of each reporting period, the Group reviews the carrying amounts of its tangible and intangible assets with finite useful lives 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).

Intangible assets with indefinite useful lives and intangible assets not yet available for use are tested for impairment at least annually, and whenever there is an indication that the asset may be impaired.

Recoverable amount is the higher of fair value less costs to sell and value in use. When it is not possible to estimate the recoverable amount of an individual asset, the Group estimates the recoverable amount of the cash-generating unit to which the asset belongs. When a reasonable and consistent basis of allocation can be identified, corporate assets are also allocated to individual cash generating units, or otherwise they are allocated to the smallest group of cash-generating units for which a reasonable and consistent allocation basis can be identified.

In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset for which the estimates of future cash flows have not been adjusted. If the recoverable amount of an asset (or a cash-generating unit) is estimated to be less than its carrying amount, the carrying amount of the asset (or the cash-generating unit) is reduced to its recoverable amount. An impairment loss is recognised immediately in profit or loss.

Notes to the Consolidated Financial Statements

31 December 2011

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

(e) Impairment of non-financial assets (other than goodwill) *(Continued)*

When an impairment loss subsequently reverses, the carrying amount of the asset (or cash generating unit) 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 (or cash-generating unit) in prior years. A reversal of an impairment loss is recognised immediately in profit or loss.

(f) Revenue recognition

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

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

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

(g) Property, plant and equipment

Property, plant and equipment are stated at cost less accumulated depreciation and impairment losses. Expenditure incurred after items of property, plant and equipment have been put into operation, such as repairs and maintenance, is normally charged to profit or loss in the period in which it is incurred.

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

Furniture, fixtures and equipment	:	20%–30% on the reducing balance method
Plant and machinery	:	20% on the reducing balance method
Motor vehicles	:	20%–30% on the reducing balance method
Buildings	:	over the shorter of the term of the lease, or 50 years

Where parts of an item of property, plant and equipment have different useful lives, the cost of that item is allocated on a reasonable basis among the parts and each part is depreciated separately. Residual values, useful lives and the depreciation method are reviewed and adjusted if appropriate, at least at each financial year end.

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

Notes to the Consolidated Financial Statements

31 December 2011

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

(g) Property, plant and equipment *(Continued)*

If an item of property, plant and equipment becomes an investment property because its use has changed as evidenced by end of owner-occupation, any difference between the carrying amount and the fair value of that item at the date of transfer is recognised in other comprehensive income and accumulated in property revaluation reserve. On the subsequent sale or retirement of the asset, the relevant revaluation reserve will be transferred directly to retained profits.

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

(h) Investment properties

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

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

(i) Exploration and evaluation assets

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

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

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

(j) Inventories

Inventories are stated at the lower of cost and net realisable value. Cost is calculated using the weighted average costing method. Net realisable value is based on estimated selling price less any estimated costs to be incurred to completion on sale.

Notes to the Consolidated Financial Statements

31 December 2011

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

(k) 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 lessor

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

The Group as lessee

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

Leasehold land

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

When a lease includes both land and building elements, the Group assesses the classification of each element as finance or operating lease separately based on the assessment as to whether substantially all the risks and rewards incidental to ownership of each element have been transferred to the Group. Specifically, the minimum lease payments (including any lump-sum upfront payments) are allocated between the land and the building elements in proportion to the relative fair values of the leasehold interests in the land element and building element of the lease at the inception of the lease. When the lease payments cannot be allocated reliably between the land and building elements, the entire lease is generally classified as a finance lease and accounted for as property, plant and equipment, unless it is clear that both elements are operating leases, in which case the entire lease is classified as an operating lease.

To the extent the allocation of the lease payments can be made reliably, interests in leasehold land that is accounted for as an operating lease is presented as "prepaid lease payments" in the consolidated statements of financial position at cost initially and is amortised over the lease term on a straight-line basis.

(l) Foreign currencies translation

In preparing the financial statements of each individual group entity, transactions in currencies other than the functional currency of that entity (foreign currencies) are recorded in the respective functional currency (i.e. the currency of the primary economic environment in which the entity operates) at the rates of exchanges prevailing on the dates of the transactions. At the end of each reporting period, monetary items denominated in foreign currencies are re-translated at the rates prevailing on the end of the reporting period. Non-monetary items carried at fair value that are denominated in foreign currencies are re-translated 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 re-translated.

Notes to the Consolidated Financial Statements

31 December 2011

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

(l) Foreign currencies translation *(Continued)*

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

For the purposes of presenting the consolidated financial statements, the assets and liabilities of the Group's foreign operations are translated into the presentation currency of the Group (i.e. Hong Kong dollars) at the rate of exchange prevailing at the end of the reporting period, and their income and expenses are translated at the average exchange rates for the period, unless exchange rates fluctuate significantly during the period, in which case, the exchange rates prevailing at the dates of transactions are used. Exchange differences arising, if any, are recognised as a separate component of equity (the translation reserve). Such exchange differences are recognised in profit or loss in the period in which the foreign operation is disposed of.

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

(m) Retirement benefits schemes

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

(ii) Payments to Mandatory Provident Fund retirement benefits scheme (the "MPF Scheme") under the Mandatory Provident Fund Schemes Ordinance are made based on a percentage of the employee's basic salaries and are charged to profit or loss as they become payable in accordance with the rules of the MPF Scheme.

(iii) Payments to the state-managed retirement benefit schemes ("PRC Scheme") are charged as expenses when employees have rendered services entitling them to the contributions.

Notes to the Consolidated Financial Statements

31 December 2011

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

(n) Share option expenses

The Group operates a share option scheme for the purpose of providing incentives and rewards to eligible participants who contribute to the success of the Group's operations.

For grants of share options that are conditional upon satisfying specified vesting conditions, the fair value of services received is determined by reference to the fair value of share options granted at the grant date and 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 original estimates, if any, is recognised in profit or loss such that the cumulative expense reflects the revised estimate, with a corresponding adjustment to share options reserve.

For share options that vest immediately at the date of grant, the fair value of the share options granted is expensed immediately to profit or loss.

When share options are exercised, the amount previously recognised in share options reserve will be transferred to share premium. When 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 be transferred to retained earnings.

(o) 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 period. Taxable profit differs from profit as reported in the consolidated statement of comprehensive income because of items of income or expense that are taxable or deductible in other years and 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 bases used in the computation of taxable profit. Deferred tax liabilities are generally recognised for all taxable temporary differences. Deferred tax assets are generally recognised for all 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 associated with investments in subsidiaries and associates, and interests in joint ventures, 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.

Notes to the Consolidated Financial Statements

31 December 2011

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

(o) Taxation *(Continued)*

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

Deferred tax 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 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.

Current or deferred tax for the period is recognised in profit or loss, except when they relate to items that are recognised in other comprehensive income or directly in equity, in which case, the current and deferred tax is also recognised in other comprehensive income or directly in equity respectively. Where current tax or deferred tax arises from the initial accounting for a business combination, the tax effect is included in the accounting for the business combination.

(p) Intangible assets

Intangible assets acquired in a business combination

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

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

Intangible assets with indefinite useful lives are tested for impairment annually either individually or at the cash-generating unit level. Such intangible assets are not amortised. The useful life of an intangible asset with an indefinite life is reviewed annually to determine whether the indefinite life assessment continues to be supportable. If not, the change in the useful life assessment from indefinite to finite is accounted for on a prospective basis.

(q) Financial instruments

Financial assets and financial liabilities are recognised 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 FVTPL) 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 FVTPL are recognised immediately in profit or loss.

Notes to the Consolidated Financial Statements

31 December 2011

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

(q) Financial instruments *(Continued)*

Financial assets

The Group's financial assets are classified into available-for-sale financial assets ("AFS financial assets") and loans and receivables. The classification depends on the nature and purpose of the financial assets and is determined at the time of initial recognition. 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. The accounting policies adopted in respect of each category of financial assets are set out below.

AFS financial assets

AFS financial assets are non-derivatives that are either designated as available-for-sale or are not classified as loans and receivables, held-to-maturity investments or financial assets at FVTPL.

AFS financial assets are measured at fair value at the end of each reporting period. Changes in fair value are recognised in other comprehensive income and accumulated under the heading of investments revaluation reserve. When the financial asset is disposed of or is determined to be impaired, the cumulative gain or loss previously accumulated in the investments revaluation reserve is reclassified to profit or loss (see the accounting policy in respect of impairment loss on financial assets below).

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 and derivatives that are linked to and must be settled by delivery of such unquoted equity investments are measured at cost less any identified impairment losses at the end of each reporting period (see the accounting policy in respect of impairment loss on financial assets below).

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. Loans and receivables (including trade receivables, other receivables, amount due from a non-controlling shareholder and cash and bank balances) are carried at amortised cost using the effective interest method, less any identified impairment losses (see accounting policy-impairment of financial assets below).

Effective interest method

The effective interest method is a method of calculating the amortised cost of a debt instrument 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 and points paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) through the expected life of the debt instrument, or, where appropriate, a shorter period, to the net carrying amount on initial recognition.

Income is recognised on an effective interest basis for debt instruments other than those financial assets classified as at FVTPL.

Notes to the Consolidated Financial Statements

31 December 2011

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

(q) Financial instruments *(Continued)*

Impairment of financial assets

Financial assets are impaired when 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.

Objective evidence of impairment could include:

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

For certain categories of financial assets, 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 credit period of 30 days, observable changes in national or local economic conditions that correlate with default on receivables.

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

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

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

When an AFS financial asset is considered to be impaired, cumulative gains or losses previously recognised in other comprehensive income are reclassified to profit or loss in the period.

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

Notes to the Consolidated Financial Statements

31 December 2011

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

(q) Financial instruments *(Continued)*

Impairment of financial assets *(Continued)*

In respect of available-for-sale equity investments, impairment losses previously recognised in profit or loss are not reversed through profit or loss. Any increase in fair value subsequent to an impairment loss is recognised in other comprehensive income and accumulated under the heading of investments revaluation reserve. In respect of available-for-sale debt investments, impairment losses are subsequently reversed through profit or loss if an increase in the fair value of the investment can be objectively related to an event occurring after the recognition of the impairment loss.

Financial liabilities and equity instruments

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

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

Other financial liabilities

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

Equity instruments

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

Effective interest method

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

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

Derecognition

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

Notes to the Consolidated Financial Statements

31 December 2011

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

(q) Financial instruments *(Continued)*

Derecognition *(Continued)*

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

Offsetting of financial instruments

Financial assets and financial liabilities are offset and the net amount is reported in the consolidated statement of financial position if, and only if, there is a currently enforceable legal right to offset the recognised amounts and there is an intention to settle on a net basis, or to realise the assets and settle the liabilities simultaneously.

(r) Jointly controlled operation

When a group entity undertakes its activities under joint venture arrangements directly, constituted as jointly controlled operations, the assets and liabilities arising from those jointly controlled operations are recognised in the statement of financial position of the relevant company on an accrual basis and classified according to the nature of the item. The Group's share of the income from jointly controlled operations, together with the expenses that it incurs are included in profit or loss when it is probable that the economic benefits associated with the transactions will flow to/from the Group.

(s) Provisions

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

(t) Cash and cash equivalents

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

For the purpose of the Group and Company statements of financial position, cash and cash equivalents comprise cash on hand and at banks, including term deposits, and assets similar in nature to cash, which are not restricted as to use.

Notes to the Consolidated Financial Statements

31 December 2011

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

(u) 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.

(v) Related party transactions

(a) A person, or a close member of that person's family, is related to the Group if that person:

(i) has control or joint control over the Group;

(ii) has significant influence over the Group; or

(iii) is a member of the key management personnel of the Group or of a parent of the Group.

(b) An entity is related to the Group if any of the following conditions applies:

(i) the entity and the Group are members of the same group (which means that each parent, subsidiary and fellow subsidiary is related to the others);

(ii) one entity is an associate or joint venture of the other entity (or an associate or joint venture of a member of a group which the other entity is a member);

(iii) both entities are joint ventures of the same third party;

(iv) one entity is a joint venture of a third entity and the other entity is an associate of the third entity;

(v) the entity is a post-employment benefit plan for the benefit of employees of either the Group or an entity related to the Group;

(vi) the entity is controlled or jointly controlled by a person identified in (a); or

(vii) a person identified in (a)(i) has significant influence over the entity or is a member of the key management personnel of the entity (or of a parent of the entity).

Close family members of an individual are those family members who may be expected to influence, or be influenced by, that person in their dealings with the entity.

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

Notes to the Consolidated Financial Statements

31 December 2011

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

(w) Contingent liabilities and contingent assets

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

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

(x) Segment reporting

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

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

4. KEY SOURCES OF ESTIMATION UNCERTAINTY

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

(a) Income taxes

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

Notes to the Consolidated Financial Statements

31 December 2011

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

(b) Impairment of exploration and evaluation assets

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

(c) Fair value of investment properties

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

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

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

The Group uses assumptions that are mainly based on market conditions existing at the end of each reporting period.

The principal assumption underlying management's estimation of fair value is related to the estimated amount for which the property should exchange on the date of valuation between a willing buyer and a willing seller in an arm's length transaction after proper marketing wherein the parties had each acted knowledgeably and without compulsion.

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

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

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

Notes to the Consolidated Financial Statements

31 December 2011

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

(e) Impairment of intangible assets

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

The carrying amounts of intangible assets at the end of the reporting period were approximately HK$316,693,000 (31 March 2011: HK$40,000,000) after an impairment loss of approximately HK$5,550,000 (31 March 2011: HK$3,000,000) was recognised for the period. Details of the impairment loss calculation are provided in Note 21 to the consolidated financial statements.

(f) Impairment of inventories

The management reviews an ageing analysis at the end of the reporting period, and makes impairment for obsolete and slow-moving inventory items identified that are no longer suitable for sales. The management estimates the net realisable value for such inventories based primarily on the latest invoice prices and current market conditions. The Group carries out an inventory review at the end of the reporting period and makes impairment for obsolete and slow-moving items, when necessary. During the period, no impairments on inventories were made.

Notes to the Consolidated Financial Statements

31 December 2011

5. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

(a) Categories of financial instruments

The Group

	31 December 2011 ***HK$'000***	31 March 2011 *HK$'000*
Financial assets		
Loan and receivables (including cash and bank balances)		
— Trade receivables	**46**	91,166
— Other receivables	**21,731**	684
— Amount due from a non-controlling shareholder	**—**	1,422
— Pledged deposits	**49,300**	—
— Cash and bank balances	**29,485**	103,000
	100,562	196,272
Available-for-sale investments	**73,950**	—
	174,512	196,272
Financial liabilities		
Amortised costs		
— Trade, bills and other payables	**108,273**	89,683
— Promissory note	**84,654**	—
— Borrowings	**129,995**	—
	322,922	89,683

Notes to the Consolidated Financial Statements

31 December 2011

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

(a) Categories of financial instruments *(continued)*

The Company

	31 December 2011 ***HK$'000***	31 March 2011 *HK$'000*
Financial assets		
Loan and receivables (including cash and bank balances)		
— Amounts due from subsidiaries	**1,268,059**	1,036,006
— Cash and bank balances	**132**	14,402
	1,268,191	1,050,408
Financial liabilities		
Amortised costs		
— Amounts due to subsidiaries	**71,002**	71,004
— Other payables	**3,403**	1,836
— Promissory note	**84,654**	—
— Borrowings	**6,746**	—
	165,805	72,840

(b) Financial risk management objectives and policies

The Group's financial instruments include trade receivables, other receivables, amount due from a non-controlling shareholder, pledged deposits, cash and bank balances, trade, bills and other payables, promissory note and borrowings. Details of these financial instruments are disclosed in respective notes to the consolidated financial statements. The risks associated with these financial instruments and the policies on how to mitigate these risks are set out below. The management manages and monitors these exposures to ensure appropriate measures are implemented on a timely and effective manner.

Market risk

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

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

Notes to the Consolidated Financial Statements

31 December 2011

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

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

Market risk *(continued)*

(i) Foreign exchange risk

The Group operates in Hong Kong, mainland China and Madagascar and is exposed to foreign exchange risk arising from various currency exposures, primarily with respect to US dollars and Renminbi. Foreign exchange risk arises from the foreign currency denomination of commercial transactions, assets and liabilities. The Group has no significant direct exposure to foreign currencies as most of the commercial transactions, assets and liabilities are denominated in a currency same as the functional currency of each entity of the Group.

(ii) Interest rate risk

The Group is also exposed to market interest rate risk mainly in relation to floating rate bank borrowings (Note 36) and pledged deposits. The Group has obtained bank facilities and borrowings with rather stable interest rates, though on floating basis. The Group's cash flow interest rate risk is mainly concentrated on the fluctuation of benchmark interest rate published by the People's Bank of China arising from the Group's RMB denominated borrowings and pledged deposits.

Sensitivity analysis

The sensitivity analyses below have been determined based on the exposure to interest rates for non-derivative instruments. The analysis is prepared assuming the financial instruments outstanding at the end of the reporting period were outstanding for the whole period. A 100 basis point for the period increase or decrease is used when reporting interest rate risk internally to key management personnel and represents management's assessment of the reasonably possible change in interest rates.

If interest rates had been 100 basis points higher/lower and all other variables were held constant, the Group's post-tax loss for the 9 months ended 31 December 2011 would increase/decrease by approximately HK$513,000 (for the 12 months ended 31 March 2011: Nil). This is mainly attributable to the Group's exposure to interest rates on its bank deposits, bank borrowings and pledged deposits.

Notes to the Consolidated Financial Statements

31 December 2011

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

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

Credit risk

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

The Group's concentration of credit risk by geographical location is mainly in the PRC.

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

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

Liquidity risk

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

(c) Fair value estimation

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

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

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

The Group uses the following hierachy for determining and disclosing the fair values of financial instruments:

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

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

Notes to the Consolidated Financial Statements

31 December 2011

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

(c) Fair value estimation *(continued)*

(iii) 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).

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

The Directors consider the carrying amounts of financial assets and financial liabilities recorded at amortised costs in the consolidated financial statements approximates to their fair values.

6. CAPITAL RISK MANAGEMENT

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

The capital structure of the Group consists of debts which include total liabilities and total equity, mainly comprising issued capital, reserves and retained profits.

Consistent with others in the industry, the Group monitors capital on the basis of the gearing ratio. The gearing ratio is calculated as total liabilities divided by total equity. For the 9 months ended 31 December 2011 and the 12 months ended 31 March 2011, the Group's strategy was to maintain a low gearing ratio. The gearing ratio at 31 December 2011 and 31 March 2011 were as follows:

	As at 31 December 2011 *HK$'000*	As at 31 March 2011 *HK$'000*
Total liabilities	**443,676**	105,866
Total equity	**8,966,362**	8,760,022
Gearing ratio	**4.9%**	1.2%

7. SEGMENT INFORMATION

The Group's operating and reportable segments are as follows:

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

(b) the oil and gas exploration, exploitation and operation segment involves oil and gas exploration, exploitation and operation. For the 9 months ended 31 December 2011 and the 12 months ended 31 March 2011, this segment did not generate any revenue or profit to the Group.

Notes to the Consolidated Financial Statements

31 December 2011

7. SEGMENT INFORMATION *(continued)*

Segment revenue and results

	Supply and procurement operation		Oil and gas exploration, exploitation and operation		Consolidated	
	9 months ended 31 December 2011 ***HK$'000***	12 months ended 31 March 2011 *HK$'000*	**9 months ended 31 December 2011** ***HK$'000***	12 months ended 31 March 2011 *HK$'000*	**9 months ended 31 December 2011** ***HK$'000***	12 months ended 31 March 2011 *HK$'000*
Segment revenue:						
Sales to external customers	**512,210**	1,020,769	**—**	—	**512,210**	1,020,769
Segment results	**26,744**	22,853	**(8,064)**	(7,295)	**18,680**	15,558
Other revenue					**650**	272
Equity-settled share option expenses					**(145,561)**	(1,877)
Net gain on disposal of subsidiaries					**19,954**	18,684
Reimbursement of share option expenses					**4,050**	—
Gain on waiver of other payables					**—**	591
Gain on compensation from a joint venture					**—**	20,000
Unallocated corporate expenses					**(34,965)**	(27,893)
(Loss)/profit from operating activities					**(137,192)**	25,335
Finance costs					**(1,631)**	—
(Loss)/profit before taxation					**(138,823)**	25,335
Taxation					**(5,465)**	(2,322)
(Loss)/profit for the period/year					**(144,288)**	23,013

Revenue reported was generated from external customers. There were no inter-segment sales for the period (for the 12 months ended 31 March 2011: Nil).

Segment (loss)/profit represents the (loss incurred)/profit earned by each segment without allocation of other revenue and corporate expenses including staff costs, finance costs, equity-settled share option expenses, net gain on disposal of subsidiaries, reimbursement of share option expenses. This is the measure reported to the chief operating decision maker for the purpose of resource allocation and assessment of segment performance.

Notes to the Consolidated Financial Statements

31 December 2011

7. SEGMENT INFORMATION *(continued)*

Segment assets and liabilities

	Supply and procurement operation		Oil and gas exploration, exploitation and operation		Consolidated	
	31 December 2011	31 March 2011	**31 December 2011**	31 March 2011	**31 December 2011**	31 March 2011
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*	***HK$'000***	*HK$'000*
Segment assets	**641,410**	155,789	**8,709,141**	8,641,443	**9,350,551**	8,797,232
Unallocated assets					**59,487**	68,656
Total assets					**9,410,038**	8,865,888
Segment liabilities	**343,754**	78,141	**1,672**	8,014	**345,426**	86,155
Unallocated liabilities					**98,250**	19,711
Total liabilities					**443,676**	105,866

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

- all assets are allocated to reportable segments other than goodwill and other corporate financial assets.
- all liabilities are allocated to reportable segments other than other corporate financial liabilities.

Other segment information

	Supply and procurement operation		Oil and gas exploration, exploitation and operation		Consolidated	
	9 months ended 31 December 2011	12 months ended 31 March 2011	**9 months ended 31 December 2011**	12 months ended 31 March 2011	**9 months ended 31 December 2011**	12 months ended 31 March 2011
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*	***HK$'000***	*HK$'000*
Other segment information:						
Depreciation	**669**	—	**271**	489	**940**	489
Amortisation	**82**	—	**15**	19	**97**	19
Capital expenditure	**369**	—	**278**	2,217	**647**	2,217
Impairment loss of intangible assets	**—**	—	**5,550**	3,000	**5,550**	3,000
Impairment loss of other receivables	**—**	—	**—**	407	**—**	407

Notes to the Consolidated Financial Statements

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7. SEGMENT INFORMATION *(continued)*

Revenue from major products and services

The Group's revenue from its major products and services were from trading of fuel oil products.

Geographical information

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

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

	Revenue from external customers		Non-current assets	
	9 months ended 31 December 2011	12 months ended 31 March 2011	**31 December 2011**	31 March 2011
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*
The PRC	**512,210**	1,020,769	**475,172**	16
Hong Kong	**—**	—	**53,534**	2,117
Madagascar	**—**	—	**8,664,804**	8,531,901
	512,210	1,020,769	**9,193,510**	8,534,034

Information about major customer

Included in revenues arising from trading of fuel oil products of HK$368,250,000 for the period (for the 12 months ended 31 March 2011: HK$1,020,769,000) are revenues arose from the Group's largest customer which account for 72% (for the 12 months ended 31 March 2011: 100%) of the Group's total revenue.

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8. TURNOVER AND OTHER REVENUE

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

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

	9 months ended 31 December 2011	12 months ended 31 March 2011
	HK$'000	*HK$'000*
Turnover		
Sale of fuel oil products	**512,210**	1,020,769
Other revenue		
Bank interest income	**339**	196
Rental income	**311**	—
Others	**—**	76
	650	272

9. OTHER GAINS AND LOSSES

	9 months ended 31 December 2011	12 months ended 31 March 2011
	HK$'000	*HK$'000*
Net gain on disposal of subsidiaries	**19,954**	18,684
Reimbursement of share option expenses	**4,050**	—
Gain on compensation from joint venture	**—**	20,000
Gain on waiver of other payables	**—**	591
Fair value changes on investment properties	**(390)**	(1,560)
Impairment loss of intangible assets	**(5,550)**	(3,000)
Impairment loss of other receivables	**—**	(407)
	18,064	34,308

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10. (LOSS)/PROFIT FROM OPERATING ACTIVITIES

The Group's (loss)/profit from operating activities is arrived at after charging:

	9 months ended 31 December 2011	12 months ended 31 March 2011
	HK$'000	*HK$'000*
Cost of inventories sold	**478,856**	985,624
Auditors' remuneration	**1,000**	900
Depreciation of property, plant and equipment	**1,481**	760
Amortisation of prepaid lease payments	**97**	19
Minimum lease payments under operating leases of rented premises	**3,304**	3,422
Loss on disposal of property, plant and equipment	**184**	53
Staff costs (including Directors' remuneration)		
— Salaries and wages	**8,380**	12,702
— Pension scheme contributions	**122**	138
Equity-settled share option expenses	**145,561**	1,877

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11. DIRECTORS' REMUNERATION

The board of directors of the Company is currently composed of 7 executive directors and 3 independent non-executive directors. Directors' remuneration disclosed pursuant to the Listing Rules and Section 161 of the Hong Kong Companies Ordinance, are as follows:

Name of directors

	Fee		Salaries and bonuses		Mandatory provident fund contributions		Total	
	9 months ended 31 December 2011 ***HK$'000***	12 months ended 31 March 2011 HK$'000	**9 months ended 31 December 2011** ***HK$'000***	12 months ended 31 March 2011 HK$'000	**9 months ended 31 December 2011** ***HK$'000***	12 months ended 31 March 2011 HK$'000	**9 months ended 31 December 2011** ***HK$'000***	12 months ended 31 March 2011 HK$'000
Executive directors								
Dr. Zhuo Ze Fan (appointed on 30 July 2010)	**—**	—	**187**	232	**9**	8	**196**	240
Dr. William Rakotoarisaina (appointed on 30 July 2010)	**—**	—	**187**	232	**—**	—	**187**	232
Mr. Shen Hao	**—**	—	**187**	446	**—**	—	**187**	446
Mr. Feng Da Wei	**—**	—	**187**	446	**—**	—	**187**	446
Mr. Li Jiangdong (appointed on 6 October 2010 and passed away on 26 January 2012)	**—**	—	**187**	121	**—**	—	**187**	121
Mr. Hu Zongmin (appointed on 6 October 2010)	**—**	—	**187**	121	**—**	—	**187**	121
Ms. Xie Yiping (appointed on 6 October 2010)	**—**	—	**187**	121	**—**	—	**187**	121
Mr. Liu Xingyuan (appointed on 28 February 2011)	**—**	—	**187**	21	**—**	—	**187**	21
Dr. Wang Tao (resigned on 27 April 2011)	**—**	—	**—**	446	**—**	—	**—**	446
Mr. Wang Sen Hao (retired on 3 September 2010)	**—**	—	**—**	268	**—**	—	**—**	268
Dr. Hui Chi Ming (resigned on 30 July 2010)	**—**	—	**—**	480	**—**	4	**—**	484
Mr. Cheung Shing (resigned on 6 October 2010)	**—**	—	**—**	480	**—**	6	**—**	486
Mr. Bian Qijun (retired on 3 September 2010)	**—**	—	**—**	268	**—**	—	**—**	268
Dr. Chui Say Hoe (resigned on 6 October 2010)	**—**	—	**—**	321	**—**	6	**—**	327
Mr. Ching Men Ky, Carl (resigned on 6 October 2010)	**—**	—	**—**	321	**—**	—	**—**	321
Mr. Cui Yeng Xu (resigned on 6 October 2010)	**—**	—	**—**	321	**—**	—	**—**	321
Mr. Fibiolla Irianni Ohei (resigned on 30 July 2010)	**—**	—	**—**	200	**—**	—	**—**	200
Independent-non-executive directors								
Mr. Ng Wing Ka	**96**	128	**—**	—	**—**	—	**96**	128
Mr. Leung Ting Yuk	**96**	128	**—**	—	**—**	—	**96**	128
Nr. Ng Tang (appointed on 25 November 2010)	**96**	45	**—**	—	**—**	—	**96**	45
Dr. Yu Sun Say (retired on 3 September 2010)	**—**	54	**—**	—	**—**	—	**—**	54
	288	355	**1,496**	4,845	**9**	24	**1,793**	5,224

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11. DIRECTORS' REMUNERATION *(continued)*

The remuneration of the Directors fell with the following bands:

	Number of Directors	
	9 months ended 31 December 2011	12 months ended 31 March 2011
HK$		
Nil–1,000,000	**11**	21

Included in the Directors' remuneration were fees of approximately HK$288,000 (for the 12 months ended 31 March 2011: HK$355,000) paid to independent non-executive Directors. No fees were paid to executive Directors and non-executive Directors for the period (for the 12 months ended 31 March 2011: Nil).

During the period, no bonus was paid to the Directors (for the 12 months ended 31 March 2011: Nil). No Directors waived or agreed to waive any remuneration during the period (for the 12 months ended 31 March 2011: Nil). In addition, no emoluments were paid by the Group to the Directors as an inducement to join, or upon joining the Group, or as compensation for loss of office (for the 12 months ended 31 March 2011: Nil).

During the period, no share options were granted to the Directors to subscribe for ordinary shares of the Company under the Company's share option scheme (for the 12 months ended 31 March 2011: Nil).

12. FIVE HIGHEST PAID INDIVIDUALS

No Directors included in the five highest paid individuals during the period (for the 12 months ended 31 March 2011: four), details of whose remuneration are set out in Note 11 above.

The remuneration of the five (for the 12 months ended 31 March 2011: one) non-directors, highest paid individual, which fell within Nil–HK$1,000,000 band (for the 12 months ended 31 March 2011: one fell within HK$1,000,001–HK$1,500,000 band), is as follows:

	The Group	
	9 months ended 31 December 2011 *HK$'000*	12 months ended 31 March 2011 *HK$'000*
Basic salaries and bonuses	**3,045**	1,288
Mandatory provident fund contributions	**45**	12
	3,090	1,300

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12. FIVE HIGHEST PAID INDIVIDUALS *(continued)*

During the period, no bonus was paid to the five highest paid individuals of the Group (for the 12 months ended 31 March 2011: Nil). No emoluments were paid by the Group to any of the five highest paid individuals as an inducement to join, or upon joining the Group, or as a compensation for loss of office (for the 12 months ended 31 March 2011: Nil).

During the period, no share options to subscribe for ordinary shares of the Company were granted to employees under the Company's share option scheme (for the 12 months ended 31 March 2011: Nil).

13. FINANCE COSTS

	9 months ended 31 December 2011 ***HK$'000***	12 months ended 31 March 2011 *HK$'000*
Interest expenses on bank borrowings wholly repayable within five years	**1,631**	—

14. TAXATION

No provision for Hong Kong profits tax has been made as the Group did not have any assessable profits for the period (for the 12 months ended 31 March 2011: Nil). Taxes on profits assessable elsewhere have been calculated at the rates of tax prevailing in the countries in which the Group operates, based on existing legislation, interpretations and practices in respect thereof.

	9 months ended 31 December 2011 ***HK$'000***	12 months ended 31 March 2011 *HK$'000*
Current taxation		
Charge for the period/year — Overseas	**5,659**	2,743
Deferred taxation		
Credit for the period/year	**(194)**	(421)
Total tax charged for the period/year	**5,465**	2,322

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31 December 2011

14. TAXATION *(continued)*

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

The Group — for the 9 months ended 31 December 2011

	Hong Kong		The PRC		Macau		Madagascar		Total	
	HK$'000	*%*	*HK$'000*	*%*	*HK$'000*	*%*	*HK$'000*	*%*	*HK$'000*	*%*
(Loss)/profit before taxation	**(147,854)**		**20,096**		**2,954**		**(14,019)**		**(138,823)**	
Tax at applicable income tax rate	**(24,396)**	**(16.5)**	**5,024**	**25.0**	**354**	**12.0**	**(3,084)**	**(22.0)**	**(22,102)**	**(15.9)**
Tax effect of expenses and income not deductible or taxable	**20,934**	**14.2**	**(19)**	**(0.1)**	**(354)**	**(12.0)**	**1,221**	**8.7**	**21,782**	**15.7**
Unrecognised temporary difference	**(37)**	**(0.1)**	**—**	**—**	**—**	**—**	**—**	**—**	**(37)**	**(0.1)**
Tax effect of tax loss not recognised	**3,499**	**2.4**	**603**	**3.0**	**—**	**—**	**1,778**	**12.7**	**5,880**	**4.3**
Effect on deferred tax resulting from change in tax rate	**—**	**—**	**—**	**—**	**—**	**—**	**(58)**	**(0.4)**	**(58)**	**(0.1)**
Tax charge for the period	**—**	**—**	**5,608**	**27.9**	**—**	**—**	**(143)**	**(1.0)**	**5,465**	**3.9**

The Group — for the 12 months ended 31 March 2011

	Hong Kong		The PRC		Macau		Madagascar		Total	
	HK$'000	*%*	*HK$'000*	*%*	*HK$'000*	*%*	*HK$'000*	*%*	*HK$'000*	*%*
Profit/(loss) before taxation	6,294		(35)		22,844		(3,768)		25,335	
Tax at applicable income tax rate	1,039	16.5	(9)	(25.0)	2,743	12.0	(830)	(22.0)	2,943	11.6
Tax effect of expenses and income not deductible or taxable	3,580	56.8	2	5.0	—	—	12	0.3	3,594	14.2
Unrecognised temporary difference	(3)	—	—	—	—	—	—	—	(3)	—
Change in tax rate	—	—	—	—	—	—	(77)	(2.0)	(77)	(0.3)
Tax effect of tax loss not recognised	(4,616)	(73.3)	7	20	—	—	474	12.6	(4,135)	(16.3)
Tax charge for the year	—	—	—	—	2,743	12.0	(421)	(11.1)	2,322	9.2

15. (LOSS)/PROFIT ATTRIBUTABLE TO OWNERS OF THE COMPANY

The consolidated loss attributable to owners of the Company for the 9 months ended 31 December 2011 includes a loss of approximately HK$158,112,000 (for the 12 months ended 31 March 2011: profit of HK$3,792,000) which has been dealt with in the financial statements of the Company.

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16. DIVIDENDS

The Directors do not recommend payment of any dividends for the 9 months ended 31 December 2011 (for the 12 months ended 31 March 2011: Nil).

17. (LOSS)/EARNINGS PER SHARE

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

	9 months ended 31 December *HK$'000*	12 months ended 31 March *HK$'000*
(Loss)/earnings		
(Loss)/earnings attributable to the owners of the Company for the purpose of basic and diluted (loss)/earnings per share	**(149,335)**	23,013

	9 months ended 31 December 2011 *'000*	12 months ended 31 March 2011 *'000*
Number of shares		
Weighted average number of ordinary shares for the purpose of basic loss/earnings per share	**6,369,619**	6,190,784
Effect of dilutive potential ordinary shares:		
Share options	**—**	23,407
Weighted average number of ordinary shares for the purpose of diluted loss/earnings per share	**6,369,619**	6,214,191

Diluted loss per share for the 9 months ended 31 December 2011 was the same as the basic loss per share. The Company's outstanding share options were not included in the calculation of diluted loss per share because the effect of the Company's outstanding share options was anti-dilutive.

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18. PROPERTY, PLANT AND EQUIPMENT

The Group

	Buildings	Plant and machinery	Furniture, fixtures and equipment	Motor vehicles	Construction in progress	Total
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
Cost:						
At 1 April 2010	—	—	1,399	2,425	—	3,824
Additions	—	—	432	1,786	—	2,218
Written off	—	—	(375)	—	—	(375)
At 31 March 2011 and 1 April 2011	—	—	1,456	4,211	—	5,667
Additions	—	4	340	652	365	1,361
Acquisition of subsidiaries	131,704	3,164	148	271	4,525	139,812
Disposal of subsidiaries	—	—	(524)	—	—	(524)
Written off/disposal	—	(191)	(9)	—	—	(200)
Effect of foreign currency exchange differences	956	22	—	(7)	35	1,006
At 31 December 2011	132,660	2,999	1,411	5,127	4,925	147,122
Accumulated depreciation:						
At 1 April 2010	—	—	705	943	—	1,648
Charge for the year	—	—	158	602	—	760
Eliminated on written off	—	—	(322)	—	—	(322)
At 31 March 2011 and 1 April 2011	—	—	541	1,545	—	2,086
Charge for the period	543	102	95	741	—	1,481
Eliminated on disposal of subsidiaries	—	—	(317)	—	—	(317)
Eliminated on written off/disposal	—	(7)	—	—	—	(7)
Effect of foreign currency exchange differences	10	4	(6)	(4)	—	4
At 31 December 2011	553	99	313	2,282	—	3,247
Net book value:						
At 31 December 2011	**132,107**	**2,900**	**1,098**	**2,845**	**4,925**	**143,875**
At 31 March 2011	—	—	915	2,666	—	3,581

Buildings and plant and machinery with carrying amount of approximately HK$26,533,000 (31 March 2011: Nil) have been pledged to secure the bank borrowings granted to the Group.

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18. PROPERTY, PLANT AND EQUIPMENT *(Continued)*

The Company

	Furniture, fixtures and equipment *HK$'000*
Cost	
At 1 April 2010	—
Additions	276
At 31 March 2011 and 1 April 2011	276
Additions	16
At 31 December 2011	292
Accumulated depreciation	
At 1 April 2010	—
Charge for the year	58
At 31 March 2011 and 1 April 2011	58
Charge for the period	8
At 31 December 2011	66
Net book value	
At 31 December 2011	**226**
At 31 March 2011	218

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19. PREPAID LEASE PAYMENTS

	The Group	
	31 December 2011	31 March 2011
	HK$'000	*HK$'000*
The Group's prepaid lease payments comprise:		
Land outside Hong Kong under medium term lease	**21,764**	916
Analysed for reporting purposes as:		
Current assets (include in prepayments, deposits and other receivables) *(Note 29)*	**517**	19
Non-current assets	**21,247**	897
	21,764	916
Analysed for reporting purposes as:		
At the beginning of the period/year	**916**	935
Acquisition of subsidiaries	**20,796**	—
Amortisation for the period/year	**(97)**	(19)
Effect of foreign currency exchange differences	**149**	—
At end of the period/year	**21,764**	916

Amortisation on prepaid lease payments of approximately HK$97,000 (for the 12 months ended 31 March 2011: HK$19,000) have been charged to the administrative expenses in profit or loss for the period.

Prepaid lease payments with carrying amount of approximately HK$15,262,000 (31 March 2011: Nil) have been pledged to secure the bank borrowings granted to the Group.

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20. INVESTMENT PROPERTIES

The Group

	HK$'000
Fair value	
At 1 April 2010	9,360
Fair value changes	(1,560)
At 31 March 2011 and 1 April 2011	7,800
Acquisition of subsidiaries	32,012
Fair value changes	(390)
Effect of foreign exchange differences	230
At 31 December 2011	**39,652**

The fair value of the Group's investment properties at 31 December 2011 have been arrived at on the basis of valuations carried out on that date by Ascent Partners Group Limited ("Ascent Partners") and Avista Valuation Advisory Limited ("Avista") (31 March 2011: Ascent Partners), independent qualified professional valuers not connected with the Group. Ascent Partners and Avista have appropriate qualification and recent experience in the valuation of similar properties in the relevant locations. The valuations were arrived at by reference to comparable market approach, depreciated replacement cost approach and income approach.

The properties are held for capital appreciation and are measured using the fair value model and are classified and accounted for as investment properties.

The Group's investment properties are situated in Madagascar and the PRC and are held under long term lease and medium term leases respectively.

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20. INVESTMENT PROPERTIES *(Continued)*

The Group *(Continued)*

Particulars of the investment properties are as follows:

Location	Type	Tenure	Attributable interest of the Group
Villa NY Ambaniandro Propsper Emphyteose, the whole lot being 59441/59442A Section Bd No 1–Vol II 230/N–1205 Soanierana District, Antananarivo, The Republic of Madagascar	Vacant land	Long-term lease	100%
新鄭市梨河鎮107國道大高庄轉盤南側	Petrol station and land	Medium-term lease	70%
新鄭市八千花園村東側	Petrol station and land	Medium-term lease	70%
新鄭市人民路與玉前街交叉口	Petrol Station	Medium-term lease	70%
新鄭市豫04公路郭店鎮五里口東	Petrol Station	Medium-term lease	70%
新鄭市鄭新公路20公里處	Petrol Station	Medium-term lease	70%
新鄭市新建路街道辦事處新建路北段西側	Building and land	Medium-term lease	70%
金山區紫荊山路16號紫金城寫字樓16層 1601–1609號	Building and car park space	Medium-term lease	70%

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21. INTANGIBLE ASSETS

The Group

	Refined oil supply agreement HK$'000	Petroleum related business licence HK$'000	Total HK$'000
Cost			
At 1 April 2010, 31 March 2011 and 1 April 2011	—	249,842	249,842
Acquisition of subsidiaries	280,227	—	280,227
Effect of foreign exchange differences	2,016	—	2,016
31 December 2011	282,243	249,842	532,085
Accumulated impairment			
At 1 April 2010	—	206,842	206,842
Impairment loss recognised during the year	—	3,000	3,000
At 31 March 2011 and 1 April 2011	—	209,842	209,842
Impairment loss recognised during the period	—	5,550	5,550
31 December 2011	—	215,392	215,392
Carrying amount			
At 31 December 2011	**282,243**	**34,450**	**316,693**
At 31 March 2011	—	40,000	40,000

The intangible assets represent a petroleum related business licence which allows the Group to carry on the business of import, transportation and distribution of petroleum in Madagascar and a supply agreement which enables the Group to have stable and sufficient supply of refined oil in the PRC.

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21. INTANGIBLE ASSETS *(Continued)*

Petroleum related business licence

The business licence has a remaining legal life of two to four years but is renewable every five to seven years by paying a fee of approximately HK$1,014,000. The Directors are not aware of any expected impediment with respect to the renewal of the licence and consider that the possibility of failing in licence renewal is remote and the licence will generate net cash inflows for the acquiring entity for an indefinite period. Therefore, the licence is treated as having an indefinite useful life.

During the period, the Group carried out a review of the recoverable amount of its petroleum related business licence. The review led to the recognition of an impairment loss of approximately HK$5,550,000 (for the 12 months ended 31 March 2011: HK$3,000,000) that has been recognised in profit or loss for the period. The recoverable amount of the petroleum related business licence has been determined based on approved cash flow projections covering 12-year period, as the Directors consider that it will take longer period to commence and realise the future economic benefits of the petroleum related business. Cash flow projections during the budget period are based on the some expected gross margins during the budget period. The discount rate used in measuring value in use was 16.00% (31 March 2011: 17.26%).

Valuations of the intangible assets were carried out at the end of the reporting period by Cushman & Wakefield Valuation Advisory Services (HK) Limited ("Cushman & Wakefield"), independent qualified professional valuer not connected with the Group. Cushman & Wakefield has appropriate qualification and recent experience in the valuation of similar assets.

Refined oil supply agreement

On 26 July 2011 and 1 November 2011, Shaanxi Yanchang Petroleum (Group) Co., Limited ("Yanchang Petroleum"), the substantial shareholder of the Company, as the supplier has signed a supply agreement and a supplemental agreement respectively (the "Supply Agreement"), agreed to supply and Henan Yanchang Petroleum Sales Co., Limited ("Henan Yangchang"), the indirect non-wholly owned subsidiary of the Company, as the customer has agreed to purchase the refined oil for 3-years starting from 26 July 2011. Details please refer to the announcements dated on 26 July 2011 and 21 November 2011.

The Supply Agreement has a remaining legal life of approximately two and a half years but is renewable another term of every three years under negotiation between both parties, subject to and on the conditions and terms of the Supply Agreement. The Directors are not aware of any expected impediment with respect to the renewal of the Supply Agreement and consider that the possibility of failing in Supply Agreement renewal is remote and the Supply Agreement will generate net cash inflows for the acquiring entity for an indefinite period. Therefore, the Supply Agreement is treated as having an indefinite useful life.

During the period, the Group carried out a review of the recoverable amount of its Supply Agreement. No impairment loss was recognised for the period. The recoverable amount of the Supply Agreement has been determined based on approved cash flow projections covering 7-year period, as the Directors consider that it will reflect more stable growth rate for the refined oil business. Cash flow projections during the budget period are based on the same expected gross margins during the budget period. The discount rate used in measuring value in use was 22%.

Valuations of the intangible assets were carried out by Avista, which has appropriate qualification and recent experience in the valuation of similar assets.

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22. EXPLORATION AND EVALUATION ASSETS

The Group

	HK$'000
Cost	
At 1 April 2010, 31 March 2011 and 1 April 2011	12,238,815
Additions arising from jointly controlled operation	64,919
At 31 December 2011	12,303,734
Impairment	
At 1 April 2010, 31 March 2011 and 1 April 2011 and 31 December 2011	3,757,059
Carrying amount	
At 31 December 2011	**8,546,675**
At 31 March 2011	8,481,756

Notes:

(i) The exploration and evaluation assets represent the oil and gas exploration, exploitation and operations rights and profit sharing rights (the "Exploration Rights") at the Oilfield Block 2104 and the Oilfield Block 3113 in Madagascar, onshore sites for oil and gas exploration, exploitation and operation, and expenditure paid for provision of services on activities relating to evaluation of the technical feasibility and commercial viability of extracting oil and gas in the Oilfield Block 2104 and the Oilfield Block 3113.

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

(iii) The Group has adopted HKFRS 6 *Exploration for and Evaluation of Mineral Resources* and HKAS 36 *Impairment of Assets* which require the Group to assess any impairment at each reporting date. The Directors are of the opinion that no further impairment of exploration and evaluation assets was required as at 31 December 2011 and 31 March 2011.

(iv) The Group is required to assess at each reporting date any indicator that a previously recognised impairment loss no longer exists or has decreased. If there is such an indication, management should estimate the recoverable amount and determine whether any impairment reversal is appropriate.

(v) The Directors are of the opinion that the current short-term oil price movements do not result in an impairment or a reversal of impairment for the long-life Exploration Rights in the Oilfield Block 2104 and the Oilfield Block 3113.

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23. AVAILABLE-FOR-SALE INVESTMENTS

The Group

	31 December 2011	31 March 2011
	HK$'000	*HK$'000*
Unlisted investment, equity securities *(Note)*	**73,950**	—

Note:

During the period, the Group acquired 10% of the equity interests of Gold Grand Investments Limited ("Gold Grand"), a company established in Madagascar, from Jubilee Star Holdings Limited ("Jubilee Star"), an independent third party of the Group. As at 31 December 2011, the Directors do not believe that the Group is able to exercise significant influence over Gold Grand as the other 90% of the equity interests is held by one shareholder, who also manages the day-to-day operations of Gold Grand.

24. GOODWILL

The Group

	31 December 2011	31 March 2011
	HK$'000	*HK$'000*
Cost/carrying amount		
At the beginning of the period/year	**—**	—
Additions recognised from business combinations occurring during the period *(Note 38)*	**51,418**	—
At the end of the period/year	**51,418**	—

During the 9 months ended 31 December 2011, the Directors determine that no impairment loss should be provided in respect of any cash generating units containing goodwill.

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31 December 2011

24. GOODWILL *(Continued)*

The carrying amount of goodwill (net of impairment losses) at 31 December 2011 allocated to the cash generating unit is as follow:

	31 December 2011	31 March 2011
	HK$'000	*HK$'000*
Sale of fuel oil products	**51,418**	—

The recoverable amount of the above cash generating unit was determined on the basis of value in use calculations. The recoverable amount is based on certain assumptions. All value in use calculations use cash flow projections based on the financial budgets approved by the management covering a 7-year period. The discount rate used is 16.3%. Cash flows beyond 7-year period is extrapolated using a steady rate of 3% per annum.

Note:

During the 9 months ended 31 December 2011, sale of fuel oil products does not constitute a separate segment to the Group's business.

25. INTERESTS IN SUBSIDIARIES

The Company

	31 December 2011	31 March 2011
	HK$'000	*HK$'000*
Unlisted shares, at cost	**4,847,002**	4,847,005
Amounts due from subsidiaries	**1,273,339**	1,059,207
	6,120,341	5,906,212
Less: Provision for impairment loss on amounts due from subsidiaries *(Note)*	**(5,280)**	(23,201)
	6,115,061	5,883,011
Amounts due to subsidiaries	**71,002**	71,004

The amounts due from subsidiaries are unsecured, interest-free and not repayable within one year from the end of the reporting period and the amounts are therefore shown as non-current assets.

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

Notes to the Consolidated Financial Statements

31 December 2011

25. INTERESTS IN SUBSIDIARIES *(Continued)*

The Company *(Continued)*

Note:

The Directors estimate the investment costs and the amounts due from subsidiaries by discounting their future cash flow at the prevailing market borrowing rate. In view of the net liabilities position of the Company's subsidiaries as at 31 December 2011 and 31 March 2011, the Directors considered that the amounts due from subsidiaries would not be recoverable, and thus they conclude it is appropriate to make provision for impairment loss on amounts due from subsidiaries. The movement of provision for impairment loss on amounts due from subsidiaries are as follows:

	31 December 2011 *HK$'000*	31 March 2011 *HK$'000*
At the beginning of the period/year	**23,201**	46,237
Reversal/derecognition of impairment loss	**(17,921)**	(29,526)
Impairment loss recognised	**—**	6,490
At the end of the period/year	**5,280**	23,201

Particulars of the principal subsidiaries of the Company as at 31 December 2011 were as follows:

Name	Place of incorporation/ establishment	Normal value of issued and fully paid-up share/ registered capital	Percentage of equity attributable to the Company Direct	Indirect	Principal activities
Metro City Group Limited	British Virgin Islands ("BVI")	Ordinary US$1	100	—	Investment holding
Madagascar Energy International Limited	BVI	Ordinary US$1,000	93	7	Oil and gas exploration, exploitation and operation
Dolaway Group Limited	BVI	Ordinary US$100	100	—	Investment holding
Madagascar Energy International Gas Station Group Ltd	Madagascar	Ordinary Ar.10,000,000	100	—	Import, transportation and distribution of petroleum
Sino Union Petroleum and Chemical Import & Export Group Limited	BVI	Ordinary US$1,000	—	100	Trading of fuel oil
Madagacar Petroleum International Limited	BVI	Ordinary US$1,000	—	100	Oil and gas exploration, exploitation and operation

Notes to the Consolidated Financial Statements

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25. INTERESTS IN SUBSIDIARIES *(Continued)*

The Company *(Continued)*

Name	Place of incorporation/ establishment	Normal value of issued and fully paid-up share/ registered capital	Percentage of equity attributable to the Company Direct	Indirect	Principal activities
Shaanxi Sino Union Energy Limited ("Shaanxi Sino Union")*	PRC	Ordinary RMB30,000,000	—	100	Inactive
Henan Yanchang Petroleum Sales Co., Limited ("Henan Yanchang") (formerly known as "Henan Xinyuan Petroleum Storage and Transportation Limited")**	PRC	Paid-up capital RMB35,000,000	—	70	Wholesale, retail, storage and transportation of refined oil
Forever Peace Investment Limited ("Forever Peace")**	Hong Kong	Ordinary HK$1	—	100	Investment holding
Shaanxi Hengtai Energy Technology Development Limited**	PRC	Paid-up capital RMB30,000,000	—	100	Investment holding
Xian Guotai Basic Energy Development Co., Limited**	PRC	Paid-up capital RMB25,500,000	—	100	Investment holding
Amistar Enterprises Limited***	BVI	Ordinary US$100	100	—	Investment holding
Panaview Trading Limited***	Macau	Ordinary US$1	—	100	Provision of administrative services to fellow subsidiaries
Glory Hill Group Limited***	BVI	Ordinary US$1	100	—	Investment holding
Pilot Wisdom Limited***	Hong Kong	Ordinary HK$100	—	100	Investment holding
深圳中聯石油化工有限公司***	PRC	Paid-up capital US$150,000	—	100	Provision of marketing and technical support services in the PRC
Silverise Group Limited***	BVI	Ordinary US$1	—	100	Inactive
Bestwill Capital Holdings Limited***	BVI	Ordinary US$100	—	100	Investment holding
King Pearl Investment Limited***	Hong Kong	Ordinary HK$100,000	—	100	Investment holding
Zheng Zhou Sino Union Energy Business Development Limited ***	PRC	Paid-up capital RMB66,000,000	—	80	Inactive

Notes to the Consolidated Financial Statements

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25. INTERESTS IN SUBSIDIARIES *(Continued)*

The Company *(Continued)*

* The Group further acquired 5% equity interests in Shaanxi Sino Union during the period. Further details of acquisition are included in Note 39 to the consolidated financial statements.

** Subsidiaries were acquired during the period. Further details of acquisition are included in Note 38 to the consolidated financial statements.

*** Subsidiaries were disposed during the period. Further details of acquisition are included in Note 40(a) & (b) to the consolidated financial statements.

The above table lists the subsidiaries of the Company which, in the opinion of the Directors, principally affected the results for the period or formed a substantial portion of the net assets of the Group. To give details of other subsidiaries would, in the opinion of the Directors, result in particulars of excessive length.

26. INTEREST IN JOINTLY CONTROLLED OPERATION

The Group had entered into a joint venture agreement in the form of a jointly controlled operation to jointly invest and manage the exploration, exploitation and operations of the Oilfield Block 3113. The Group has a 31% interests in the joint venture.

For the 9 months ended 31 December 2011, the aggregate amount of assets, liabilities, income and expenses recognised in the consolidated financial statements in relation to interest in jointly controlled operation are as follows:

	31 December 2011 *HK$'000*	31 March 2011 *HK$'000*
Assets	**161,129**	—
Liabilities	**(13)**	—

	9 months ended 31 December 2011 *HK$'000*	12 months ended 31 March 2011 *HK$'000*
Income	**—**	—
Expenses	**—**	—

27. INVENTORIES

The Group

Inventories represented the merchandise of refined oil products at the end of the reporting period (31 March 2011: Nil).

Notes to the Consolidated Financial Statements

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28. TRADE RECEIVABLES

Trade receivables, which generally have credit terms of 30 days (31 March 2011: 30 days), are recognised and carried at the original invoiced amount less provision for impairment loss. It is the Group's policy to provide full impairment loss for all receivables over 1 year because historical experience such that receivables that are past due beyond 1 year are generally not recoverable. Trade receivables are non-interest-bearing.

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

	31 December 2011 ***HK$'000***	31 March 2011 *HK$'000*
0 to 30 days	**46**	91,166

Based on past experience, the Directors believe that no impairment loss is necessary in respect of these balances as there has not been a significant change in credit quality and the balances are still considered fully recoverable. There is no trade receivables which are past due at the end of the reporting period but not impaired. The Group does not hold any collaterals or other credit enhancements over these balances.

29. PREPAYMENTS, DEPOSITS AND OTHER RECEIVABLES

The Group

	31 December 2011 ***HK$'000***	31 March 2011 *HK$'000*
Prepaid lease payments *(Note 19)*	**517**	19
Prepayments to suppliers of refined oil products	**9,677**	—
Trade deposits	**—**	24,805
Other deposits	**78**	1,288
Deposits paid for the jointly controlled operation	**—**	109,470
Other receivables *(Note)*	**24,164**	3,477
	34,436	139,059
Less: Impairment loss of other receivables	**(2,793)**	(2,793)
	31,643	136,266

The amounts were recoverable on demand.

Notes to the Consolidated Financial Statements

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29. PREPAYMENTS, DEPOSITS AND OTHER RECEIVABLES *(Continued)*

The Group *(Continued)*

Note:

During the period, the Group carried out a review on recoverable amounts of other receivables. No impairment loss (31 March 2011: HK$407,000) has been recognised in profit or loss for the period. For the 12 months ended 31 March 2011, the impairment loss recognised is due to the financial difficulties of the debtors, the Directors considered that such amounts would not be recoverable.

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

	31 December 2011 *HK$'000*	31 March 2011 *HK$'000*
At the beginning of the period/year	**2,793**	2,386
Impairment loss recognised during the period/year	—	407
At the end of the period/year	**2,793**	2,793

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

30. AMOUNT DUE FROM A NON-CONTROLLING SHAREHOLDER

Name of non-controlling shareholder	**Highest balance during the period**	**31 December 2011 *HK$'000***	31 March 2011 *HK$'000*
陝西僑商投資有限公司	1,422	—	1,422

The balance as at 31 March 2011 represented outstanding capital to be injected by a non-controlling shareholder to Shaanxi Sino Union, a subsidiary of the Group, within two years since the incorporation date of Shaanxi Sino Union.

The Company has acquired the remaining 5% equity interests in Shaanxi Sino Union from a non-controlling shareholder during the period (Note 39).

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31. PLEDGED DEPOSITS/CASH AND BANK BALANCES

Pledged deposits

At the end of the reporting period, pledged deposits represented deposits required and restricted by banks in respect of the issuance of trade bills to certain suppliers. The pledged deposits carried interest at market rates ranged as the following table:

	31 December 2011	31 March 2011
Pledged deposits	**3.3%**	—

The pledged deposits would be released upon the maturity of the bill payables for which the deposits were pledged.

Cash and bank balances

Included in the cash and bank balances as at 31 December 2011 were amounts in RMB of approximately HK$6,206,000 (31 March 2011: approximately HK$87,319,000) which are not freely convertible into other currencies.

32. SHARE CAPITAL

Shares

	Number of shares		**Share capital**	
	31 December 2011 ***'000***	31 March 2011 *'000*	**31 December 2011** ***HK$'000***	31 March 2011 *HK$'000*
Authorised:				
Ordinary shares of HK$0.02 each	**100,000,000**	100,000,000	**2,000,000**	2,000,000
Issued and fully paid:				
At the beginning of the period/year, ordinary shares of HK$0.02 each	**6,319,464**	6,113,464	**126,389**	122,269
Consideration shares *(Note i)*	**226,109**	—	**4,522**	—
Issuance of ordinary shares *(Note ii)*	**—**	206,000	**—**	4,120
At the end of the period/year, ordinary shares of HK$0.02 each	**6,545,573**	6,319,464	**130,911**	126,389

Note:

(i) On 1 November 2011, the Group acquired the entire issued share capital of Forever Peace from Golden Soar Investments Limited ("Golden Soar"), an independent third party, for a total consideration of HK$285,993,470. The consideration for the acquisition was satisfied by (i) HK$36,280,083 of cash; (ii) HK$84,653,525 by way of the promissory note; and (iii) HK$165,059,862 by way of 226,109,400 consideration shares at the issue price of HK$0.73 per share. For details, please refer to the Company's circular dated 13 October 2011.

(ii) On 15 November 2010, the Company entered into a subscription agreement with an independent third party pursuant to which the independent third party has conditionally agreed to subscribe for and the Company has conditionally agreed to allot and issue 206,000,000 shares in cash at the subscription price of HK$0.675 per share. For details, please refer to the Company's announcement dated 4 November 2010.

Notes to the Consolidated Financial Statements

31 December 2011

32. SHARE CAPITAL *(Continued)*

Share Options

Share Option Scheme

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

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

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

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

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

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

Notes to the Consolidated Financial Statements

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32. SHARE CAPITAL *(Continued)*

Share Options *(Continued)*

Share Option Scheme *(Continued)*

The following tables disclose movements in the Company's share options:

31 December 2011

Name or category of participant	Option type	Number of share options: At 1 April 2011	Granted during the period	Exercised during the period	Forfeited during the period	At 31 December 2011	Date of grant of share options* *(dd/mm/yy)*	Exercise period of share options *(dd/mm/yy)*	Exercise price of share options *HK$*	Price of Company's share at grant date of share options *HK$*
Employees other than Directors	2004	29,000,000	—	—	(29,000,000)	—	8/11/2004	8/11/2004 to 7/11/2014	0.132	0.13
Employees other than Directors	2010(A)	1,000,000	—	—	—	1,000,000	10/12/2010	10/12/2011 to 9/12/2015	0.7	0.68
	2010(A)	1,000,000	—	—	—	1,000,000	10/12/2010	10/12/2012 to 9/12/2015	0.7	0.68
Consultant	2010(B)	10,000,000	—	—	—	10,000,000	10/12/2010	10/6/2011 to 9/12/2013	0.7	0.68
		41,000,000	—	—	(29,000,000)	12,000,000				

31 March 2011

Name or category of participant	Option type	Number of share options: At 1 April 2010	Granted during the year	Exercised during the year	Lapsed during the year	At 31 March 2011	Date of grant of share options* *(dd/mm/yy)*	Exercise period of share options *(dd/mm/yy)*	Exercise price of share options *HK$*	Price of Company's share at grant date of share options *HK$*
Employees other than Directors	2004	29,000,000	—	—	—	29,000,000	8/11/2004	8/11/2004 to 7/11/2014	0.132	0.13
Employees other than Directors	2010(A)	—	1,000,000	—	—	1,000,000	10/12/2010	10/12/2011 to 9/12/2015	0.7	0.68
	2010(A)	—	1,000,000	—	—	1,000,000	10/12/2010	10/12/2012 to 9/12/2015	0.7	0.68
Consultant	2010(B)	—	10,000,000	—	—	10,000,000	10/12/2010	10/6/2011 to 9/12/2013	0.7	0.68
		29,000,000	12,000,000	—	—	41,000,000				

Note:

At 31 December 2011, the number of shares in respect of which share options had been granted and remained outstanding under the Scheme was 12,000,000 (31 March 2011: 41,000,000), representing 0.18% (31 March 2011: 0.65%) of the shares of the Company in issue at that date. The weighted average exercise price per share as at 31 December 2011 was HK$0.7 (31 March 2011: HK$0.298).

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31 December 2011

32. SHARE CAPITAL *(Continued)*

Share Options *(Continued)*

Share Option Scheme *(Continued)*

No share options granted under the Scheme (fair value of share option as at 31 March 2011: approximately HK$3,520,000) and the Group recognised a share option expense of approximately HK$1,461,000 (for the 12 months ended 31 March 2011: approximately HK$1,877,000) during the 9 months ended 31 December 2011.

The fair value of the share options granted during the 12 months ended 31 March 2011 were priced using Binomial Option Pricing Model. The variables and assumptions used in computing the fair value of the share options are based on the Directors' best estimate. The value of a share option varies with different variable of certain subjective assumptions.

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

Inputs into the model:

To an employee

Option type	2010(A)
Grant date share price	HK$0.68
Exercise price	HK$0.7
Expected volatility	81.109%
Option life	5 years
Dividend yield	0%
Risk-free interest rate	1.710%

To a consultant

Option type	2010(B)
Grant date share price	HK$0.68
Exercise price	HK$0.7
Expected volatility	69.641%
Option life	3 years
Dividend yield	0%
Risk-free interest rate	1.014%

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31 December 2011

32. SHARE CAPITAL *(Continued)*

Share Options *(Continued)*

Options pursuant to the specific mandates granted on 8 June 2011 and 31 October 2011

For the 9 months ended 31 December 2011, the Company granted share options to Yanchang Petroleum to subscribe for 1,000,000,000 new shares at the exercise price of HK$0.716 per option share ("Share Option 1") and share options to Golden Soar to subscribe for 210,000,000 new shares with exercise price of HK$0.73 per option share ("Share Option 2") for the acquisition of Forever Peace (Note 38). The Share Option 1 may be exercised in whole or in part within 24 months from 8 June 2011 and the Share Option 2 may be exercised in whole or in part within 24 months from 1 November 2011.

The fair value of the Share Options 1 and 2 granted under the specific mandate was approximately HK$144,100,000 and HK$11,625,000 respectively during the period.

The fair values of the Share Options 1 and 2 granted during the period were priced using Binomial Option Pricing Model. The variables and assumptions used in computing the fair values of the Share Options 1 and 2 are based on the Directors' best estimate. The values of the Share Options 1 and 2 varies with different variable of certain subjective assumptions.

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

Inputs into the model:

Share Option 1

Grant date share price	HK$0.660
Exercise price	HK$0.716
Expected volatility	36.387%
Option life	2 years
Dividend yield	0.0%
Risk-free interest rate	0.435%

Share Option 2

Grant date share price	HK$0.55
Exercise price	HK$0.73
Expected volatility	35.10%
Option life	2 years
Dividend yield	0.0%
Risk-free interest rate	0.22%

At 31 December 2011, the number of shares granted and remained outstanding under the specific mandates were 1,210,000,000, representing approximately 18.49% of the existing issued share capital of the Company.

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33. RESERVES

The Group

The amounts of the Group's reserves and the movements therein for the current period and prior years are presented in the consolidated statement of changes in equity on page 36 of the consolidated financial statements.

The Company

	Share premium HK$'000 (Note i)	Contribution surplus HK$'000 (Note ii)	Share option reserve HK$'000	Accumulated loss HK$'000	Total HK$'000
At 1 April 2010	5,605,001	54,045	18,000	(118,696)	5,558,350
Issuance of ordinary shares	134,930	—	—	—	134,930
Cancellation of share options	—	—	(18,000)	18,000	—
Equity-settled share option expenses	—	—	1,877	—	1,877
Total comprehensive income for the year	—	—	—	3,792	3,792
At 31 March 2011 and 1 April 2011	5,739,931	54,045	1,877	(96,904)	5,698,949
Acquisition of subsidiaries	119,838	—	11,625	—	131,463
Equity-settled share option expenses	—	—	145,561	—	145,561
Total comprehensive loss for the period	—	—	—	(156,902)	(156,902)
At 31 December 2011	**5,859,769**	**54,045**	**159,063**	**(253,806)**	**5,819,071**

Notes:

(i) The share premium account of the Group includes (i) shares issued at premium of approximately HK$4,030,410,000 (31 March 2011: HK$3,869,872,000); and (ii) special reserve of approximately HK$1,829,359,000 (31 March 2011: HK$1,870,059,000). Included in the share premium debited amount of approximately HK$40,700,000 represents the difference between the fair value and the contracted value of the consideration shares paid for acquisitions of subsidiaries for the 9 months ended 31 December 2011.

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

(iii) The Company had distributable reserves of approximately HK$3,830,649,000 at 31 December 2011 (31 March 2011: HK$3,827,013,000), which included the Company's contributed surplus in the amount of approximately HK$54,045,000 (31 March 2011: HK$54,045,000). Under the Bermuda Companies Act, the contributed surplus is distributable to owners of the Company in certain circumstances. In addition, the Company's share premium account, in the amount of approximately HK$4,030,410,000 at 31 December 2011 (31 March 2011: HK$3,869,872,000), may be distributed in the form of fully paid bonus shares.

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34. TRADE, BILLS AND OTHER PAYABLES

	31 December 2011	31 March 2011
	HK$'000	*HK$'000*
Trade payables	**264**	61,327
Bills payables	**98,600**	—
Deposit received in advance from fuel oil customers	**12,015**	—
Other payables	**9,409**	28,356
	120,288	89,683

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

	31 December 2011	31 March 2011
	HK$'000	*HK$'000*
0 to 30 days	**264**	61,327

The trade payables are non-interest-bearing and have an average credit period on purchases of one to three months (31 March 2011: one to three months).

The bills payables are with maturity period ranging from four to six months during the 9 months ended 31 December 2011. The outstanding bills payables as at 31 December 2011 were matured on February 2012.

At 31 December 2011, bills payables were secured by pledged deposits of HK$49,300,000.

35. PROMISSORY NOTE

The Group and the Company

On 1 November 2011, the Group issued a promissory note in a principal amount of HK$84,654,000 for acquiring the entire issued share capital of Forever Peace (Note 38). The promissory note is interest-free and shall be fully repayable in six months after the date of issue.

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36. BORROWINGS

	The Group		The Company	
	31 December 2011	31 March 2011	**31 December 2011**	31 March 2011
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*
Other borrowing	**6,746**	—	**6,746**	—
Bank borrowings	**123,249**	—	**—**	—
	129,995	—	**6,746**	—

At the end of each reporting period, details of the bank borrowings were as follows:

	The Group		The Company	
	31 December 2011	31 March 2011	**31 December 2011**	31 March 2011
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*
Secured	**24,650**	—	**—**	—
Unsecured	**105,345**	—	**6,746**	—
	129,995	—	**6,746**	—
Carrying amount repayable:				
Within one year or on demand	**129,995**	—	**6,746**	—
Interest rate				
Interest free	**6,746**	—	**6,746**	—
Floating rate	**123,249**	—	**—**	—
	129,995	—	**6,746**	—

As at 31 December 2011, bank borrowings of approximately HK$24,650,000 were secured by the pledged assets of the Group as detailed in Note 41, personal guarantee provided by Ms. Zhu Meirong ("Ms. Zhu") who is a non-controlling shareholder of Henan Yanchang and corporate guarantee provided by a third party.

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36. BORROWINGS *(Continued)*

The ranges of effective interest rates (which are equal to the contracted interest rates) on bank borrowings are as follows:

	The Group		The Company	
	31 December 2011	31 March 2011	**31 December 2011**	31 March 2011
Floating rate	**6.71% to 9.15%**	—	**—**	—

37. DEFERRED TAXATION

The Group

	Property, plant and equipment *HK$'000*	**Prepaid lease payments** *HK$'000*	**Investment properties** *HK$'000*	**Intangible assets** *HK$'000*	**Total** *HK$'000*
At 1 April 2010	—	—	1,766	—	1,766
Effect on change in tax rate	—	—	(77)	—	(77)
Credited to profit or loss during the year	—	—	(344)	—	(344)
At 31 March 2011 and 1 April 2011	—	—	1,345	—	1,345
Acquisition of subsidiaries	7,335	1,772	4,508	70,057	83,672
Effect of foreign exchange difference	53	13	32	504	602
Effect on change in tax rate	—	—	(58)	—	(58)
Credited to profit or loss during the period	(44)	(7)	(85)	—	(136)
At 31 December 2011	**7,344**	**1,778**	**5,742**	**70,561**	**85,425**

The Group and the Company did not have any significant unprovided deferred tax liabilities at 31 December 2011 (31 March 2011: Nil).

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38. ACQUISITION OF SUBSIDIARIES

Acquisition of Forever Peace

On 26 July 2011, the Group entered into a sale and purchase agreement to acquire from Golden Soar for the entire issued share capital of Forever Peace, which directly holds 100% equity interests in Shaanxi Hengtai Energy Technology Development Limited, indirectly holds 100% equity interests in Xian Guotai Basic Energy Development Co., Limited and indirectly holds 70% equity interests in Henan Yanchang (collectively referred to "Forever Peace Group"). The acquisition was completion on 1 November 2011 at a total consideration of HK$285,993,470. As at the date of completion of the acquisition, the fair value of the cost of the acquisition was of approximately HK$256,919,000.

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

	Acquiree's carrying amount	Fair value adjustments	Fair value
	HK$'000	*HK$'000*	*HK$'000*
Net assets acquired:			
Property, plant and equipment	110,471	29,341	139,812
Prepaid lease payments	13,707	7,089	20,796
Investment properties	13,982	18,030	32,012
Intangible asset	—	280,227	280,227
Inventories	88,599	—	88,599
Trade receivables	109	—	109
Prepayments, deposits and other receivables	3,793	—	3,793
Pledged deposits	48,948	—	48,948
Cash and bank balances	711	—	711
Trade, bills and other payables	(102,176)	—	(102,176)
Bank borrowings	(134,607)	—	(134,607)
Tax payable	(1,023)	—	(1,023)
Deferred taxation	—	(83,672)	(83,672)
	42,514	251,015	293,529
Non-controlling interests			(88,028)
Goodwill *(Note i)*			51,418
			256,919

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38. ACQUISITION OF SUBSIDIARIES *(Continued)*

Acquisition of Forever Peace *(Continued)*

	Fair value
	HK$'000
Total consideration satisfied by:	
Cash consideration	36,280
Issuance of shares	124,360
Issuance of a promissory note	84,654
Issuance of share options	11,625
Total consideration	256,919
Net cash outflow arising on acquisition:	
Cash and bank balances acquired	711
Cash consideration paid	(36,280)
	(35,569)

Notes:

(i) Goodwill arose in business combination because the cost of the combination includes a control premium paid to acquire equity interests in Forever Peace Group. In addition, the consideration paid for the combination effectively included amounts in relation to the benefits of expected synergies. These benefits are not recognised separately from goodwill as the future economic benefits arising from them cannot be reliably measures.

(ii) Forever Peace Group acquired during the 9 months ended 31 December 2011 contributed revenue of HK$143,960,000 to the Group's revenue and attributed profit of HK$16,724,000 to the Group's profit after taxation.

(iii) The share consideration for acquisition of Forever Peace Group was settled through the issuance of 226,109,400 shares. The fair value of the share consideration was determined in accordance with the quoted market price of the Company's share as at the completion date of the acquisition.

(iv) The fair value of the share options issued has been arrived at on the basis of a valuation carried out on the completion date of the acquisition by Avista, independent qualified professional valuers not connected to the Group. The valuation was arrived at by reference to binomial method.

(v) If the acquisition had been completed on 1 April 2011, total Group revenue for the period would have been approximately HK$877,478,000, and loss for the period attributable to equity holders of the Company would be approximately HK$145,542,000. The pro forma information is for illustrative purpose only and is not necessarily an indication of revenue and results of the Group that actually would have been achieved had the acquisition been completed on 1 April 2011, nor is it intended to be a projection of future results.

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39. ACQUISITION OF ADDITIONAL INTERESTS IN A SUBSIDIARY

On 30 May 2011, the Group entered into a sale and purchase agreement with the non-controlling shareholder to acquire the remaining 5% equity interests in Shaanxi Sino Union at a consideration of RMB1,200,000 (equivalent to approximately HK$1,467,000). A difference of approximately HK$1,157,000 between the amount due to the non-controlling interest and the fair value of the consideration paid was recognised in the equity.

40. DISPOSAL OF SUBSIDIARIES

(a) On 28 December 2011, the Group entered into a sale and purchase agreement to dispose its 100% equity interests in Glory Hill Group Limited and Amistar Enterprises Limited and their subsidiaries to an independent third party for cash consideration of HK$1.

	HK$'000
Net assets disposed of:	
Property, plant and equipment	207
Prepayments, deposits and other receivables	1,245
Cash and bank balances	74
Other payables	(2,573)
	(1,047)
Release of exchange reserve	(19,117)
Gain on disposal	20,164
Total consideration	—
Satisfied by:	
Cash	—
Net cash outflow arising on disposal:	
Cash consideration	—
Cash and balances disposed of	(74)
Net outflow of cash and cash equivalents	(74)

Notes to the Consolidated Financial Statements

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40. DISPOSAL OF SUBSIDIARIES *(Continued)*

(b) On 26 September 2011, the Group entered into a sale and purchase agreement to dispose its 100% equity interests in Bestwill Capital Holdings Limited and its subsidiaries to an independent third party for cash consideration of HK$1.

	HK$'000
Net assets disposed of:	
Cash and bank balances	204
Other payables	(62)
	142
Release of exchange reserve	68
Loss on disposal	(210)
Total consideration	—
Satisfied by:	
Cash	—
Net cash outflow arising on disposal:	
Cash consideration	—
Cash and balances disposed of	(204)
Net outflow of cash and cash equivalents	(204)

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40. DISPOSAL OF SUBSIDIARIES *(Continued)*

(c) On 31 August 2010, the Group entered into a sale and purchase agreement to dispose its 100% equity interests in Market Reach Group Limited and its subsidiaries (collectively referred to as the "Market Group") and Harvest Star Investment Limited and its subsidiaries (collectively referred to as the "Harvest Group") to an independent third party for cash consideration of HK$1 respectively.

	Market Group	Harvest Group	Total
	HK$'000	*HK$'000*	*HK$'000*
Net assets disposed of:			
Other receivables	—	10	10
Cash and bank balances	—	6	6
Tax payable	(6,531)	(12,169)	(18,700)
	(6,531)	(12,153)	(18,684)
Gain on disposal			18,684
Total consideration			—
Satisfied by:			
Cash			—
Net cash outflow arising on disposal:			
Cash consideration			—
Cash and bank balances disposed of			(6)
Net outflow of cash and cash equivalents			(6)

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41. PLEDGED ASSETS

Assets with the following carrying amounts have been pledged to secure bank borrowings (Note 36) and bills payables (Note 34) of the Group.

	31 December 2011 *HK$'000*	31 March 2011 *HK$'000*
Pledged deposits *(Note 31)*	**49,300**	—
Prepaid lease payments *(Note 19)*	**15,262**	—
Property, plant and equipment *(Note 18)*	**26,533**	—
	91,095	—

42. RETIREMENT BENEFITS PLANS

The Group operates a defined contribution MPF Scheme in Hong Kong under the Mandatory Provident Fund Schemes Ordinance for those employees who are eligible to participate in the MPF Scheme. The MPF Scheme has operated since 1 December 2000. The assets of the MPF Scheme are held separately from those of the Group in an independently administered fund. The Group's employer contributions vest fully with the employees when contributed into the MPF Scheme, except for the Group's employer voluntary contributions, which are refunded to the Group when the employee leaves employment prior to the contributions vesting fully, in accordance with the rules of the MPF Scheme.

Pursuant to the regulations of the relevant authorities in the PRC, the Group participates in the PRC Schemes whereby the Group is required to contribute to the PRC Schemes to fund the retirement benefits of the eligible employees. Contributions made to the PRC Schemes are calculated based on certain percentages of the applicable payroll costs as stipulated under the requirements in the PRC. The relevant authorities of the PRC are responsible for the entire pension obligations payable to the retired employees. The only obligation of the Group with respect to the PRC Schemes is to pay the ongoing required contributions under the PRC Schemes.

The retirement benefit schemes contribution represents gross contributions by the Group to the PRC Schemes operated by the relevant authorities of the PRC.

The total cost charged to profit or loss of approximately HK$122,000 for the 9 months ended 31 December 2011 (for the 12 months ended 31 March 2011: Nil) represented contributions payable to the above's schemes by the Group.

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43. OPERATING LEASE ARRANGEMENTS

The Group as lessee

The Group leased an office property, staff quarters and investment properties under operating lease arrangements. Lease for office property is negotiated for a term of 3 years and leases for the staff quarters and investment properties are negotiated for terms ranging between 2 and 10 years.

At the end of the reporting period, the Group had total future minimum lease payments under a non-cancellable operating lease falling due as follows:

	31 December 2011 *HK$'000*	31 March 2011 *HK$'000*
Within one year	**4,477**	3,440
In the second to fifth year, inclusive	**3,299**	4,791
Over five years	**148**	—
	7,924	8,231

The Group as lessor

The Group leases certain office premises and investment properties under operating lease arrangements, with leases negotiated for terms ranging from 3 to 10 years.

At the end of each reporting period, the Group had contracted with tenants for leases with the following future minimum lease payment:

	31 December 2011 *HK$'000*	31 March 2011 *HK$'000*
Within one year	**2,103**	—
In the second to fifth year, inclusive	**8,164**	—
Over five years	**2,944**	—
	13,211	—

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44. COMMITMENTS

The Group had capital commitments to pay sub-pipeline construction fees under Henan Yanchang amounted to HK$788,000 in total, which were contracted but not provided for as at 31 December 2011 (31 March 2011: Nil).

45. CONTINGENT LIABILITIES

As at 31 December 2011, the Group and the Company had no contingent liabilities (31 March 2011: Nil).

46. MATERIAL RELATED PARTIES TRANSACTIONS

Save as disclosed elsewhere in the consolidated financial statements, during the period the Group had the following transactions with related parties.

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

Key management personnel

	9 months ended 31 December 2011 *HK$'000*	12 months ended 31 March 2011 *HK$'000*
Salaries and allowance	**4,838**	7,915
Mandatory provident fund	**54**	36
	4,892	7,951

During the 9 months ended 31 December 2011, the Group had the following connected transactions with related parties:

Name of related parties	**Relationship**	**Nature of transactions**	*HK$'000*
Ms. Zhu	Non-controlling shareholder of a subsidiary	Personal guarantee for the bank borrowings	24,650
Yanchang Petroleum	Substantial shareholder	Supply of refined oil *(Note)*	121,462

Note: The transaction constitute continuing connected transaction under the Listing Rules. Please also refer to "Continuing Connected Transactions" under "Report of the Directors".

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47. NON-CASH TRANSACTIONS

During the period, the Group entered into a sale and purchase agreement for the acquisition of entire share capital of Forever Peace, which comprised consideration shares of HK$124,360,000, a promissory note of HK$84,654,000 and share options of HK$11,625,000 issued as disclosed in Note 38 to the consolidated financial statements.

48. EVENTS AFTER THE REPORTING PERIOD

On 6 January 2012, the Group entered into an agreement with Jubilee Star, pursuant to which, the Group has conditionally agreed to acquire further 30% equity interests in Gold Grand at a consideration of approximately RMB325,000,000 (equivalent to approximately HK$398,800,000). For details, please refer to the Company's announcement on 10 January 2012.

49. APPROVAL FOR CONSOLIDATED FINANCIAL STATEMENTS

The consolidated financial statements were approved and authorised for issue by the board of directors on 30 March 2012.