延長石油國際有限公司

YANCHANG PETROLEUM INTERNATIONAL LIMITED

(Incorporated in Bermuda with limited liability)

Stock Code: 00346

Annual Report 2012

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CORPORATE INFORMATION

EXECUTIVE DIRECTORS

Mr. Zhang Kaiyong *(Chairman)*
Dr. William Rakotoarisaina *(Vice Chairman)*
Mr. Ren Yansheng *(Chief Executive Officer)*
Mr. Hui Bo *(Vice President)*
Mr. Shen Hao
Mr. Feng Da Wei
Mr. Yang Jie
Mr. To Kwan

INDEPENDENT NON-EXECUTIVE DIRECTORS

Mr. Ng Wing Ka
Mr. Leung Ting Yuk
Mr. Sun Liming
Dr. Mu Guodong

COMPANY SECRETARY

Mr. Law Hing Lam

AUDIT COMMITTEE

Mr. Leung Ting Yuk *(Chairman)*
Mr. Ng Wing Ka
Mr. Sun Liming

REMUNERATION COMMITTEE

Mr. Sun Liming *(Chairman)*
Mr. Leung Ting Yuk
Mr. Hui Bo

NOMINATION COMMITTEE

Mr. Ng Wing Ka *(Chairman)*
Mr. Sun Liming
Mr. Hui Bo

AUTHORISED REPRESENTATIVES

Mr. Hui Bo
Mr. Law Hing Lam

AUDITORS

HLB Hodgson Impey Cheng Limited
Chartered Accountants
Certified Public Accountants
31/F., Gloucester Tower
The Landmark, 11 Pedder Street
Central
Hong Kong

REGISTERED OFFICE

Clarendon House
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Hamilton HM 11
Bermuda

BERMUDA PRINCIPAL SHARE REGISTRAR AND TRANSFER OFFICE

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Bank of Bermuda Building
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Hamilton HM 11
Bermuda

HONG KONG BRANCH SHARE REGISTRAR AND TRANSFER OFFICE

Tricor Tengis Limited
26/F., Tesbury Center
28 Queen's Road East
Hong Kong

PRINCIPAL BANKERS

DBS Bank (Hong Kong) Limited
Industrial and Commercial Bank of China (Asia) Limited
Shanghai Pudong Development Bank
China Minsheng Bank Corporation Limited
Bank of China

HEAD OFFICE AND PRINCIPAL PLACE OF BUSINESS IN HONG KONG

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88 Queensway
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STOCK CODE

00346

WEBSITE

www.yanchangpetroleum.com

CHAIRMAN'S STATEMENT

On behalf of the board (the "Board") of directors (the "Director(s)") of Yanchang Petroleum International Limited (the "Company"), I hereby present the annual report of the Company and its subsidiaries (the "Group") for the year ended 31 December 2012.

RESULT SUMMARY

In 2012, the Group recorded a turnover of HK$7,572,880,000, being almost 15 times as compared to that of the last financial year. The substantial increase in sales was mainly attributable to the rapid growth of Henan refined oil business. Despite the drop in overall gross profit margin yet under the principal of small profits and more sales, the Henan refined oil business still contributed a gross profit of HK$42,236,000 to the Group, up 27% as compared to the last financial year, while realising an operating segment profit of HK$20,330,000 for the refined oil business. Without the considerable share option expenses incurred in the last financial year, the loss of the Group considerably narrowed by 46% from HK$144,288,000 of the last financial year to the current financial year of HK$77,253,000.

STRATEGIC RESTRUCTURING OF THE COMPANY

To cope with the business strategy of the Group and to achieve a stable long-term development, the board of the Company had been restructured in April 2012. The Company had invited elites from Shaanxi Yanchang Petroleum (Group) Co., Limited ("Yanchang Petroleum") to join the Board, so as to enhance the expertise and ability of the Board; and thereby facilitate the operation and development of the Group's oil and gas business.

Meanwhile, Yanchang Petroleum had decided to take the Company as the platform for its international business development, and agreed to the change of company name from "Sino Union Energy Investment Group Limited" to "Yanchang Petroleum International Limited", with a view to obtain brand advantage.

In addition, during the year, the Company had placed 1.3 billion shares of the Company (the "Shares") to Yanchang Petroleum at HK$0.51 per Share, the proceeds raised of HK$663 million would significantly strengthen the financial position of the Group and provide funding for the continuous development of the Group's core business. As such, the shareholding of Yanchang Petroleum in the Company had increased from approximately 16.33% to approximately 29.69%, representing approximately 2.418 billion Shares, making it the single largest shareholder of the Company.

In 2012, the Company had completed the restructuring of the Board, the change of company name and placement of 1.3 billion new shares. On one hand the abovementioned signifies that Yanchang Petroleum has taken control of the Company, while on the other marks an important milestone of international business development both for the Company and Yanchang Petroleum.

EXPLORATION WORKS IN THE OILFIELD BLOCKS OF MADAGASCAR

As the exploration of the three wells (namely SKL-2n, BKM-1 and BKM-2) in the Oilfield Block 3113 of Madagascar was completed last year, the results of which indicate satisfactory oil and gas shows, an additional RMB95 million through the Oilfield Block 3113 Joint Management Committee would be injected into the Oilfield Block 3113 in 2012 to start two exploration projects, namely the non-seismic geophysical exploration and the well-testing of the above three wells. The non-seismic geophysical exploration project covered 3,547 square kilometers, the result of which indicates a complex abnormal area of several hundred square kilometers, representing the possible presence of oil and gas, such data are being analyzed. The well-testing of SKL-2n was completed in October 2012, such data are being analyzed. The perforated layer (U. Sakamena) of BKM-1 well-testing was completed in November 2012, data from which are being analyzed. Meanwhile, the testing of a new layer had begun. As for the Oilfield Block 2104, the Company will commence the non-seismic geophysical exploration such as the aeromagnetic test as soon as possible in 2013.

CHAIRMAN'S STATEMENT

REFINED OIL BUSINESS

While stepping up its efforts in exploring oil and gas assets overseas, the Company at the same time actively pursue the refined oil business homebound. Last year, the Group completed the acquisition of Henan Yanchang Petroleum Sales Co., Limited ("Henan Yanchang"), whereas Yanchang Petroleum agrees to supply refined oil at favourable pricing terms and ensures a stable and sufficient refined oil supply to Henan Yanchang. Leveraging on the continuous support from Yanchang Petroleum, the refined oil business in the PRC has grown rapidly, achieved economies of scale and contributed stable returns and cash flows to the Group. In 2012, Henan Yanchang had achieved annual sales target of 800,000 tonnes refined oil. With the support from Yanchang Petroleum in terms of policy and resources, Henan Yanchang will continue to expand the scale of its refined oil business, improve operating efficiency and profitability in 2013.

OUTLOOK

The acquisition of overseas oil and gas assets has been one of the core strategies of the Company. The Company will actively pursue possible overseas acquisition opportunities, among which oil and gas projects in politically stable regions and those already in operation would be the primary targets of the Company. Further, the Company will dedicate its effort to commence international crude oil trading business and a breakthrough in the commencement of such business is expected in 2013.

Year 2013 is the first year after the strategic restructuring of the Company and under the control of Yanchang Petroleum. With strong support from Yanchang Petroleum, the Company will steadily move forward the exploration works in Madagascar; expand the scale of Henan refined oil business; actively seek overseas acquisition opportunity of oil and gas projects already in operation and manifest breakthroughs; and strive to launch international crude oil trading business in order to increase the operating cash flow of the Group, making the Company an international competitive energy enterprise.

APPRECIATION

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

Mr. Zhang Kaiyong
Chairman

Hong Kong, 28 March 2013

MANAGEMENT DISCUSSION AND ANALYSIS

FINANCIAL REVIEW

Highlights on Financial Results

	12 months ended 31 December 2012 *HK$'000*	9 months ended 31 December 2011 *HK$'000*	Percentage Increase/ (Decrease)
Turnover	**7,572,880**	512,210	1,378%
Gross profit	**42,236**	33,354	27%
Gross profit margin	***0.6%***	*6.5%*	
Other revenue, gains and losses	**(47,213)**	18,714	(352%)
Selling and distribution costs	**(2,787)**	(4,784)	(42%)
Administrative expenses	**(51,511)**	(38,915)	32%
Equity-settled share option expenses	**(183)**	(145,561)	(100%)
Finance costs	**(16,010)**	(1,631)	882%
Taxation	**(1,785)**	(5,465)	(67%)
Loss for the year/period	**(77,253)**	(144,288)	(46%)
Basic loss per share, HK cents	**(1.13)**	(2.34)	(52%)

Turnover and Gross Profit

For the year under review, the Group's operating segments comprised: (i) storage, transportation, supply and procurement of oil related products and (ii) oil and gas exploration, exploitation and operation. All the turnover of the Group was derived from trading and distribution of oil related products business in the PRC for year ended 31 December 2012.

The Group recorded sales of HK$7,572,880,000 for the year under review which was almost 15 times as compared to that of the last period. The increase mainly came from the rapid growth of refined oil business in Henan Province of the PRC. Under the circumstances of high sales volume with slim margin, despite the overall gross profit margin for refined oil dropped from the last period of 6.5% to the current year of 0.6%, the Henan refined oil business contributed gross profit of HK$42,236,000 to the Group for the year under review, an increase of 27% as compared to HK$33,354,000 of the last period, and as to refined oil business realised a segmented profit of HK$20,330,000.

Other Revenue, Gains and Losses

In addition to the profit from trading and distribution of oil related products, there were other net loss of HK$47,213,000 recorded for the year under review which was mainly the aggregate effect of: (i) the one-off loss on disposal of 19% interests in the industrial development district project in Madagascar amounted to HK$26,378,000; (ii) the impairment of HK$34,450,000 on an intangible asset regarding the petroleum related business licence in Madagascar; and (iii) the gain on derecognition of a subsidiary amounted to HK$14,809,000.

MANAGEMENT DISCUSSION AND ANALYSIS

FINANCIAL REVIEW *(Continued)*

Selling and Distribution Costs

Selling and distribution costs reduced from the last period of HK$4,784,000 to the current year of HK$2,787,000 mainly due to the saving on commission and handling expenses.

Administrative Expenses

Administrative expenses included Directors' remuneration, staff costs, office rents, depreciation and administrative costs for listing etc. The increase in administrative expenses amounted to HK$12,596,000 for the year under review was mainly attributable to the inclusion of administrative expenses incurred by the refined oil business in Henan Province acquired by the Group in the last year.

Equity-settled Share Option Expenses

Equity-settled share option expenses had been significantly decreased by HK$145,378,000 to HK$183,000. The huge share option expenses of the last period, which was merely a non-cash accounting charge, incurred mainly in respect of 1 billion share options granted to Yanchang Petroleum in June 2011.

Finance Costs

Finance costs of HK$16,010,000 were interest expenses incurred for bills and bank borrowings from Henan Yanchang for running its refine oil business in the PRC, which was in line with the growth of the sales.

Taxation

Tax expenses mainly represented the provision for the PRC enterprise income tax on the profit earned from refined oil business of Henan Yanchang during the year and the drop in such tax expenses was brought about by the write-back of over-provision of previous period.

Loss for the year

In the absence of the huge share option expenses, the loss of the Group substantially reduced by 46% from last period of HK$144,288,000 to the current year of HK$77,253,000. The basic loss per share had been reduced from last period of HK$2.34 cents to HK$1.13 cents for the current year.

MANAGEMENT DISCUSSION AND ANALYSIS

FINANCIAL REVIEW *(Continued)*

Highlights on Financial Position

	As at 31 December 2012 HK$'000	As at 31 December 2011 HK$'000	Percentage Increase/ (Decrease)
Property, plant and equipment	**142,463**	143,875	(1%)
Goodwill	**51,418**	51,418	–
Prepaid lease payments	**20,949**	21,247	(1%)
Investment properties	**34,697**	39,652	(13%)
Intangible assets	**285,334**	316,693	(10%)
Exploration and evaluation assets	**8,572,971**	8,546,675	0.3%
Available-for-sale investment	**196,072**	73,950	165%
Prepayments, deposits and other receivables	**265,178**	31,643	738%
Inventories	**76,299**	106,054	(28%)
Cash and bank balances	**634,146**	29,485	2051%
Trade and other payables	**270,788**	120,288	125%
Borrowings	**212,820**	129,995	64%

Property, Plant and Equipment

Property, plant and equipment consisted of buildings, fixtures and furniture, equipment, plant and machineries, motor vehicles and construction-in-progress, most of which belonging to Henan Yanchang. There was no material acquisition or disposal of property, plant and equipment during the year ended 31 December 2012.

Goodwill

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

Prepaid Lease Payments

Prepaid lease payments represented the leasehold lands in Madagascar and the PRC owned by the Group. The decrease of HK$298,000 in prepaid lease payments represented mainly the amortisation made during the year under review.

Investment Properties

Investment properties comprised (i) gas stations and properties in the PRC from Henan Yanchang either leased out in return of receiving rental income or hold for capital appreciation; and (ii) a land hold for capital appreciation in Madagascar. The amount of investment properties decreased by HK$4,955,000 was mainly attributable to the impairment of relevant assets during the year ended 31 December 2012.

MANAGEMENT DISCUSSION AND ANALYSIS

FINANCIAL REVIEW *(Continued)*

Intangible Assets

During the year under review, the intangible asset of HK$34,450,000 regarding the petroleum related business licence in Madagascar had been impaired. The intangible assets amounted to HK$285,334,000 as at 31 December 2012 represented 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 the PRC.

Exploration and Evaluation Assets

Exploration and evaluation assets represented the valuation of the Group's investment in the Oilfield Block 2104 and the Oilfield Block 3113 in Madagascar and the addition of HK$26,296,000 represented non-seismic geophysical exploration and well-testing costs put into the Oilfield Block 3113 through the Oilfield Block 3113 Joint Management Committee.

Available-for-sale Investment

Available-for-sale investment represented the 21% equity interests in Gold Grand Investments Limited ("Gold Grand") held by the Group, a company has a freehold land and also holds a business operation right grant by the government of Madagascar in relation to the development of industrial park for the provision of processing, production and sales of relevant energy and utilities businesses.

Prepayments, Deposits and Other Receivables

Prepayments, deposits and other receivables mainly represented prepayments made for purchase of refined oil by Henan Yanchang for its refined oil business and funds deposited in the Oilfield Block 3113 Joint Management Committee for development of the Oilfield Block 3113. The significant increase of prepayments, deposits and other receivables in the amount of HK$233,535,000 was mainly due to the increase of prepayments made for the purchase of refined oil as a result of rapid business growth in Henan Yanchang during the year.

Inventories

Inventories represented refined oil held in oil storage tanks of Henan Yanchang in the PRC as at 31 December 2012.

Cash and Bank Balances

The increase in cash and bank balances at 31 December 2012 was mainly due to HK$663,000,000 raised by the Company through a placement of 1.3 billion new shares of the Company at HK$0.51 each to Yanchang Petroleum during the year.

Trade and Other Payables

The increase in trade and other payables by HK$150,500,000 represented mainly the increase in receipt-in-advance made by the customers as a result of rapid growth of refined oil business during the year.

Borrowings

There were increases in bank loans drawdown by Henan Yanchang to finance its rapid growth of refined oil business in the PRC.

MANAGEMENT DISCUSSION AND ANALYSIS

LIQUIDITY AND FINANCIAL RESOURCES

The Group funded its operation mainly by its internal resources together with bank borrowings for the year ended 31 December 2012.

	As at 31 December 2012	As at 31 December 2011
	HK$'000	*HK$'000*
Current assets	**975,623**	216,528
Total assets	**10,279,527**	9,410,038
Current liabilities	**491,922**	358,251
Total liabilities	**576,803**	443,676
Total equity	**9,702,724**	8,966,362
Gearing ratio	**5.9%**	4.9%
Current ratio	**198%**	60%

The Group had outstanding bank borrowings of HK$211,820,000 under Henan Yanchang as at 31 December 2012 (31 December 2011: HK$123,249,000). The Group has obtained bank facilities of RMB610,000,000 (equivalent to approximately HK$760,060,000) from banks in the PRC. As at the year end, the Group had cash and bank balances of HK$634,146,000 (31 December 2011: HK$29,485,000). In view of ample cash on hand together with the available bank facilities, the Group has sufficient working capital to finance its business operation.

Measured on the basis of total liabilities as a percentage of total equity, the gearing ratio of the Group remained in a low and healthy level of 5.9% as at the year ended 31 December 2012 (31 December 2011: 4.9%). The current ratio of the Group increased to 198% as at 31 December 2012 (31 December 2011: 60%), measured on the basis of current assets as a percentage of current liabilities, reflected the Group maintained a high level of financial liquidity.

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 stable interest rates. 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, the Group does not anticipate any material foreign exchange exposures and risks.

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

MANAGEMENT DISCUSSION AND ANALYSIS

MATERIAL ACQUISITIONS AND DISPOSALS

On 6 January 2012, the Group and Jubilee Star Holdings Limited ("Jubilee Star"), an independent third party, entered into an agreement for the acquisition of 30% equity interests in Gold Grand. Pursuant to the agreement, 300,000,000 shares of the Company at HK$0.716 each and the promissory note in the principal amount of RMB150,000,000 have been issued to satisfy the consideration. Later on, the Group and Jubilee Star entered into a supplemental agreement on 31 May 2012 and agreed that the said promissory note was fully redeemed by the Company while the equity interests acquired by the Group in Gold Grand was amended from 30% to 11%. Together with the previously acquired 10% equity interests from Jubilee Star in December 2011, the Group then holds 21% equity interests in Gold Grand. Gold Grand has a freehold land and also holds a business operation right grant by the government of Madagascar in relation to the development of industrial district for the provision of processing, production and sales of relevant energy and utilities businesses in Madagascar.

Save as the aforesaid, the Group had no other material acquisitions and disposals for the year ended 31 December 2012.

SIGNIFICANT INVESTMENTS

Save as the acquisitions mentioned above, the Group did not hold any significant investments during the year ended 31 December 2012.

CAPITAL COMMITMENT

As at 31 December 2012, the Group had committed to pay the balances of a sub-pipeline construction fees amounted to HK$2,050,000 (31 December 2011: HK$788,000).

Save as the aforesaid, the Group did not have any other material commitments as at 31 December 2012.

PLEDGE OF ASSETS

As at 31 December 2012, none of the Group's assets had been pledged for granting the bank borrowings.

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 loan of RMB20,000,000.

CONTINGENT LIABILITY

As at 31 December 2012, the Group did not have any significant contingent liabilities (31 December 2011: Nil).

LITIGATION

As at 31 December 2012, the Group had no litigation.

EMPLOYEES AND REMUNERATION POLICY

As at 31 December 2012, the Group's total number of staff was around 70 (31 December 2011: 90). Salaries of employees are maintained at a competitive level with total staff costs (excluding the equity-settled share-based expenses) for the year ended 31 December 2012 amounted to HK$11,615,000 (2011: HK$8,502,000). Remuneration policy is based on principle of equality, motivation, performance and prevailing market practice and 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. During the year, no share options were granted to the eligible participants under the Company's share option scheme and there were outstanding share options of 12,000,000 as at 31 December 2012 (31 December 2011: 12,000,000).

DIRECTORS' AND SENIOR MANAGEMENT'S BIOGRAPHIES

EXECUTIVE DIRECTORS

Mr. Zhang Kaiyong

Aged 47, was appointed as an executive Director and chairman of the Board on 1 April 2012. Mr. Zhang is currently the deputy general manager of Shaanxi Yanchang Petroleum (Group) Co., Ltd., the chairman of Shaanxi Yanchang Petroleum Chemical Engineering Co., Ltd. (a company listed on the Shanghai Stock Exchange, SH.600248), the chairman and the Party Committee secretary of 陝西化建工程有限責任公司 (Shaanxi Chemical and Construction Engineering Co., Ltd.). Mr. Zhang holds a bachelor's degree in industrial electrical automation professional from 陝西工學院 (Shaanxi University of Technology), is Executive Master of Business Administration (EMBA) in senior management in Xi'an Jiaotong University and a senior engineer. Mr. Zhang has extensive experience in the restructuring and listing of state-owned enterprises, and the governance of listed companies, has outstanding professional standards and management capabilities in the field of petrochemical engineering. He was ever been selected as the 3rd Integrity of Personal in Shaanxi Province, national excellent construction entrepreneurs, the representative of the 11th People's Congress of Shaanxi Province. He was granted the honor title of national chemical system model worker by the National Human Resources and Social Securities and the Petroleum and Chemical Association in year 2008. Save as aforesaid, Mr. Zhang does not hold any directorship in other listed companies during the past three years.

Dr. William Rakotoarisaina

Aged 53, 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 DurbanGroup/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. Dr. Rakotoarisaina did not have any directorship in other listed companies in the past three years.

With effect from 10 October 2012, the monthly rental value for the quarter provided to Dr. Rakotoarisaina has been revised to HK$17,800.

DIRECTORS' AND SENIOR MANAGEMENT'S BIOGRAPHIES

EXECUTIVE DIRECTORS *(Continued)*

Mr. Ren Yansheng

Aged 47, was appointed as an executive Director and the Chief Executive Officer of the Company on 10 April 2012. Mr. Ren holds a master's degree in Economic, major in accountancy profession from 中國人民大學 (Renmin University of China), and is a qualified accountant registered in China. Mr. Ren engages in the finance and investment management areas for more than 20 years. Mr. Ren had acted as an independent director of 河南東方銀星投資股份有限公司 (Henan Oriental Silver Star Investment Co., Limited) (a company listed on the Shanghai Stock Exchange, SH.600753) and had ever worked in 中國新興（集團）總公司 (China Xinxing (Group) Corporation) and 中國誠信證券評估有限公司 (China Cheng Xin Securities Appraisal Company Limited), involving in the areas such as financial management as well as investment consultancy and management. Mr. Ren has extensive experience in corporate investment and finance, corporate restructuring and issuance of securities. Mr. Ren is currently a director of certain subsidiaries of the Company. Save as the aforesaid, Mr. Ren does not hold any directorship in other listed companies during the past three years.

During the year ended 31 December 2012, Mr. Ren has been provided quarter with monthly rental value amounted to HK$35,000; and the annual emolument paid by the Company for Mr. Ren has been revised to HK$2,400,000.

Mr. Hui Bo

Aged 39, was appointed as an executive Director, the authorized representative of the Company and a member of each of the remuneration committee and the nomination committee of the Company on 1 April 2012. He was also appointed as the Vice President of the Company on 10 April 2012. Mr. Hui is currently the deputy general manager of Yanchang Petroleum Group (Hong Kong) Co., Limited, the manager of 陝西延長石油(集團)財務中心證券部 (Shaanxi Yanchang Petroleum (Group) Financial Centre Securities Department). Mr. Hui holds a bachelor's degree in computer professional in the department of computer science from 中國長沙國防科技大學 (University of National Defense Technology) in Changsha, China, and then was granted the e-commerce master's degree in the business school from University of Montreal, Canada, and has passed in the first level of the Chartered Financial Analyst (CFA). Mr. Hui ever worked in 西安衛星測控中心 (Xi'an Satellite Control Centre), 西安高新技術產業開發區管委會 (the management committee of Xi'an Hi-tech Industry Development Zone) and a securities company, SWIFTTRADE, in Montreal, Canada. Mr. Hui has extensive experience in international capital market investments and is familiar with international and domestic securities markets. Mr. Hui is currently a director of certain subsidiaries of the Company. Mr. Hui does not hold any directorship in other listed companies during the past three years.

DIRECTORS' AND SENIOR MANAGEMENT'S BIOGRAPHIES

EXECUTIVE DIRECTORS *(Continued)*

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.

Mr. Feng Da Wei

Aged 56, 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 did not have any directorship in other listed companies during the past three years.

Mr. Yang Jie

Aged 47, was appointed as an executive Director on 1 April 2012. Mr. Yang is currently the general manager and the deputy Party Committee secretary of 陝西延長石油(集團)銷售公司 (Shaanxi Yanchang Petroleum (Group) Sales Company). Mr. Yang holds a bachelor's degree in clinical professional in the department of medical school from Shihezhi University in Xinjiang. He ever worked in 陝西煤業化工集團運銷公司 (Shaanxi Coal Chemical and Industrial Group Transportation Company), served as deputy officer, manager of planning operation and assistant general manager, etc. He worked in 陝西延長石油(集團)銷售公司 (Shaanxi Yanchang Petroleum (Group) Sales Company) as Party Committee member, deputy general manager and the general manager of 四川銷售公司 (Sichuan Sales Company) in year 2009, and then served as the Party Committee deputy secretary and deputy general manager in (Shaanxi Yanchang Petroleum (Group) Productions Distribution Company) and the chairman of (Yanchang Shell Company). Mr. Yang is very familiar with the marketing and sales terminal network construction in oil business, and has extensive experience in enterprise management in the petroleum industry. Mr. Yang is currently a director of Henan Yanchang. Mr. Yang does not hold any directorship in other listed companies during the past three years.

DIRECTORS' AND SENIOR MANAGEMENT'S BIOGRAPHIES

EXECUTIVE DIRECTORS *(Continued)*

Mr. To Kwan

Aged 38, was appointed as an executive Director on 1 April 2012. Mr. To holds a bachelor degree in commerce (accounting and finance) from The University of Melbourne, Australia. Mr. To has been the financial controller and chief financial officer of various Hong Kong listed companies. He has extensive experience in accounting, corporate finance, and merger and acquisition. He is a member of the Hong Kong Institute of Certified Public Accountants, and a member of the Certified Practising Accountants, Australia. Mr. To is currently a director of certain subsidiaries of the Company. Mr. To does not hold any directorship in other listed companies during the past three years.

INDEPENDENT NON-EXECUTIVE DIRECTORS

Mr. NG Wing Ka

Aged 43, was appointed as an independent non-executive Director 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 重慶市對外經濟貿易委員會 (Foreign Economics and Trade Committee of the People's Government of Chongqing City) 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 is now an independent non-executive director of China Weaving Materials Holdings Limited (a company listed on The Stock Exchange of Hong Kong Limited (the "Stock Exchange")). Save as the aforesaid, Mr. Ng did not have any directorship in other listed companies in the past three years.

Mr. Leung Ting Yuk

Aged 38, was appointed as an independent non-executive Director 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 has been employed as the chief financial officer of ZMFY Automobile Glass Services Limited ("ZMFY") since 31 October 2012. ZMFY is a company engaged in the sales and installation of automobile glasses in China. Mr. Leung is responsible for the preparation of ZMFY's financial statements as well as the review and development of the effective financial policies and control procedures in ZMFY. Mr. Leung did not have any directorship in other listed companies in the past three years.

Mr. Sun Liming

Aged 59, was appointed as an independent non-executive Director, the Chairman of the remuneration committee and a member of each of the audit committee and the nomination committee of the Company on 1 April 2012. Mr. Sun holds a bachelor's degree in management engineering from Xi'an Jiaotong University, is currently the managing director of Lishan Company Limited. Mr. Sun ever worked in state-owned sectors for various economic and financial positions, and served as the chief economist in 中國電子進出口陝西公司 (China Electronics Import and Export Shaanxi Company). Mr. Sun has extensive experience in corporate planning, and economic and financial management. Mr. Sun does not hold any directorship in other listed companies during the past three years.

DIRECTORS' AND SENIOR MANAGEMENT'S BIOGRAPHIES

INDEPENDENT NON-EXECUTIVE DIRECTORS *(Continued)*

Dr. Mu Guodong

Aged 55, was appointed as an independent non-executive Director on 28 December 2012. Dr. Mu was graduated from the School of Economics and Finance of Xi'an Jiaotong University (formerly known as "Shaanxi Institute of Finance & Economics") with a Master degree of Economics in 1988. He was appointed by the State Education Commission of the People's Republic of China as a visiting scholar of Macquarie University in Australia in 1993. Dr. Mu obtained the Endeavour Awards from the Australian Government to study the doctorate degree of Economics in 1995, and obtained his Doctor of Philosophy degree from The University of New England in 2001. Since 2004, Dr. Mu has been the assistant to the general manager of the business development department of China Merchants Group Limited, the controlling shareholder of China Merchants Holdings (International) Company Limited (stock code: 144), a company listed on Stock Exchange, and is currently the supervisor of each of the supervisory committee of 招商昆倫股權投資管理有限公司 (China Merchants Kunlun Equity Investment Management Co., Ltd.) and 中新建招商股權投資基金 (Zhong Xinjian Merchants Equity Investment Fund). Dr. Mu has extensive experience in corporate finance and management, merger and acquisition and corporate restructuring. He has led and participated in numbers of large-scale merger and acquisition projects over the past ten years, which included the projects of China Merchants Group Limited in Vietnam and Sri Lanka, the project of highway merger integration and the project of Qianhai Bonded Port Area in Shenzhen. Dr. Mu does not hold any directorship in other listed companies during the past three years.

COMPANY SECRETARY

Mr. Law Hing Lam

Aged 49, 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 had been employed as financial controller in various listed companies. He has 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 submitting their report together with the audited financial statements of the Company and of the Group for the year ended 31 December 2012.

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 area of operations for the year ended 31 December 2012 is set out in Note 7 to the consolidated financial statements.

RESULTS AND APPROPRIATIONS

The results of the Group for the year ended 31 December 2012 and the state of affairs of the Company and of the Group at that date are set out in the consolidated financial statements on 36 to 39.

The directors do not recommend the payment of any dividend in respect of the year (2011: Nil).

SUMMARY OF FINANCIAL INFORMATION

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

Results

	12 months ended 31 December 2012	9 months ended 31 December 2011	12 months ended 31 March 2011	12 months ended 31 March 2010	12 months ended 31 March 2009	12 months ended 31 March 2008
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
Turnover	**7,572,880**	512,210	1,020,769	1,039,758	1,276,639	1,712,962
(Loss)/profit before tax	**(75,468)**	(138,823)	25,335	(44,795)	(1,834,729)	1,935,739
Taxation	**(1,785)**	(5,465)	(2,322)	(2,548)	(4,066)	(6,370)
(Loss)/profit for the year/period	**(77,253)**	(144,288)	23,013	(47,343)	(1,838,795)	1,929,369
Net (loss)/profit attributable to						
— Equity holders of the Company	**(77,656)**	(149,335)	23,013	(47,343)	(1,838,419)	1,929,369
— Minority interests	**403**	5,047	–	–	(376)	–
	(77,253)	(144,288)	23,013	(47,343)	(1,838,795)	1,929,369

REPORT OF THE DIRECTORS

SUMMARY OF FINANCIAL INFORMATION *(Continued)*

Assets and Liabilities

	At 31 December	At 31 March				
	2012	2011	2011	2010	2009	2008
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
Non-current assets	**9,303,904**	9,193,510	8,534,034	8,537,208	8,554,869	5,880,792
Current assets	**975,623**	216,528	331,854	204,786	240,059	535,345
Total assets	**10,279,527**	9,410,038	8,865,888	8,741,994	8,794,928	6,416,137
Current liabilities	**(491,922)**	(358,251)	(104,521)	(132,839)	(273,832)	(236,453)
Non-current liabilities	**(84,881)**	(85,425)	(1,345)	(1,766)	(3,088)	(2,650)
Total liabilities	**(576,803)**	(443,676)	(105,866)	(134,605)	(276,920)	(239,103)
Total equity	**9,702,724**	8,966,362	8,760,022	8,607,389	8,518,008	6,177,034

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

PROPERTY, PLANT AND EQUIPMENT AND INVESTMENT PROPERTIES

Details of movements in the property, plant and equipment and investment properties of the Group and the Company during the year are set out in Note 18 and 20 to the consolidated financial statements.

SHARE CAPITAL AND SHARE OPTIONS

Details of movements in the Company's share capital during the year and details of the Company's share option scheme are set out in Note 31 to the consolidated financial statements.

RESERVES

Details of movements in the reserves of the Company and the Group during the year are set out in Note 32 to the consolidated financial statements and in the consolidated statement of changes in equity respectively.

PRE-EMPTIVE RIGHTS

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

REPORT OF THE DIRECTORS

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 year and up to the date of this report.

DISTRIBUTABLE RESERVES

At 31 December 2012, the Company's reserves available for distribution and/or distribution in specie, calculated in accordance with the Companies Act of Bermuda, amounted to HK$4,394,330,000. This amount included the Company's contributed surplus in the amount of HK$54,045,000 at 31 December 2012, which may only be distributed in certain circumstances. In addition, the Company's share premium account, in the amount of HK$4,876,210,000 at 31 December 2012, may be distributed in the form of fully paid bonus shares.

MAJOR CUSTOMERS AND SUPPLIERS

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

(1) The aggregate amount of sales attributable to the Group's five largest customers represented 90% of the Group's total sales for the year. The amount of sales to the Group's largest customer included therein represented approximately 68%.

(2) The aggregate amount of purchases attributable to the Group's five largest suppliers represented 98% of the Group's total purchases for the year. The amount of purchases from the Group's largest supplier included therein represented approximately 90%.

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 year.

MATERIAL RELATED PARTY TRANSACTIONS

Details of the related party transactions of the Group are set out in Note 43 to the consolidated financial statements.

PENSION SCHEMES AND COSTS

Details of the Group's pension schemes and costs charged to the consolidated statement of comprehensive income for the year are set out in Note 39 to the consolidated financial statements.

At 31 December 2012, long service payments of HK$104,100 had been paid 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 of the Company during the year and at the date of this report were as follows:

Executive Directors

Mr. Zhang Kaiyong (*Chairman*) *(appointed on 1 April 2012)*
Dr. William Rakotoarisaina *(Vice Chairman)*
Mr. Ren Yansheng *(Chief Executive Officer) (appointed on 10 April 2012)*
Mr. Hui Bo *(Vice President) (appointed on 1 April 2012)*
Mr. Shen Hao
Mr. Feng Da Wei
Mr. Yang Jie *(appointed on 1 April 2012)*
Mr. To Kwan *(appointed on 1 April 2012)*
Dr. Zhuo Ze Fan *(Chairman & Chief Executive Officer) (resigned on 1 April 2012)*
Mr. Li Jiangdong *(passed away on 26 January 2012)*
Mr. Hu Zongmin *(resigned on 1 April 2012)*
Ms. Xie Yiping *(resigned on 1 April 2012)*
Mr. Liu Xingyuan *(resigned on 1 April 2012)*

Independent Non-Executive Directors

Mr. Ng Wing Ka
Mr. Leung Ting Yuk
Mr. Sun Liming *(appointed on 1 April 2012)*
Dr. Mu Guodong *(appointed on 28 December 2012)*
Mr. Ng Tang *(resigned on 1 April 2012)*

Dr. Mu Guodong was appointed as an independent non-executive Director after the annual general meeting of the Company held on 25 May 2012, and he is subject to re-election at the forthcoming annual general meeting (the "2013 AGM") pursuant to the Company's Bye-law 86(2).

Pursuant to the Company's Bye-law 87(1), Mr. To Kwan, Mr. Ng Wing Ka, Mr. Leung Ting Yuk and Mr. Sun Liming will retire by rotation and, being eligible, offer themselves for re-election at the 2013 AGM.

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

DIRECTORS' BIOGRAPHIES

Biographical details of the directors of the Company are set out on pages 11 to 15 of the annual report.

REPORT OF THE DIRECTORS

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

DIRECTORS' INTERESTS IN SHARE CAPITAL

At 31 December 2012, 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. Mu Guodong ("Dr. Mu")	Personal interest and interest of spouse *(Note)*	Long position	300,000	0.003%

Note: Included in these 300,000 Shares, Dr. Mu personally held 230,000 Shares and his spouse held 70,000 Shares. Dr. Mu is deemed to be interested in these 70,000 Shares under the SFO.

Save as disclosed above, as at 31 December 2012, none of the Directors or chief executives of the Company or their respective associates had any personal, family, corporate or other interests in the share capital of the Company or any of its associated corporations as defined in the SFO.

DIRECTORS' RIGHTS TO ACQUIRE SHARES OR DEBENTURES

Apart from as disclosed under the heading "Share Option Scheme" below, at no time during the year and up to the date of this report was the Company or any of its subsidiaries a party to any arrangement to enable the 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.

REPORT OF THE DIRECTORS

SHARE OPTION SCHEME

The Company operates a share option scheme (the "Scheme"), further details of which are set out in Note 31 to the consolidated financial statements.

SUBSTANTIAL SHAREHOLDERS

As at 31 December 2012, 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	3,418,149,547	41.96%
Yanchang Petroleum Group (Hong Kong) Co., Limited ("Yanchang Petroleum HK") *(Note 1)*	Directly beneficially owned	Long position	2,418,149,547	29.69%
Dr. Hui Chi Ming ("Dr. Hui") *(Note 2)*	Interest of controlled corporation	Long position	1,790,195,555	21.98%
Wisdom On Holdings Limited ("Wisdom On") *(Note 2)*	Directly beneficially owned	Long Position	1,788,115,555	21.95%
Golden Soar Investments Limited ("Golden Soar") *(Note 3)*	Directly beneficially owned	Long position	436,109,400	5.35%

Note 1: Included in the shareholding in which Yanchang Petroleum was interested, Yanchang Petroleum was beneficially interested in 2,418,149,547 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: Included in the shareholding in which Dr. Hui is interested, 1,788,115,555 Shares were beneficially held by Wisdom On and 2,080,000 Shares were beneficially held by Golden Nova Holdings Limited, both of which are corporations wholly and beneficially owned by Dr. Hui. Therefore, Dr. Hui is deemed to be interested in such total of 1,790,195,555 Shares under the SFO.

Note 3: 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 2012.

REPORT OF THE DIRECTORS

CONTINUING CONNECTED TRANSACTIONS

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 43 to the consolidated financial statements.

The independent non-executive Directors 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 year ended 31 December 2012 did not exceed the 2012 annual cap amount of RMB9,000,000,000 (equivalent to approximately HK$10,843,000,000); 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 to independent third parties; and (c) in accordance with the terms of the Supply Agreement governing such transactions, which are fair, reasonable and in the interests of the Company and its shareholders of the Company as a whole.

HLB Hodgson Impey Cheng Limited, 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 Limited 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 45 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 own code regarding its Directors' securities transactions on the Company's shares.

Having made specific enquiry of all Directors, the Directors confirmed that they had complied with the required standards as set out in the Model Code as their code of conduct regarding Directors' securities transactions with the Company throughout the year ended 31 December 2012.

CORPORATE GOVERNANCE

The Company is committed to maintaining a high standard of corporate governance practices. Information on the corporate governance practices adopted by the Company is set out in the "Corporate Governance Report" on pages 24 to 33.

REPORT OF THE DIRECTORS

SUFFICIENCY OF PUBLIC FLOAT

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

AUDITORS

The consolidated financial statements for the 9 months ended 31 December 2011 were audited by HLB Hodgson Impey Cheng.

In March 2012, the practice of HLB Hodgson Impey Cheng was reorganised as HLB Hodgson Impey Cheng Limited. An ordinary resolution for the appointment of HLB Hodgson Impey Cheng Limited as the auditors of the Company has been passed at the annual general meeting held on 25 May 2012.

The consolidated financial statements for the year ended 31 December 2012 have been audited by HLB Hodgson Impey Cheng Limited. A resolution for the re-appointment of HLB Hodgson Impey Cheng Limited as auditors of the Company is to be proposed at the forthcoming annual general meeting.

On behalf of the Board

Mr. Zhang Kaiyong
Chairman

Hong Kong, 28 March 2013

CORPORATE GOVERNANCE REPORT

CORPORATE GOVERNANCE PRACTICES

The Board is committed to achieve a high standard of corporate governance practices and procedures 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. The Board will review and improve the corporate governance practices from time to time to ensure that the Group is under the leadership of an effective Board to optimise return for the shareholders.

In the opinion of the Board, the Company had complied with the code provisions set out in the former Code on Corporate Governance Practices (the "Former CG Code") in Appendix 14 of the Listing Rules throughout the period from 1 January 2012 to 31 March 2012, except for the following deviations:

1. code provision A.2.1 of the Former CG Code provides that the roles and responsibilities of chairman ("Chairman") and chief executive officer ("CEO") should be separate. During the three months ended 31 March 2012, Dr. Zhuo Ze Fan ("Dr. Zhuo") assumed the roles of both the Chairman of the Board and the CEO of the Company. Dr. Zhuo has substantial experience in commerce, investments, mergers and acquisitions covering a wide range of businesses which include petroleum, chemical and metal mining, and owns several patents of device and was granted various awards and prizes in the PRC that altogether 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 three months ended 31 March 2012, 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 at that time considered that there was no need to segregate the roles of the Chairman and the CEO as the balance of power and authority was already ensured by the said Board structure. The Board considered that the combination of the roles of the Chairman and the CEO which were performed by the same individual (i.e. Dr. Zhuo) would be beneficial to the overall corporate performance of the Group.

2. code provision A.4.1 of the Former 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.

3. code provision A.4.2 of the Former 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.

CORPORATE GOVERNANCE REPORT

CORPORATE GOVERNANCE PRACTICES *(Continued)*

The Company had also complied with the code provisions set out in the Corporate Governance Code (the "Revised CG Code") (which amended the Former CG Code and took effect on 1 April 2012) in Appendix 14 of the Listing Rules throughout the period from 1 April 2012 to 31 December 2012, except for the following deviations:

1. code provision A.2.1 of the Revised CG Code provides that the roles and responsibilities of Chairman and CEO should be separate. On 1 April 2012, Dr. Zhuo resigned from the positions of both the Chairman of the Board and the CEO of the Company whereas Mr. Zhang Kaiyong was appointed as an executive Director and the Chairman of the Board, but no CEO was being appointed to fill the position pending the appointment of a suitable candidate. On 10 April 2012, Mr. Ren Yansheng was appointed as an executive Director and the CEO of the Company, and the said code provision A.2.1 has been complied with since then.

2. code provision A.4.1 of the Revised CG Code provides that the non-executive directors should be appointed for a specific term. Mr. Ng Wing Ka, an independent non-executive Director, was not appointed for a specific term but he is subject to retirement by rotation at least once every three years in accordance with the Bye-laws of the Company.

   Following the execution of a formal appointment letter as independent non-executive Director between the Company and Mr. Leung Ting Yuk ("Mr. Leung") on 1 April 2012, Mr. Leung was appointed for a terms of two years commencing from 1 April 2012 but he is subject to retirement by rotation at least once every three years in accordance with the Bye-laws of the Company.

3. code provision A.4.2 of the Revised 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 appointment. Details and reasons of the deviation of the said code provision are the same as disclosed above regarding the deviation of the code provision A.4.2 of the Former CG Code.

4. code provision A.6.7 of the Revised CG Code provides that independent non-executive directors and other non-executive directors should also attend general meetings and develop a balanced understanding of the views of shareholders. One of the independent non-executive Directors, Mr. Leung Ting Yuk, was unable to attend the annual general meeting of the Company held on 25 May 2012 due to other ad hoc business engagements. Besides, the three independent non-executive Directors, Mr. Leung Ting Yuk, Mr. Ng Wing Ka and Mr. Sun Liming, were unable to attend the special general meeting of the Company held on 12 October 2012 due to other ad hoc business engagements.

DIRECTORS' SECURITIES TRANSACTIONS

The Company has adopted the Model Code as its own code regarding its Directors' securities transactions on the Company's shares. Having made specific enquiry of all directors, the directors of the Company confirmed that they had complied with the required standard set out in the Model Code throughout the year ended 31 December 2012.

CORPORATE GOVERNANCE REPORT

BOARD OF DIRECTORS

Board Composition

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

(a) eight executive Directors, namely Mr. Zhang Kaiyong (Chairman), Dr. William Rakotoarisaina (Vice Chairman), Mr. Ren Yansheng (Chief Executive Officer), Mr. Hui Bo (Vice President), Mr. Shen Hao, Mr. Feng Da Wei, Mr. Yang Jie and Mr. To Kwan; and

(b) four independent non-executive Directors required under Rule 3.10 (1) of the Listing Rules, namely Mr. Ng Wing Ka, Mr. Leung Ting Yuk, Mr. Sun Liming and Dr. Mu Guodong which represent one-third of the total number of the members of the Board. One of the independent non-executive Directors has appropriate professional qualifications of accounting and related financial expertise required under Rule 3.10(2) of the Listing Rules.

The respective biographical details of each of the Directors are disclosed in the section of "Directors' and Senior Management's Biographies" in this annual report. Details of changes in the Board during the year are set out in the "Report of the Directors" of this annual report.

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

Each of the Directors keeps abreast of his 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 independent non-executive Directors has made annual confirmation that he complied with the independence criteria set out in Rule 3.13 of the Listing Rules. The Directors consider that all the four independent non-executive Directors are independent under these independence criteria and are capable to effectively exercise independent judgment.

Roles and Responsibilities of the Board and Delegated Functions of the Management

The Board is responsible for the leadership and overall control of the Company, oversees the Group's business, formulates strategic plans/decisions and monitors financial and operational performances, and is collectively responsible for promoting the success of the Company by directing and supervising its affairs. In practice, the Board takes responsibilities for decision making in all major matters of the Company which include, approving and monitoring all policy matters, setting of objectives, annual budgets and overall strategies, material transactions, appointment of directors and other significant financial and operational matters. The day-to-day management, administration and operation of the Company are delegated to the senior executives under the direction and supervision of the CEO of the Company. These responsibilities include the implementation of decisions of the Board, the co-ordination and direction of day-to-day operation and management of the Company in accordance with the management strategies and plans approved by the Board. Approval has to be obtained from the Board prior to any significant transactions entered into by these senior executives and the Board has the full support from them to discharge its duties and responsibilities.

CORPORATE GOVERNANCE REPORT

BOARD OF DIRECTORS *(Continued)*

Corporate Governance Functions

No corporate governance committee has been established and the Board is responsible for performing the corporate governance functions including (i) developing and reviewing the Company's policies, practices on corporate governance; (ii) reviewing and monitoring the training and continuous professional development of directors and senior management; (iii) reviewing and monitoring the Company's policies and practices on compliance with legal and regulatory requirements; and (iv) reviewing the Company's compliance with the code and disclosure in the corporate governance report.

Appointment and Re-election of Directors

According to the Bye-laws of the Company, the Directors shall have the power from time to time and at any time to appoint any person as a Director either to fill a casual vacancy on the Board or as an addition to the existing Board. Any Director so appointed by the Board shall hold office only until the next following annual general meeting of the Company and shall then be eligible for re-election at that meeting.

Besides, at each annual general meeting, one-third of the Directors for the time being (or, if their number is not a multiple of three (3), the number nearest to but not less than one-third) shall retire from office by rotation provided that every Director shall be subject to retirement at least once every three years.

Board Meetings

The Board conducts meetings 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, electronic or other communications equipment and any resolutions to be passed by way of written resolutions circulated to and signed by all Directors from time to time when necessary unless any matters in which a substantial shareholder or a Director or their respective associates has conflict of interest.

For the Board meetings, sufficient 14 days' notices for regular board meetings and reasonable days for non-regular Board meetings were given to all Directors so as to ensure that each of 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. Every Board member has full access to the advice and services of the company secretary with a view to ensuring that Board procedures, and all applicable rules and regulations are followed. Sufficient information was also supplied by the management to the Board to enable it to discharge its duties and to make decisions, which are in the best interests of the Company.

Minutes of all Board meetings recording sufficient details of matters considered and decisions reached are kept by the company secretary of the meetings and are open for inspection by the Directors.

CORPORATE GOVERNANCE REPORT

BOARD OF DIRECTORS *(Continued)*

Directors' Continuous Professional Development

The Directors are regularly briefed on the amendments to or updates on the relevant laws, rules and regulations. In addition, the Company has been encouraging the Directors and senior executives to enroll in a wide range of professional development courses and seminars relating to the Listing Rules, Companies Ordinance/Act and corporate governance practices organized by external professional bodies in Hong Kong so that they can continuously update and further improve their relevant knowledge and skills for the benefit of the Company.

From time to time, Directors are provided with written materials to develop and refresh their professional knowledge and skills; whereas the company secretary also arranges seminars on the latest updates and development of the applicable laws, rules and regulations for the Directors to assist them in discharging their duties and to enhance their awareness of good corporate governance practices. During the year, the Company has provided with all the Directors written materials on the new requirements of the Revised CG Code. A record of the training received by the respective Directors are kept and updated by the company secretary of the Company.

CHAIRMAN AND CHIEF EXECUTIVE OFFICER

Since the appointment of Mr. Ren Yansheng as the CEO of the Company on 10 April 2012, the positions of the Chairman and the CEO have been held by separate individuals with a view to maintain an effective segregation of duties between the management of the Board and the day-to-day management of the Group's business and operations.

One of the important roles of the Chairman is to provide leadership to the Board to ensure that the Board always acts in the best interests of the Group. The Chairman shall ensure that the Board works effectively and fully discharges its responsibilities, and that all key issues are discussed by the Board in a timely manner. All Directors have been consulted about any matters proposed for inclusion in the agenda. The Chairman has delegated the responsibility of drawing up the agenda for each Board meeting to the CEO and the company secretary. With the support of the CEO and the company secretary, the Chairman seeks to ensure that all Directors are properly briefed on issues arising at any Board meeting and have received adequate and reliable information in a timely manner.

NON-EXECUTIVE DIRECTORS

Mr. Leung Ting Yuk and the two newly-appointed independent non-executive Directors during the year, namely Mr. Sun Liming and Dr. Mu Guodong were appointed for a specific term of two years, whereas Mr. Ng Wing Ka, the other independent non-executive Director, was not appointed for a specific term. But all of these four independent non-executive Directors are subject to retirement by rotation at least once every three years in accordance with the Bye-laws of the Company at the annual general meeting of the Company.

CORPORATE GOVERNANCE REPORT

BOARD COMMITTEES

The Company has established three Board committees, namely the Audit Committee, the Remuneration Committee and the Nomination Committee with defined terms of reference, to assist the Board in discharging its duties and responsibilities. Each committee has authority to engage outside consultants or experts as it considers necessary to discharge the committee's responsibilities. Minutes of all committees' meetings are circulated to their members. To further reinforce independence and effectiveness, all Audit Committee members are independent non-executive Directors, whereas the Nomination Committee and the Remuneration Committee have been structured with a majority of independent non-executive Directors as members.

Audit Committee

The Audit Committee currently comprises three independent non-executive Directors, namely Mr. Leung Ting Yuk, Mr. Ng Wing Ka and Mr. Sun Liming (appointed on 1 April 2012). Mr. Leung Ting Yuk is the chairman of the Audit Committee.

The Audit Committee is responsible for the appointment of external auditors, reviewing the Group's financial information and overseeing the Group's financial reporting system and internal control procedures. It is also responsible for reviewing the interim and annual results of the Group prior to recommending them to the Board for approval. It meets regularly to review financial reporting and internal control matters and to this end has unrestricted access to the Company's external auditors. Its written terms of reference are available on the websites of the Stock Exchange and the Company.

During the year ended 31 December 2012, the Audit Committee held three meetings. At the meetings, the committee reviewed the annual results for the year ended 31 December 2011 and the interim results for the period ended 30 June 2012 respectively with the external auditors; recommended to the Board for change of external auditors from HLB Hodgson Impey Cheng to HLB Hodgson Impey Cheng Limited; and reviewed and discussed the Group's financial reporting matters and internal control functions.

Remuneration Committee

The Remuneration Committee currently comprises two independent non-executive Directors, namely Mr. Sun Liming and Mr. Leung Ting Yuk, and an executive Director, Mr. Hui Bo. Mr. Sun Liming has been appointed as the chairman of the Remuneration Committee upon his appointment as an independent non-executive Director on 1 April 2012.

The Remuneration Committee was established for the purpose of making recommendations to the Board on the Company's policies and structure on remuneration of all Directors (including independent non-executive Directors) and senior management. The committee has adopted the approach under code B.1.2(c)(ii) of the Revised CG Code to make recommendations to the Board on the remuneration packages of individual executive Director and senior management. Its written terms of reference are available on the websites of the Stock Exchange and the Company.

During the year ended 31 December 2012, the Remuneration Committee held two meetings. At the meetings, the committee reviewed the existing remuneration package of all Directors and senior management; and approved the change of remuneration of Mr. Ren Yansheng (the CEO of the Company) respectively. During the year, the committee also approved via written resolutions of all members the remuneration of the newly appointed independent non-executive Director, Dr. Mu Guodong and made recommendation of the same to the Board for approval.

CORPORATE GOVERNANCE REPORT

BOARD COMMITTEES *(Continued)*

Nomination Committee

The Nomination Committee currently comprises two independent non-executive Directors, namely Mr. Ng Wing Ka and Mr. Sun Liming, and an executive Director, Mr. Hui Bo. Mr. Ng Wing Ka is the chairman of the Nomination Committee.

The Nomination Committee is responsible for reviewing the structure, size and composition (including the skills, knowledge and experience) of the Board at least annually and making recommendations on any proposed changes to the Board to complement the Company's corporate strategy; identifying individuals suitably qualified to become Board members and assessing the independence of independent non-executive Directors; and making recommendations to the Board on the appointment or re-appointment of Directors and succession planning for Directors. Its written terms of reference are available on the websites of the Stock Exchange and the Company.

During the year ended 31 December 2012, the Nomination Committee held one meeting. At the meeting, the committee reviewed and assessed the independence of all the independent non-executive Directors, composition and structure of the Board and the retirement and re-election of Directors in the annual general meeting of the Company. During the year, the committee also approved via written resolutions of all members the nomination of Dr. Mu Guodong as an additional independent non-executive Director and made recommendation of the same to the Board for approval.

Details of the Directors' attendance (either in person or by phone) at the Board meetings, Audit Committee meetings, Remuneration Committee meetings and Nomination Committee meeting held during the year ended 31 December 2012 are set out in the table below:

	No. of meetings attended/entitled to attend			
Directors	**Board**	**Audit Committee**	**Remuneration Committee**	**Nomination Committee**
Executive Directors:				
Mr. Zhang Kaiyong *(appointed on 1 April 2012)*	5/9	–	–	–
Dr. William Rakotoarisaina	12/15	–	–	–
Mr. Ren Yansheng *(appointed on 10 April 2012)*	7/8	–	–	–
Mr. Hui Bo *(appointed on 1 April 2012)*	8/9	–	2/2	–
Mr. Shen Hao	2/15	–	–	–
Mr. Feng Da Wei	3/15	–	–	–
Mr. Yang Jie *(appointed on 1 April 2012)*	3/9	–	–	–
Mr. To Kwan *(appointed on 1 April 2012)*	9/9	–	–	–
Dr. Zhuo Ze Fan *(resigned on 1 April 2012)*	6/6	–	–	–
Mr. Li Jiangdong *(passed away on 26 January 2012)*	1/2	–	–	–
Mr. Hu Zongmin *(resigned on 1 April 2012)*	2/6	–	–	–
Ms. Xie Yiping *(resigned on 1 April 2012)*	2/6	–	–	1/1
Mr. Liu Xingyuan *(resigned on 1 April 2012)*	4/6	–	–	–
Independent Non-executive Directors:				
Mr. Ng Wing Ka	11/15	3/3	–	1/1
Mr. Leung Ting Yuk	13/15	3/3	2/2	–
Mr. Sun Liming *(appointed on 1 April 2012)*	6/9	2/2	2/2	–
Dr. Mu Guodong *(appointed on 28 December 2012)*	–	–		–
Mr. Ng Tang *(resigned on 1 April 2012)*	6/6	1/1	–	1/1

CORPORATE GOVERNANCE REPORT

AUDITORS' REMUNERATION

Auditors' remuneration for the year amounted to a total of HK$1,639,000, of which HK$1,000,000 was incurred for audit service and HK$639,000 for non-audit services, including the taxation services and professional fees for circulars.

COMPANY SECRETARY

Mr. Law Hing Lam was appointed as the company secretary of the Company with effect from 21 March 2011. He is responsible to support the Board by ensuring good information flow within the Board and that Board procedures and policies are followed. He is also responsible for advising the Board through the Chairman and/or the CEO on corporate governance matters and also facilitating induction and professional development of Directors. In addition, Mr Law is directly responsible for the Group's compliance with the continuing obligations of the Listing Rules, Codes on Takeovers and Mergers and Share Repurchases, Companies Ordinance, Securities and Futures Ordinance and other applicable laws, rules and regulations.

Mr. Law is also the financial controller and the authorized representative of the Company. The biographical details of Mr. Law is set out in the section "Directors and Senior Management's Biographies" on page 15 of this annual report.

DIRECTOR'S RESPONSIBILITIES FOR THE FINANCIAL STATEMENTS

The financial statements of the Company for the year ended have been reviewed by the Audit Committee and audited by the external auditors, HLB Hodgson Impey Cheng Limited. The Directors acknowledge their responsibilities for preparing the financial statements of the Group which give a true and fair view. The Directors' responsibilities for the accounts are set out in the Independent Auditors' Report on pages 34 and 35.

SHAREHOLDERS' RIGHTS

(1) Procedures for shareholders to convene a Special General Meeting

The Board may whenever it thinks fit call special general meetings, and members holding at the date of deposit of the requisition not less than one-tenth of the paid up capital of the Company carrying the right of voting at general meetings shall at all times have the right, by written requisition to the Board or the company secretary of the Company, to require a special general meeting ("SGM") to be called by the Board for the transaction of any business specified in such requisition.

Such meeting shall be held within two (2) months after the deposit of such requisition. If within twenty-one (21) days of such deposit the Board fails to proceed to convene such meeting the requisitionists themselves may do so in accordance with the provisions of Section 74(3) of the Companies Act 1981 of Bermuda.

CORPORATE GOVERNANCE REPORT

SHAREHOLDERS' RIGHTS *(Continued)*

(2) Procedures by which enquiries may be put to the Board and sufficient contact details to enable these enquiries to be properly directed

Shareholders may send their enquires and concerns to the Board in writing through the company secretary of the Company whose contact details are as follows:

Yanchang Petroleum International Limited
Suite 1512, 15/F., One Pacific Place,
88 Queensway, Hong Kong
Telephone: 3528 5228
Fax: 3528 5238
Email: info@yanchangpetroleum.com

The company secretary will forward the enquires or concerns to the CEO or the Chairman of the Board or senior management as appropriate within their area of responsibilities for answering and/or further handling.

Shareholders may also make enquiries with the Board at the general meetings of the Company.

(3) Procedures for putting forward proposals at shareholders' meetings

Shareholders are requested to follow the provisions of the Company's Bye-laws for including a resolution at an SGM. The requirements and procedures are set out above. Pursuant to Bye-law 88 of the Company's Bye-laws, no person, other than a director retiring at a meeting, shall, unless recommended by the directors for election, be eligible for appointment as a director at any general meeting unless there shall have been lodged at the head office or at the principal place of business in Hong Kong of the Company notice in writing signed by a shareholder (other than the person to be proposed) duly qualified to attend and vote at the meeting for which such notice is given of his intention to propose that person for election as a director and also notice in writing signed by that person of his willingness to be elected as a director. The minimum length of the period for lodgment of the said notices shall be at least seven days and that (if the notices are submitted after the dispatch of the notice of the general meeting appointed for such election), the period for lodgement of such notice(s) shall commence on the day after the dispatch of the notice of the general meeting for such election of director(s) and end no later than seven days prior to the date of such general meeting. The written notice must state that person's biographical details as required by Rule 13.51(2) of the Listing Rules. The procedures for shareholders of the Company to propose a person for election as director is posted on the Company's website.

CONSTITUTIONAL DOCUMENTS

There are no changes in the Company's constitutional documents during the year.

CORPORATE GOVERNANCE REPORT

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 control 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 systems covering all material controls, including financial, operational and compliance as well as risk management. Based on the assessments, the Board considered that the internal control systems and procedures of the Group were effective and adequate.

COMMUNICATION WITH SHAREHOLDERS

During the year under review, the Group has proactively enhanced its corporate transparency and communications with its shareholders and the investment community through its annual and interim reports. Constantly being updated in a timely manner, the Company maintains its website at www.yanchangpetroleum.com on which press releases, announcements, financial and other information relating to the Company and its business are disclosed. The annual report together with the annual general meeting circular which contains the notice of the annual general meeting are 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 respective chairman 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 except where the chairman, in good faith, decides to allow a resolution which relates purely to a procedural or administrative matter to be voted on by a show of hands.

Shareholders' Communication Policy

The Company adopted a Shareholders' Communication Policy in March 2012 which aims at enhancing the corporate communication effectively between the shareholders and the Board and senior management of the Company through various official channels so that the shareholders can access the Company's public information equally and effectively in a timely manner.

INDEPENDENT AUDITORS' REPORT

HLB 國衛會計師事務所有限公司
Hodgson Impey Cheng Limited

Chartered Accountants
Certified Public Accountants

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

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

We have audited the consolidated financial statements of Yanchang Petroleum International Limited (the "Company") and its subsidiaries (collectively referred to as the "Group") set out on pages 36 to 111, which comprise the consolidated and company statements of financial position as at 31 December 2012, and the consolidated statement of comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year ended 31 December 2012, 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' judgement, 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 2012, and of the Group's loss and cash flows for the year then ended in accordance with Hong Kong Financial Reporting Standards and have been properly prepared in accordance with the disclosure requirements of the Hong Kong Companies Ordinance.

HLB Hodgson Impey Cheng Limited
Chartered Accountants
Certified Public Accountants

Hon Koon Fai, Alex
Practising Certificate Number: P05029

Hong Kong, 28 March 2013

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the year ended 31 December 2012

	Notes	12 months ended 31 December 2012 HK$'000	9 months ended 31 December 2011 HK$'000
Turnover	8	**7,572,880**	512,210
Cost of sales		**(7,530,644)**	(478,856)
Gross profit		**42,236**	33,354
Other revenue	8	**4,790**	650
Other gains and losses	9	**(52,003)**	18,064
Selling and distribution costs		**(2,787)**	(4,784)
Administrative expenses		**(51,511)**	(38,915)
Equity-settled share option expenses		**(183)**	(145,561)
Loss from operating activities	10	**(59,458)**	(137,192)
Finance costs	13	**(16,010)**	(1,631)
Loss before taxation		**(75,468)**	(138,823)
Taxation	14	**(1,785)**	(5,465)
Loss for the year/period		**(77,253)**	(144,288)
Other comprehensive income			
Exchange differences on translating foreign operations		**1,562**	3,038
Gain arising from revaluation of property, plant and equipment before reclassification to investment properties		**370**	–
Other comprehensive income for the year/period, net of tax		**1,932**	3,038
Total comprehensive loss for the year/period		**(75,321)**	(141,250)
(Loss)/profit attributable to:			
Owners of the Company		**(77,656)**	(149,335)
Non-controlling interests		**403**	5,047
		(77,253)	(144,288)
Total comprehensive (loss)/income attributable to:			
Owners of the Company		**(76,840)**	(146,959)
Non-controlling interests		**1,519**	5,709
		(75,321)	(141,250)
Loss per share	17		
Basic, HK cents		**(1.13)**	(2.34)
Diluted, HK cents		**(1.13)**	(2.34)

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

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 31 December 2012

	Notes	31 December 2012 HK$'000	31 December 2011 HK$'000
ASSETS			
Non-current assets			
Property, plant and equipment	18	**142,463**	143,875
Prepaid lease payments	19	**20,949**	21,247
Investment properties	20	**34,697**	39,652
Intangible assets	21	**285,334**	316,693
Exploration and evaluation assets	22	**8,572,971**	8,546,675
Available-for-sale investment	23	**196,072**	73,950
Goodwill	24	**51,418**	51,418
		9,303,904	9,193,510
Current assets			
Inventories	27	**76,299**	106,054
Trade receivables	28	**–**	46
Prepayments, deposits and other receivables	29	**265,178**	31,643
Pledged deposits	30	**–**	49,300
Cash and bank balances	30	**634,146**	29,485
		975,623	216,528
Total assets		**10,279,527**	9,410,038
EQUITY			
Capital and reserves			
Share capital	31	**162,911**	130,911
Reserves	32	**9,444,557**	8,741,714
Equity attributable to owners of the Company		**9,607,468**	8,872,625
Non-controlling interests		**95,256**	93,737
Total equity		**9,702,724**	8,966,362

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 31 December 2012

	Notes	31 December 2012 HK$'000	31 December 2011 HK$'000
LIABILITIES			
Current liabilities			
Trade, bills and other payables	33	**270,788**	120,288
Tax payable		**8,314**	23,314
Promissory note	34	**–**	84,654
Borrowings	35	**212,820**	129,995
		491,922	358,251
Non-current liability			
Deferred taxation	36	**84,881**	85,425
Total liabilities		**576,803**	443,676
Total equity and liabilities		**10,279,527**	9,410,038
Net current assets/(liabilities)		**483,701**	(141,723)
Total assets less current liabilities		**9,787,605**	9,051,787

Approved by the Board on 28 March 2013 and signed on its behalf by:

Mr. Zhang Kaiyong
Chairman

Mr. Ren Yansheng
Chief Executive Officer

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

STATEMENT OF FINANCIAL POSITION

At 31 December 2012

	Notes	31 December 2012 HK$'000	31 December 2011 HK$'000
ASSETS			
Non-current assets			
Interests in subsidiaries	25	**6,294,555**	6,115,061
Property, plant and equipment	18	**154**	226
		6,294,709	6,115,287
Current assets			
Prepayment and other receivables		**1,322**	368
Cash and bank balances		**497,953**	132
		499,275	500
Total assets		**6,793,984**	6,115,787
EQUITY			
Capital and reserves			
Share capital	31	**162,911**	130,911
Reserves	32	**6,316,636**	5,819,071
Total equity		**6,479,547**	5,949,982
LIABILITIES			
Current liabilities			
Amounts due to subsidiaries	25	**311,099**	71,002
Other payables and accruals		**2,338**	3,403
Promissory note	34	**–**	84,654
Borrowings	35	**1,000**	6,746
		314,437	165,805
Total liabilities		**314,437**	165,805
Total equity and liabilities		**6,793,984**	6,115,787
Net current assets/(liabilities)		**184,838**	(165,305)
Total assets less current liabilities		**6,479,547**	5,949,982

Approved by the Board on 28 March 2013 and signed on its behalf by:

Mr. Zhang Kaiyong
Chairman

Mr. Ren Yansheng
Chief Executive Officer

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

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended 31 December 2012

	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$'000 (Note iii)	Reserve on acquisition of additional interests in a subsidiary HK$'000	Share option reserve HK$'000	Statutory reserve HK$'000 (Note iv)	Retained profits/ (accumulated losses) HK$'000	Subtotal HK$'000	Non-controlling interests HK$'000	Total HK$'000
At 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 and 1 January 2012	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
(Loss)/profit for the year	–	–	–	–	–	–	–	–	(77,656)	(77,656)	403	(77,253)
Other comprehensive income for the year	–	–	–	557	259	–	–	–	–	816	1,116	1,932
Total comprehensive (loss)/income for the year	–	–	–	557	259	–	–	–	(77,656)	(76,840)	1,519	(75,321)
Equity-settled share option expenses	–	–	–	–	–	–	183	–	–	183	–	183
Issue of ordinary shares	26,000	637,000	–	–	–	–	–	–	–	637,000	–	663,000
Consideration shares	6,000	142,500	–	–	–	–	–	–	–	142,500	–	148,500
Transfer of reserve	–	–	–	–	–	–	–	836	(836)	–	–	–
At 31 December 2012	**162,911**	**6,639,269**	**3,156**	**10,453**	**385,259**	**2,286,265**	**159,246**	**836**	**(38,927)**	**9,444,557**	**95,256**	**9,702,724**

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended 31 December 2012

Notes:

(i) The share premium account of the Group includes (i) shares issued at premium of HK$4,876,210,000 (31 December 2011: HK$4,030,410,000); and (ii) special reserve of HK$1,763,059,000 (31 December 2011: HK$1,829,359,000). Included in the special reserve debited amount of HK$66,300,000 represents the difference between the fair value and the contracted value of the consideration shares paid for acquisition of additional equity interests on available-for-sale investment during the year.

(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 includes the fair value adjustment amounting to HK$385,000,000 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.

(iv) As stipulated by the relevant PRC laws and regulations, the subsidiaries of the Company established in the PRC shall set aside 10% of its net profit after taxation for the statutory surplus reserve fund (except when the reserve balance has reached 50% of the subsidiaries' paid-up capital). The reserve fund can only be used, upon approval by the board of directors and by the relevant authority, to offset accumulated losses or increase capital.

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

CONSOLIDATED STATEMENT OF CASH FLOWS

For the year ended 31 December 2012

	12 months ended 31 December 2012 *HK$'000*	9 months ended 31 December 2011 *HK$'000*
Loss before taxation	**(75,468)**	(138,823)
Adjustments for:		
Interest income	**(2,579)**	(339)
Depreciation of property, plant and equipment	**7,025**	1,481
Amortisation of prepaid lease payments	**522**	97
Equity-settled share option expenses	**183**	145,561
Fair value change on investment properties	**2,879**	390
Loss on disposal of property, plant and equipment	**983**	184
Impairment loss of intangible assets	**34,450**	5,550
Loss on sale of equity interest on available-for-sale investment	**26,378**	–
Investment property written off	**3,105**	–
Gain on derecognition of a subsidiary	**(14,809)**	–
Net gain on disposal of subsidiaries	**–**	(19,954)
Finance costs	**16,010**	1,631
Operating loss before working capital changes	**(1,321)**	(4,222)
Decrease in trade receivables	**46**	91,229
Decrease/(increase) in inventories	**30,928**	(16,723)
(Increase)/decrease in prepayments, deposits and other receivables	**(284,121)**	42,825
Decrease in pledged deposits	**49,860**	–
Increase/(decrease) in trade, bills and other payables	**146,463**	(67,908)
Cash (used in)/generated from operations	**(58,145)**	45,201
Interest received	**2,579**	339
Net cash (used in)/generated from operating activities	**(55,566)**	45,540
Cash flows from investing activities		
Purchases of property, plant and equipment	**(6,482)**	(1,361)
Acquisition of available-for-sale investment	**–**	(73,950)
Proceeds from disposal of property, plant and equipment	**360**	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)
Net cash used in investing activities	**(6,122)**	(112,616)

CONSOLIDATED STATEMENT OF CASH FLOWS

For the year ended 31 December 2012

	12 months ended 31 December 2012 ***HK$'000***	9 months ended 31 December 2011 *HK$'000*
Cash flows from financing activities		
Proceeds from borrowings	**223,905**	6,746
Interest paid	**(16,010)**	(1,631)
Repayment of bank borrowings	**(142,396)**	(12,256)
Repayment of promissory notes	**(84,654)**	–
Proceeds from issue of shares	**663,000**	–
Net cash generated from/(used in) financing activities	**643,845**	(7,141)
Net increase/(decrease) in cash and cash equivalents	**582,157**	(74,217)
Cash and cash equivalents at beginning of year/period	**29,485**	103,000
Effect of exchange rate changes on the balance of cash held in foreign currencies	**22,504**	702
Cash and cash equivalents at end of year/period	**634,146**	29,485
Analysis of balances of cash and cash equivalents		
Cash and bank balances	**634,146**	29,485

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

31 December 2012

1. CORPORATE INFORMATION

Yanchang Petroleum International Limited (formerly known as Sino Union Energy Investment Group Limited) (the "Company") was 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 of oil related products as well as oil and gas exploration, exploitation and operation.

During the 9 months ended 31 December 2011, the financial year end date of the Company was changed from 31 March to 31 December. Accordingly, the corresponding amounts shown for the consolidated financial statements and related notes cover the 9 months period from 1 April 2011 to 31 December 2011 and therefore may not be comparable with the amounts shown for the current year.

Pursuant to the special resolution passed at the annual general meeting of the Company held on 25 May 2012, the English name of the Company was changed from "Sino Union Energy Investment Group Limited" to "Yanchang Petroleum International Limited" and "延長石油國際有限公司" as its secondary name to replace "中聯能源投資集團有限公司" was effective from 29 May 2012.

The consolidated financial statements are presented in Hong Kong dollars ("HK$") and rounded to the nearest thousand (HK$'000), unless otherwise stated.

The directors of the Company (the "Directors") consider the ultimate holding company of the Company to be Shaanxi Yanchang Petroleum (Group) Co., Limited ("Yanchang Petroleum"), a state-owned corporation registered in the People's Republic of China (the "PRC") with limited liability.

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

The accounting policies adopted in the consolidated financial statements for the year ended 31 December 2012 are consistent with those followed in the preparation of the Group's consolidated statements for the period from 1 April 2011 to 31 December 2011 except as described below.

In the current year, 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 January 2012. A summary of the new HKFRSs are set out as below:

HKFRS 1 (Amendment)	Severe Hyperinflation and Removal of Fixed Dates for First-time Adopters
HKFRS 7 (Amendments)	Disclosures — Transfers of Financial Assets
HKAS 12 (Amendments)	Deferred Tax — Recovery of Underlying Assets

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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

31 December 2012

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

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

Amendments to HKFRSs	Annual Improvements 2009–2011 Cycle[2]
HKFRS 1 (Amendments)	Government Loans[2]
HKFRS 7 (Amendments)	Disclosure — Offsetting Financial Assets and Financial Liabilities[2]
HKFRS 9	Financial Instruments[4]
HKFRS 9 & HKFRS 7 (Amendments)	Mandatory Effective Date of HKFRS 9 and Transition Disclosure[4]
HKFRS 10	Consolidated Financial Statements[2]
HKFRS 11	Joint Arrangements[2]
HKFRS 12	Disclosure of Interests in Other Entities[2]
HKFRS 10, HKFRS 11 & HKFRS 12 (Amendments)	Consolidated Financial Statements, Joint Arrangements and Disclosure of Interests in Other Entities — Transition Guidance[2]
HKFRS 13	Fair Value Measurement[2]
HKFRS 10, HKFRS 12 and HKAS 27 (Amendments)	Investment Entities[3]
HKAS 1 (Amendments)	Presentation of Items of Other Comprehensive Income[1]
HKAS 19 (as revised in 2011)	Employee Benefits[2]
HKAS 27 (as revised in 2011)	Separate Financial Statements[2]
HKAS 28 (as revised in 2011)	Investments in Associates and Joint Ventures[2]
HKAS 32 (Amendments)	Presentation — Offsetting Financial Assets and Financial Liabilities[3]
HK(IFRIC)-Int 20	Stripping Costs in the Production Phase of a Surface Mine[2]

1 Effective for annual periods beginning on or after 1 July 2012
2 Effective for annual periods beginning on or after 1 January 2013
3 Effective for annual periods beginning on or after 1 January 2014
4 Effective for annual periods beginning on or after 1 January 2015

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

31 December 2012

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

HKFRS 9 Financial Instruments

HKFRS 9 issued in 2009 introduced new requirements for the classification and measurement of financial assets. HKFRS 9 was amended in 2010 to include requirements for the classification and measurement of financial liabilities and for derecognition.

Key requirements of HKFRS 9 are described below:

- 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.

- With regard to the measurement of financial liabilities designated as at fair value through profit or loss, HKFRS 9 requires that 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 of financial liabilities attributable to changes in the financial liabilities' 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 fair value through profit or loss was presented in profit or loss.

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

New and revised standards on consolidation, joint arrangements, associates and disclosures

In June 2011, a package of five standards on consolidation, joint arrangements, associates and disclosures was issued, including HKFRS 10, HKFRS 11, HKFRS 12, HKAS 27 (as revised in 2011) and HKAS 28 (as revised in 2011).

Key requirements of these five standards are described below.

HKFRS 10 replaces the parts of HKAS 27 *Consolidated and Separate Financial Statements* that deal with consolidated financial statements. HK(SIC)-Int 12 *Consolidation — Special Purpose Entities* will be withdrawn upon the effective date of HKFRS 10. Under HKFRS 10, there is only one basis for consolidation, that is, control. In addition, 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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

31 December 2012

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

New and revised standards on consolidation, joint arrangements, associates and disclosures *(Continued)*

HKFRS 11 replaces HKAS 31 *Interests in Joint Ventures*. HKFRS 11 deals with how a joint arrangement of which two or more parties have joint control should be classified. HK(SIC)-Int 13 *Jointly Controlled Entities — Non-monetary Contributions by Venturers* will be withdrawn upon the effective date of HKFRS 11. 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. 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 consolidation.

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.

In July 2012, the amendments to HKFRS 10, HKFRS 11 and HKFRS 12 were issued to clarify certain transitional guidance on the application of these five HKFRSs for the first time.

These five standards, together with the amendments relating to the transitional guidance, are effective for annual periods beginning on or after 1 January 2013 with earlier application permitted provided all of these standards are applied at the same time.

HKFRS 13 Fair Value Measurement

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.

HKFRS 7 and HKAS 32 (Amendments) Offsetting Financial Assets and Financial Liabilities and the related disclosures

The amendments to HKAS 32 clarify existing application issues relating to the offset of financial assets and financial liabilities requirements. Specifically, the amendments clarify the meaning of "currently has a legally enforceable right of set-off" and "simultaneous realisation and settlement".

The amendments to HKFRS 7 require entities to disclose information about rights of offset and related arrangements (such as collateral posting requirements) for financial instruments under an enforceable master netting agreement or similar arrangement.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

31 December 2012

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

HKFRS 7 and HKAS 32 (Amendments) Offsetting Financial Assets and Financial Liabilities and the related disclosures *(Continued)*

The amendments to HKFRS 7 are effective for annual periods beginning on or after 1 January 2013 and interim periods within those annual periods. The disclosures should be provided retrospectively for all comparative periods. However, the amendments to HKAS 32 are not effective until annual periods beginning on or after 1 January 2014, with retrospective application required.

HKAS 1 (Amendments) Presentation of Items of Other Comprehensive Income

The amendments to HKAS 1 introduce new terminology for the statement of comprehensive income and income statement. Under the amendments to HKAS 1, a statement of comprehensive income is renamed as a statement of profit or loss and other comprehensive income and an income statement is renamed as a statement of profit or loss. 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 items of other comprehensive income to be grouped into two categories in the other comprehensive income section: (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 do not change the option to present items of other comprehensive income either before tax or net of tax.

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.

Annual Improvements to HKFRSs 2009–2011 Cycle issued in June 2012

The *Annual Improvements to HKFRSs 2009–2011 Cycle* include a number of amendments to various HKFRSs. The amendments are effective for annual periods beginning on or after 1 January 2013. Amendments to HKFRSs include:

- amendments to HKAS 1 *Presentation of Financial Statements*;
- amendments to HKAS 16 *Property, Plant and Equipment*; and
- amendments to HKAS 32 *Financial Instruments: Presentation*.

HKAS 1 (Amendments)

HKAS 1 requires an entity that changes accounting policies retrospectively, or makes a retrospective restatement or reclassification to present a statement of financial position as at the beginning of the preceding period (third statement of financial position). The amendments to HKAS 1 clarify that an entity is required to present a third statement of financial position only when the retrospective application, restatement or reclassification has a material effect on the information in the third statement of financial position and that related notes are not required to accompany the third statement of financial position.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

31 December 2012

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

Annual Improvements to HKFRSs 2009–2011 Cycle issued in June 2012 *(Continued)*

HKAS 16 (Amendments)

The amendments to HKAS 16 clarify that spare parts, stand-by equipment and servicing equipment should be classified as property, plant and equipment when they meet the definition of property, plant and equipment in HKAS 16 and as inventory otherwise.

HKAS 32 (Amendments)

The amendments to HKAS 32 clarify that income tax on distributions to holders of an equity instrument and transaction costs of an equity transaction should be accounted for in accordance with HKAS 12 *Income Taxes*.

Amendments to HKFRS 10, HKFRS 12 and HKAS 27 (2011) — Investment Entities

The Investment Entities amendments apply to a particular class of business that qualify as investment entities. The term 'investment entity' refers to an entity whose business purpose is to invest funds solely for returns from capital appreciation, investment income or both. An investment entity must also evaluate the performance of its investments on a fair value basis. Such entities could include private equity organisations, venture capital organisations, pension funds, sovereign wealth funds and other investment funds.

Under HKFRS 10, reporting entities were required to consolidate all investees that they control (i.e. all subsidiaries). Preparers and users of financial statements have suggested that consolidating the subsidiaries of investment entities does not result in useful information for investors. Rather, reporting all investments, including investments in subsidiaries, at fair value, provides the most useful and relevant information.

In response to this, the amendments provide an exception to the consolidation requirements in HKFRS 10 and require investment entities to measure particular subsidiaries at fair value through profit or loss, rather than consolidate them. The amendments also set out disclosure requirements for investment entities.

The amendments are effective from 1 January 2014 with early adoption permitted in order to allow investment entities to apply the amendments at the same time they first apply the rest of HKFRS 10.

HK(IFRIC)–Int 20 Stripping Costs in the Production Phase of a Surface Mine

HK(IFRIC)–Int 20 *Stripping Costs in the Production Phase of a Surface Mine* applies to waste removal costs that are incurred in surface mining activity during the production phase of the mine (production stripping costs). Under the Interpretation, the costs from this waste removal activity (stripping) which provide improved access to ore is recognised as a non-current asset (stripping activity asset) when certain criteria are met, whereas the costs of normal on-going operational stripping activities are accounted for in accordance with HKAS 2 *Inventories*. The stripping activity asset is accounted for as an addition to, or as an enhancement of, an existing asset and classified as tangible or intangible according to the nature of the existing asset of which it forms part.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

31 December 2012

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

HK(IFRIC)–Int 20 Stripping Costs in the Production Phase of a Surface Mine *(Continued)*

HK(IFRIC)–Int 20 is effective for annual periods beginning on or after 1 January 2013. Specific transitional provisions are provided to entities that apply HK(IFRIC)–Int 20 for the first time. However, HK(IFRIC)–Int 20 must be applied to production stripping costs incurred on or after the beginning of the earliest period presented. The directors anticipate that HK(IFRIC)–Int 20 will have no effect to the Group's financial statements as the Group does not engage in such activities.

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 result of operations and financial position.

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. Historical cost is generally based on the fair value of the consideration given in exchange for assets.

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 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.

Income and expenses of subsidiaries acquired or disposed of during the year/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.

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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

31 December 2012

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

(a) Basis of consolidation *(Continued)*

Changes in the Group's ownership interests in existing subsidiaries *(Continued)*

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.

(b) 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 sharebased 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.

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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

31 December 2012

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

(b) Business combination *(Continued)*

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.

(c) 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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

31 December 2012

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

(c) Goodwill *(Continued)*

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.

(d) 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.

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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

31 December 2012

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

(e) 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.

Rental income under operating lease is recognised on a straight line basis over the relevant lease term.

(f) 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 straight line 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%
Plant and machinery	:	20%
Motor vehicles	:	20%–30%
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.

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 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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

31 December 2012

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

(g) 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.

(h) 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.

(i) 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.

(j) 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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

31 December 2012

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

(j) Leasing *(Continued)*

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.

(k) 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.

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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

31 December 2012

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

(k) Foreign currencies translation *(Continued)*

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.

(l) 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.

(m) 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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

31 December 2012

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

(m) Share option expenses *(Continued)*

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.

(n) Taxation

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

The tax currently payable is based on taxable profit for the year. Taxable profit differs from profit before tax 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.

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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

31 December 2012

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

(n) Taxation *(Continued)*

For the purposes of measuring deferred tax liabilities or deferred tax assets for investment properties that are measured using the fair value model, the carrying amounts of such properties are presumed to be recovered entirely through sale, unless the presumption is rebutted. The presumption is rebutted when the investment property is depreciable and is held within a business model whose objective is to consume substantially all of the economic benefits embodied in the investment property over time, rather than through sale.

Current and deferred tax are 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 are 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.

(o) 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.

(p) 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 fair value through profit or loss (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 2012

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

(p) 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, pledged deposits 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 2012

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

(p) 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 2012

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

(p) 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 2012

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

(p) Financial instruments *(Continued)*

Derecognition *(Continued)*

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.

(q) 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.

(r) 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.

(s) 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 2012

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

(t) 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.

(u) 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 2012

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

(v) 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.

(w) 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 2012

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;

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

(iii) net rental income of the properties derived from the existing leases and/or achievable in the existing market with due allowance for the reversionary income potential of the leases, which have been then capitalised to determine the market value at an appropriate capitalisation rate.

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 2012

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

(e) Useful lives and impairment of intangible assets

In accordance with HKAS 38, the Group estimates whether the useful lives of intangible assets are finite or indefinite. The intangible assets were regarded by the Group as having indefinite useful life when, based on an analysis of all of the relevant factors, there is no foreseeable limit to the period over which the assets are expected to generate net cash inflows for the entity. The Group performs annual reviews to determine whether events and circumstances continue to support an indefinite useful lives assessment for the 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 HK$285,334,000 (31 December 2011: HK$316,693,000) after an impairment loss of HK$34,450,000 (31 December 2011: HK$5,550,000) was recognised for the year. 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 year, no impairments on inventories were made.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

31 December 2012

5. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

(a) Categories of financial instruments

The Group

	31 December 2012 ***HK$'000***	31 December 2011 *HK$'000*
Financial assets		
Loan and receivables (including cash and bank balances)		
— Trade receivables	**–**	46
— Other receivables	**24,667**	21,731
— Pledged deposits	**–**	49,300
— Cash and bank balances	**634,146**	29,485
	658,813	100,562
Available-for-sale investment	**196,072**	73,950
	854,885	174,512
Financial liabilities		
Amortised costs		
— Trade, bills and other payables	**20,321**	108,273
— Promissory note	**–**	84,654
— Borrowings	**212,820**	129,995
	233,141	322,922

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

31 December 2012

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

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

The Company

	31 December 2012 ***HK$'000***	31 December 2011 *HK$'000*
Financial assets		
Loan and receivables (including cash and bank balances)		
— Amounts due from subsidiaries	**1,697,833**	1,268,059
— Cash and bank balances	**497,953**	132
	2,195,786	1,268,191
Financial liabilities		
Amortised costs		
— Amounts due to subsidiaries	**311,099**	71,002
— Other payables	**2,338**	3,403
— Promissory note	**–**	84,654
— Borrowings	**1,000**	6,746
	314,437	165,805

(b) Financial risk management objectives and policies

The Group's financial instruments include trade and other receivables, pledged bank 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 2012

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, the PRC and Madagascar and is exposed to foreign exchange risk arising from various currency exposures, primarily with respect to US dollars and Renminbi ("RMB"). 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 35) 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 pre-tax loss for the year would increase/decrease by HK$4,223,000 (for the 9 months ended 31 December 2011: HK$513,000). This is mainly attributable to the Group's exposure to interest rates on its bank deposits, bank borrowings and pledged deposits.

Credit risk

The carrying amounts of other receivables 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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

31 December 2012

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

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

Credit risk *(Continued)*

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.

	Weighted average interest rate	On demand or less than 1 year	1-5 years	Over 5 years	Total undiscounted cash flows	Total carrying amount
	%	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
31 December 2012						
Non-derivative financial liabilities						
Trade, bills and other payables	**–**	**20,321**	**–**	**–**	**20,321**	**20,321**
Borrowings	**6.23**	**218,948**	**–**	**–**	**218,948**	**212,820**
		239,269	**–**	**–**	**239,269**	**233,141**
31 December 2011						
Non-derivative financial liabilities						
Trade, bills and other payables	–	108,273	–	–	108,273	108,273
Promissory note	–	84,654	–	–	84,654	84,654
Borrowings	6.93	133,045	–	–	133,045	129,995
		325,972	–	–	325,972	322,922

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

31 December 2012

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

(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 hierarchy 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).

(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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

31 December 2012

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 12 months ended 31 December 2012 and the 9 months ended 31 December 2011, the Group's strategy was to maintain a low gearing ratio. The gearing ratio at 31 December 2012 and 31 December 2011 were as follows:

	31 December 2012 ***HK$'000***	31 December 2011 *HK$'000*
Total liabilities	**576,803**	443,676
Total equity	**9,702,724**	8,966,362
Gearing ratio	**5.9%**	4.9%

7. SEGMENT INFORMATION

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

(a) the supply and procurement operation segment involves trading and distribution 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 12 months ended 31 December 2012 and the 9 months ended 31 December 2011, this segment did not generate any revenue or profit to the Group.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

31 December 2012

7. SEGMENT INFORMATION *(Continued)*

Segment revenue and results

	Supply and procurement operation		Oil and gas exploration, exploitation and operation		Consolidated	
	12 months ended 31 December 2012 HK$'000	9 months ended 31 December 2011 HK$'000	**12 months ended 31 December 2012 HK$'000**	9 months ended 31 December 2011 HK$'000	**12 months ended 31 December 2012 HK$'000**	9 months ended 31 December 2011 HK$'000
Segment revenue:						
Sales to external customers	**7,572,880**	512,210	**–**	–	**7,572,880**	512,210
Segment results	**20,330**	26,744	**(3,945)**	(8,064)	**16,385**	18,680
Other revenue					**4,790**	650
Equity-settled share option expenses					**(183)**	(145,561)
Gain on derecognition of a subsidiary					**14,809**	–
Loss on sale of equity interest on available-for-sale investment					**(26,378)**	–
Net gain on disposal of subsidiaries					**–**	19,954
Reimbursement of share option expenses					**–**	4,050
Investment property written off					**(3,105)**	–
Fair value change on investment properties					**(2,879)**	(390)
Impairment of intangible assets					**(34,450)**	(5,550)
Unallocated corporate expenses					**(28,447)**	(29,025)
Loss from operating activities					**(59,458)**	(137,192)
Finance costs					**(16,010)**	(1,631)
Loss before taxation					**(75,468)**	(138,823)
Taxation					**(1,785)**	(5,465)
Loss for the year/period					**(77,253)**	(144,228)

Revenue reported was generated from external customers. There were no inter-segment sales for the year (for the 9 months ended 31 December 2011: Nil).

Segment results represent the profit earned/(loss incurred) by each segment without allocation of other revenue and corporate expenses, finance costs, equity-settled share option expenses, gain on derecognition of a subsidiary, loss on sale of equity interest on available-for-sale investment, investment property written off, fair value change on investment properties and impairment of intangible assets. 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 2012

7. SEGMENT INFORMATION *(Continued)*

Segment assets and liabilities

	Supply and procurement operation		Oil and gas exploration, exploitation and operation		Consolidated	
	31 December 2012 HK$'000	31 December 2011 HK$'000	**31 December 2012 HK$'000**	31 December 2011 HK$'000	**31 December 2012 HK$'000**	31 December 2011 HK$'000
Segment assets	**931,650**	692,828	**8,846,214**	8,709,141	**9,777,864**	9,401,969
Unallocated assets					**501,663**	8,069
Total assets					**10,279,527**	9,410,038
Segment liabilities	**562,763**	343,754	**7,734**	1,672	**570,497**	345,426
Unallocated liabilities					**6,306**	98,250
Total liabilities					**576,803**	443,676

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

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

Other segment information

	Supply and procurement operation		Oil and gas exploration, exploitation and operation		Unallocated		Consolidated	
	12 months ended 31 December 2012 HK$'000	9 months ended 31 December 2011 HK$'000	**12 months ended 31 December 2012 HK$'000**	9 months ended 31 December 2011 HK$'000	**12 months ended 31 December 2012 HK$'000**	9 months ended 31 December 2011 HK$'000	**12 months ended 31 December 2012 HK$'000**	9 months ended 31 December 2011 HK$'000
Other segment information:								
Depreciation	**5,115**	669	**1,503**	271	**407**	541	**7,025**	1,481
Amortisation	**502**	82	**20**	15	**–**	–	**522**	97
Capital expenditure	**5,812**	369	**642**	278	**28**	714	**6,482**	1,361

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

31 December 2012

7. SEGMENT INFORMATION *(Continued)*

Revenue from major products and services

The Group's revenue from its major products and services were from trading and distribution of oil related 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	
	12 months ended 31 December 2012	9 months ended 31 December 2011	**31 December 2012**	31 December 2011
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*
The PRC	**7,572,880**	512,210	**525,617**	475,172
Hong Kong	**–**	–	**581**	53,534
Madagascar	**–**	–	**8,777,706**	8,664,804
	7,572,880	512,210	**9,303,904**	9,193,510

Information about major customer

Included in revenues arising from trading and distribution of oil related products of HK$5,155,008,000 for the year (for the 9 months ended 31 December 2011: HK$368,250,000) are revenues arose from the largest customer which account for 68% (for the 9 months ended 31 December 2011: 72%) of the Group's total revenue.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

31 December 2012

8. TURNOVER AND OTHER REVENUE

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

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

	12 months ended 31 December 2012 *HK$'000*	9 months ended 31 December 2011 *HK$'000*
Turnover		
Trading and distribution of oil related products	**7,572,880**	512,210
Other revenue		
Bank interest income	**2,579**	339
Rental income	**2,210**	311
Others	**1**	–
	4,790	650

9. OTHER GAINS AND LOSSES

	12 months ended 31 December 2012 *HK$'000*	9 months ended 31 December 2011 *HK$'000*
Gain on derecognition of a subsidiary	**14,809**	–
Net gain on disposal of subsidiaries	**–**	19,954
Reimbursement of share option expenses	**–**	4,050
Fair value change on investment properties	**(2,879)**	(390)
Impairment loss of intangible assets	**(34,450)**	(5,550)
Loss on sale of equity interest on available-for-sale investment	**(26,378)**	–
Investment property written off	**(3,105)**	–
	(52,003)	18,064

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

31 December 2012

10. LOSS FROM OPERATING ACTIVITIES

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

	12 months ended 31 December 2012 *HK$'000*	9 months ended 31 December 2011 *HK$'000*
Cost of inventories sold	**7,530,644**	478,856
Auditors' remuneration	**1,000**	1,000
Depreciation of property, plant and equipment	**7,025**	1,481
Amortisation of prepaid lease payments	**522**	97
Minimum lease payments under operating leases of rented premises	**5,095**	3,304
Loss on disposal of property, plant and equipment	**983**	184
Staff costs (including Directors' remuneration)		
— Salaries and wages	**11,494**	8,380
— Pension scheme contributions	**121**	122
Equity-settled share option expenses	**183**	145,561

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

31 December 2012

11. DIRECTORS' REMUNERATION

The board of directors of the Company is currently composed of 8 executive directors and 4 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	
	12 months ended 31 December 2012 *HK$'000*	9 months ended 31 December 2011 *HK$'000*	**12 months ended 31 December 2012 *HK$'000***	9 months ended 31 December 2011 *HK$'000*	**12 months ended 31 December 2012 *HK$'000***	9 months ended 31 December 2011 *HK$'000*	**12 months ended 31 December 2012 *HK$'000***	9 months ended 31 December 2011 *HK$'000*
Executive directors								
Mr. Zhang Kaiyong *(Chairman)* (appointed on 1 April 2012)	**–**	–	**187**	–	**–**	–	**187**	–
Dr. William Rakotoarisaina *(Vice Chairman)*	**–**	–	**250**	187	**–**	–	**250**	187
Mr. Ren Yansheng *(Chief Executive Officer)* (appointed on 10 April 2012)	**–**	–	**1,800**	–	**–**	–	**1,800**	–
Mr. Hui Bo *(Vice President)* (appointed on 1 April 2012)	**–**	–	**187**	–	**–**	–	**187**	–
Mr. Shen Hao	**–**	–	**250**	187	**–**	–	**250**	187
Mr. Feng Da Wei	**–**	–	**250**	187	**–**	–	**250**	187
Mr. Yang Jie (appointed on 1 April 2012)	**–**	–	**187**	–	**–**	–	**187**	–
Mr. To Kwan (appointed on 1 April 2012)	**–**	–	**187**	–	**8**	–	**195**	–
Dr. Zhuo Ze Fan (resigned on 1 April 2012)	**–**	–	**62**	187	**3**	9	**65**	196
Mr. Hu Zhongmin (resigned on 1 April 2012)	**–**	–	**62**	187	**–**	–	**62**	187
Ms. Xie Yiping (resigned on 1 April 2012)	**–**	–	**62**	187	**–**	–	**62**	187
Mr. Liu Xingyuan (resigned on 1 April 2012)	**–**	–	**62**	187	**–**	–	**62**	187
Mr. Li Jiangdong (passed away on 26 January 2012)	**–**	–	**21**	187	**–**	–	**21**	187
Independent non-executive directors								
Mr. Ng Wing Ka	**128**	96	**–**	–	**–**	–	**128**	96
Mr. Leung Ting Yuk	**128**	96	**–**	–	**–**	–	**128**	96
Mr. Sun Liming (appointed on 1 April 2012)	**96**	–	**–**	–	**–**	–	**96**	–
Dr. Mu Guodong (appointed on 28 December 2012)	**–**	–	**–**	–	**–**	–	**–**	–
Mr. Ng Tang (resigned on 1 April 2012)	**32**	96	**–**	–	**–**	–	**32**	96
	384	288	**3,567**	1,496	**11**	9	**3,962**	1,793

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

31 December 2012

11. DIRECTORS' REMUNERATION *(Continued)*

The remuneration of the Directors fell with the following bands:

	Number of Directors	
	12 months ended 31 December 2012	9 months ended 31 December 2011
HK$		
Nil–1,000,000	**17**	11
1,000,001–1,500,000	**–**	–
1,500,001–2,000,000	**1**	–
	18	11

Included in the Directors' remuneration were fees of HK$384,000 (for the 9 months ended 31 December 2011: HK$288,000) paid to independent non-executive Directors. No fees were paid to executive Directors and non-executive Directors for the year (for the 9 months ended 31 December 2011: Nil).

During the year, no bonus was paid to the Directors (for the 9 months ended 31 December 2011: Nil). No Directors waived or agreed to waive any remuneration during the year (for the 9 months ended 31 December 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 9 months ended 31 December 2011: Nil).

During the year, 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 9 months ended 31 December 2011: Nil).

12. SENIOR MANAGEMENT'S EMOLUMENTS AND INDIVIDUALS WITH HIGHEST EMOLUMENTS

(a) Five highest paid individuals

The five individuals with the highest emoluments, two (for the 9 months ended 31 December 2011: nil) are Directors whose emoluments are disclosed in Note 11. One of the Director was previously employed as the senior management of the Group before 31 March 2012. The aggregate of the emoluments in respect of the other three (for the 9 months ended 31 December 2011: five) individuals, included two (for the 9 months ended 31 December 2011: three) of senior management and the emoluments of the Director taking the position of senior management before appointment as director are as follows:

	12 months ended 31 December 2012 *HK$'000*	9 months ended 31 December 2011 *HK$'000*
Basic salaries and bonuses	**2,640**	3,045
Mandatory provident fund contributions	**31**	45
	2,671	3,090

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

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12. SENIOR MANAGEMENT'S EMOLUMENTS AND INDIVIDUALS WITH HIGHEST EMOLUMENTS *(Continued)*

(a) Five highest paid individuals *(Continued)*

The emoluments of the three (for the 9 months ended 31 December 2011: five) individuals, included two (for the 9 months ended 31 December 2011: three) of senior management, with the highest emoluments are within the following band:

	Number of individuals	
	12 months ended 31 December 2012	9 months ended 31 December 2011
HK$		
Nil–1,000,000	**2**	4
1,000,001–1,500,000	**1**	1
	3	5

(b) Senior management of the Company

The emoluments of the senior management of the Company are within the following band:

	Number of individuals	
	12 months ended 31 December 2012	9 months ended 31 December 2011
HK$		
Nil–1,000,000	**1**	3
1,000,001–1,500,000	**1**	–
	2	3

During the year, no bonus was paid to the five highest paid individuals of the Group (for the 9 months ended 31 December 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 9 months ended 31 December 2011: Nil).

During the year, no share options to subscribe for ordinary shares of the Company were granted to employees under the Company's share option scheme (for the 9 months ended 31 December 2011: Nil).

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13. FINANCE COSTS

	12 months ended 31 December 2012 ***HK$'000***	9 months ended 31 December 2011 *HK$'000*
Interest expenses on bank borrowings wholly repayable within five years	**16,010**	1,631

14. TAXATION

No provision for Hong Kong profits tax has been made as the Group did not have any assessable profits in Hong Kong for the year (for the 9 months ended 31 December 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.

	12 months ended 31 December 2012 ***HK$'000***	9 months ended 31 December 2011 *HK$'000*
Current taxation		
Charge for the year/period — Overseas	**3,357**	5,659
Deferred taxation		
Credit for the year/period	**(1,572)**	(194)
Total tax charged for the year/period	**1,785**	5,465

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

31 December 2012

14. TAXATION *(Continued)*

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

The Group — for the 12 months ended 31 December 2012

	Hong Kong		The PRC		Macau		Madagascar		Total	
	HK$'000	*%*	*HK$'000*	*%*	*HK$'000*	*%*	*HK$'000*	*%*	*HK$'000*	*%*
(Loss)/profit before taxation	**102,458**		**(559)**		**(111,551)**		**(65,816)**		**(75,468)**	
Tax at applicable income tax rate	**16,906**	**16.5**	**(140)**	**(25.0)**	**(13,386)**	**(12.0)**	**(13,821)**	**(21.0)**	**(10,441)**	**(13.8)**
Tax effect of expenses and income not deductible or taxable	**(20,619)**	**(20.1)**	**2,714**	**485.5**	**13,386**	**12.0**	**12,997**	**19.7**	**8,478**	**11.2**
Tax effect of temporary difference	**61**	**0.1**	**(720)**	**(128.8)**	**–**	**–**	**–**	**–**	**(659)**	**(0.9)**
Tax effect of tax loss not recognised	**3,652**	**3.5**	**964**	**172.4**	**–**	**–**	**824**	**1.3**	**5,440**	**7.2**
Utilisation of tax loss previously not recognised	**–**	**–**	**(976)**	**(174.6)**	**–**	**–**	**–**	**–**	**(976)**	**(1.3)**
Effect on deferred tax resulting from change in tax rate	**–**	**–**	**–**	**–**	**–**	**–**	**(57)**	**(0.1)**	**(57)**	**(0.1)**
Tax charge/(credit) for the year	**–**	**–**	**1,842**	**329.5**	**–**	**–**	**(57)**	**(0.1)**	**1,785**	**2.3**

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/(credit) for the period	–	–	5,608	27.9	–	–	(143)	(1.0)	5,465	3.9

15. LOSS ATTRIBUTABLE TO OWNERS OF THE COMPANY

The consolidated loss attributable to owners of the Company for the year includes a loss of HK$16,520,000 (for the 9 months ended 31 December 2011: loss of HK$158,112,000) which has been dealt with in the financial statements of the Company.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

31 December 2012

16. DIVIDENDS

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

17. LOSS PER SHARE

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

	12 months ended 31 December 2012 ***HK$'000***	9 months ended 31 December 2011 *HK$'000*
Loss		
Loss attributable to the owners of the Company for the purpose of basic and diluted loss per share	**(77,656)**	(149,335)

	12 months ended 31 December 2012 ***'000***	9 months ended 31 December 2011 *'000*
Number of shares		
Weighted average number of ordinary shares for the purpose of basic and diluted loss per share	**6,857,048**	6,369,619

Diluted loss per share for the year 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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

31 December 2012

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 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)
Exchange differences	956	22	–	(7)	35	1,006
At 31 December 2011 and 1 January 2012	132,660	2,999	1,411	5,127	4,925	147,122
Additions	39	18	921	1,749	3,755	6,482
Written off/disposal	–	–	(673)	(4,211)	–	(4,884)
Transfer to investment properties *(Note)*	(1,078)	–	–	–	–	(1,078)
Exchange differences	1,432	223	10	12	52	1,729
At 31 December 2012	133,053	3,240	1,669	2,677	8,732	149,371
Accumulated depreciation						
At 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)
Exchange differences	10	4	(6)	(4)	–	4
At 31 December 2011 and 1 January 2012	553	99	313	2,282	–	3,247
Charge for the year	4,461	402	731	1,431	–	7,025
Eliminated on written off/disposal	–	–	(267)	(3,275)	–	(3,542)
Eliminated on transfer *(Note)*	(26)	–	–	–	–	(26)
Exchange differences	4	191	9	–	–	204
At 31 December 2012	4,992	692	786	438	–	6,908
Net book value						
At 31 December 2012	**128,061**	**2,548**	**883**	**2,239**	**8,732**	**142,463**
At 31 December 2011	132,107	2,900	1,098	2,845	4,925	143,875

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

31 December 2012

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

The Group *(Continued)*

Note:

During the year, a property with an aggregate fair value of HK$1,554,000 was transfer from property, plant and equipment to investment properties. The difference between the fair value of these properties and their carrying value at the date of transfer amounting to HK$502,000 has been dealt with in revaluation reserve.

No property, plant and equipment (31 December 2011: buildings and plant and machinery with carrying amount of HK$26,533,000) has been pledged to secure the bank borrowings granted to the Group.

The Company

	Furniture, fixtures and equipment *HK$'000*
Cost	
At 1 April 2011	276
Additions	16
At 31 December 2011 and 1 January 2012	292
Written off/disposal	(17)
At 31 December 2012	275
Accumulated depreciation	
At 1 April 2011	58
Charge for the period	8
At 31 December 2011 and 1 January 2012	66
Charge for the year	58
Eliminated on written off/disposal	(3)
At 31 December 2012	121
Net book value	
At 31 December 2012	**154**
At 31 December 2011	226

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

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19. PREPAID LEASE PAYMENTS

The Group

	31 December 2012 ***HK$'000***	31 December 2011 *HK$'000*
The Group's prepaid lease payments comprise:		
Land outside Hong Kong under medium term lease	**21,471**	21,764
Analysed for reporting purposes as:		
Current assets (include in prepayments, deposits and other receivables) *(Note 29)*	**522**	517
Non-current assets	**20,949**	21,247
	21,471	21,764
Analysed for reporting purposes as:		
At the beginning of the year/period	**21,764**	916
Acquisition of subsidiaries	**–**	20,796
Amortisation for the year/period	**(522)**	(97)
Exchange differences	**229**	149
At end of the year/period	**21,471**	21,764

Amortisation on prepaid lease payments of HK$522,000 (for the 9 months ended 31 December 2011: HK$97,000) have been charged to the administrative expenses in profit or loss for the year.

No prepaid lease payments (31 December 2011: carrying amount of HK$15,262,000) have been pledged to secure the bank borrowings granted to the Group.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

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20. INVESTMENT PROPERTIES

The Group

	HK$'000
Fair value	
At 1 April 2011	7,800
Acquisition of subsidiaries	32,012
Fair value changes	(390)
Exchange differences	230
At 31 December 2011 and 1 January 2012	39,652
Written off	(3,105)
Transfer from property, plant and equipment	1,554
Fair value changes	(2,879)
Exchange differences	(525)
At 31 December 2012	**34,697**

The fair values of the Group's investment properties at 31 December 2012 and 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"), 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 and income approach.

The properties are either leased out in return of receiving rental income or 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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

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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 2011	–	249,842	249,842
Acquisition of subsidiaries	280,227	–	280,227
Exchange differences	2,016	–	2,016
At 31 December 2011 and 1 January 2012	282,243	249,842	532,085
Exchange differences	3,091	–	3,091
31 December 2012	285,334	249,842	535,176
Accumulated impairment			
At 1 April 2011	–	209,842	209,842
Impairment loss recognised during the period	–	5,550	5,550
At 31 December 2011 and 1 January 2012	–	215,392	215,392
Impairment loss recognised during the year	–	34,450	34,450
31 December 2012	–	249,842	249,842
Carrying amount			
At 31 December 2012	**285,334**	**–**	**285,334**
At 31 December 2011	282,243	34,450	316,693

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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

31 December 2012

21. INTANGIBLE ASSETS *(Continued)*

Petroleum related business licence

The business licence has a remaining legal life of approximately one year but is renewable every five to seven years by paying a fee of approximately HK$1,014,000. During the year, the Group carried out a review of the recoverable amount of its petroleum related business licence. As the Directors considered that the Group are expected not to allocate the resources for the development of the business of import, transportation and distribution of petroleum in Madagascar within the remaining legal life, therefore, the review led to the recognition of an impairment loss of HK$34,450,000 (for the 9 months ended 31 December 2011: HK$5,550,000) that has been recognised in profit or loss for the year. The recoverable amount of the petroleum related business licence has been determined based on approved cash flow projections covering the remaining legal life. The discount rate used in measuring value in use was 18% (31 December 2011: 16%).

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, 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 Yanchang"), the indirect non-wholly owned subsidiary of the Company, as the customer has agreed to purchase the refined oil for three years starting from 26 July 2011. Details please refer to the announcements dated on 26 July 2011 and 1 November 2011.

The Supply Agreement has a remaining legal life of one year 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 year, the Group carried out a review of the recoverable amount of its Supply Agreement. No impairment loss was recognised for the year. The recoverable amount of the Supply Agreement has been determined based on approved cash flow projections covering 4-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 16.3% (31 December 2011: 22.00%).

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

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22. EXPLORATION AND EVALUATION ASSETS

The Group

	HK$'000
Cost	
At 1 April 2011	12,238,815
Additions arising from jointly controlled operation	64,919
At 31 December 2011 and 1 January 2012	12,303,734
Additions arising from jointly controlled operation	26,296
At 31 December 2012	12,330,030
Impairment	
At 1 April 2011, 31 December 2011 and 1 January 2012 and 31 December 2012	3,757,059
Carrying amount	
At 31 December 2012	**8,572,971**
At 31 December 2011	8,546,675

Notes:

(i) The exploration and evaluation assets represent (i) 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 (ii) 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, the ultimate holding company of the Company, 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 the Group, Yanchang Petroleum and ECO.

(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 for the 12 months ended 31 December 2012 and the 9 months ended 31 December 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 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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

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23. AVAILABLE-FOR-SALE INVESTMENT

The Group

	31 December 2012 ***HK$'000***	31 December 2011 *HK$'000*
Unlisted investment, equity securities	**196,072**	73,950

As at 31 December 2011, the Group originally held 10% of the equity interests of Gold Grand Investment Limited ("Gold Grand"), a company established in Madagascar, at cost of HK$73,950,000.

On 6 January 2012, the Group and Jubilee Star Holdings Limited ("Jubilee Star"), an independent third party of the Group, entered into an agreement to acquire further 30% equity interests in Gold Grand. Pursuant to the agreement, the total consideration for the acquisition was HK$333,060,000 which was satisfied by issuing 300,000,000 shares of the Company (the share price of the Company at the completion date was HK$0.495) and a non-interest bearing promissory note (the "Promissory Note") of principal amount of RMB150,000,000 (approximately of HK$184,560,000) with maturity of 6 months. After further acquisition of 30% equity interests in Gold Grand, the Group was beneficially interested in 40% of the equity interests in Gold Grand.

Later on, the Group and Jubilee Star entered into a supplemental agreement on 31 May 2012 and agreed that the Promissory Note of principal amount of RMB150,000,000 was fully redeemed by the Company while the equity interests acquired by the Group in Gold Grand was amended from 30% to 11%. The cost of the disposed 19% equity interests in Gold Grand was HK$210,938,000. As a result, there was a loss of HK$26,378,000 arising on sale of available-for-sale investment.

The Board does not believe that the Group is able to exercise significant influence over Gold Grand, as the remaining equity interests were held by one shareholder, who also manages the day-to-day operations of Gold Grand. Therefore, the investment in Gold Grand was not classified as investment in an associate during the year.

Please refer to the Company's announcement dated on 10 January 2012 and 31 May 2012 for the details of the transactions.

The equity securities are stated at cost less impairment loss at the end of the reporting period. The Directors are of the opinion that no impairment is needed as at 31 December 2012.

24. GOODWILL

The Group

	31 December 2012 ***HK$'000***	31 December 2011 *HK$'000*
Cost/carrying amount		
At the beginning of the year/period	**51,418**	–
Additions recognised from business combinations occurring during the year/period *(Note 37)*	**–**	51,418
At the end of the year/period	**51,418**	51,418

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

31 December 2012

24. GOODWILL *(Continued)*

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

The carrying amount of goodwill (net of impairment losses) at 31 December 2012 allocated to the cash generating unit is as follow:

	31 December 2012 ***HK$'000***	31 December 2011 *HK$'000*
Trading and distribution of oil related products	**51,418**	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 4-year period. The discount rate used is 16.3% (31 December 2011: 16.3%). Cash flows beyond 4-year period is extrapolated using a steady rate of 3% per annum.

Note:

During the year, trading and distribution of oil related products belongs to supply and procurement operation segment to the Group's business.

25. INTERESTS IN SUBSIDIARIES

The Company

	31 December 2012 ***HK$'000***	31 December 2011 *HK$'000*
Unlisted shares, at cost	**4,847,011**	4,847,002
Less: Provision for impairment loss on investments in subsidiaries *(Note)*	**(250,289)**	–
	4,596,722	4,847,002
Amounts due from subsidiaries	**1,718,421**	1,273,339
Less: Provision for impairment loss on amounts due from subsidiaries *(Note)*	**(20,588)**	(5,280)
	1,697,833	1,268,059
	6,294,555	6,115,061
Amounts due to subsidiaries	**311,099**	71,002

The amounts due from subsidiaries are unsecured, interest-free and not recoverable 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

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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 2012 and 31 December 2011, the Directors considered that the investments in subsidiaries and amounts due from subsidiaries would not be recoverable, and thus they conclude it is appropriate to make provision for impairment loss.

Movement in provision for impairment loss on investments in subsidiaries is as follows:

	31 December 2012 ***HK$'000***	31 December 2011 *HK$'000*
At the beginning of the year/period	**–**	–
Impairment loss recognised	**250,289**	–
At the end of the year/period	**250,289**	–

Movement in provision for impairment loss on amounts due from subsidiaries is as follows:

	31 December 2012 ***HK$'000***	31 December 2011 *HK$'000*
At the beginning of the year/period	**5,280**	23,201
Reversal/derecognition of impairment loss	**–**	(17,921)
Impairment loss recognised	**15,308**	–
At the end of the year/period	**20,588**	5,280

Particulars of the principal subsidiaries of the Company as at 31 December 2012 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	Percentage of equity attributable to the Company Indirect	Principal activities
Madagascar Energy International Gas Station Group Limited	Madagascar	Ordinary Ar. 10,000,000	100	–	Import, transportation and distribution of petroleum
Dolaway Group Limited	BVI	Ordinary US$100	100	–	Investment holding
Madagascar Petroleum International Limited	BVI	Ordinary US$1,000	–	100	Oil and gas exploration, exploitation and operation

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

31 December 2012

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		Principal activities
			Direct	Indirect	
Madagascar Energy International Limited	BVI	Ordinary US$1,000	93	7	Oil and gas exploration, exploitation and operation
Forever Peace Investment Limited ("Forever Peace")	Hong Kong	Ordinary HK$1	–	100	Investment holding
Shaanxi Hengtai Energy Technology Development Limited ("Shaanxi Hengtai")	PRC	Paid-up capital RMB30,000,000	–	100	Investment holding
Xian Guotai Basic Energy Development Co., Limited ("Xian Guotai")	PRC	Paid-up capital RMB25,500,000	–	100	Investment holding
Henan Yanchang Petroleum Sales Co., Limited ("Henan Yanchang")	PRC	Paid-up capital RMB35,000,000	–	70	Wholesale, retail, storage and transportation of refined oil
Metro City Group Limited	BVI	Ordinary US$1	100	–	Investment holding
Forever Mind Limited	Hong Kong	Ordinary HK$100	–	100	Investment holding
Shaanxi Sino Union Energy Limited	PRC	Paid-up capital RMB30,000,000	–	100	Inactive
Sino Union Energy (H.K.) Limited	Hong Kong	Ordinary HK$1	–	100	Inactive
Active Sino Group Limited	Hong Kong	Ordinary HK$1	100	–	Provision of management services to the holding company
Sino Union Petroleum & Chemical Import and Export Group Limited*	BVI	Ordinary US$1,000	–	100	Trading of fuel oil

* The subsidiary was derecognised with effect from 1 November 2012.

The above table lists the subsidiaries of the Company which, in the opinion of the Directors, principally affected the results for the year 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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

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26. INTERESTS IN JOINTLY CONTROLLED OPERATION

The Group

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 year ended 31 December 2012, the aggregate amount of assets, liabilities, income and expenses recognised in the consolidated financial statements in relation to interests in jointly controlled operation are as follows:

	31 December 2012 *HK$'000*	31 December 2011 *HK$'000*
Assets	**211,740**	161,129
Liabilities	**(12)**	(13)

	12 months ended 31 December 2012 *HK$'000*	9 months ended 31 December 2011 *HK$'000*
Income	**–**	–
Expenses	**(511)**	–

27. INVENTORIES

The Group

Inventories represented the merchandise of refined oil products at the end of the reporting period.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

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28. TRADE RECEIVABLES

The Group

Trade receivables, which generally have credit terms of 30 days (31 December 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 based on historical experience such receivables 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 2012 *HK$'000*	31 December 2011 *HK$'000*
0 to 30 days	**–**	46

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 2012 *HK$'000*	31 December 2011 *HK$'000*
Prepaid lease payments *(Note 19)*	**522**	517
Prepayments to suppliers of refined oil products	**239,919**	9,677
Other deposits	**70**	78
Other receivables	**24,667**	24,164
	265,178	34,436
Less: Impairment loss of other receivables	**–**	(2,793)
	265,178	31,643

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

31 December 2012

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

The Group *(Continued)*

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

	31 December 2012 *HK$'000*	31 December 2011 *HK$'000*
At the beginning of the year/period	**2,793**	2,793
Written off during the year/period	**(2,793)**	–
At the end of the year/period	**–**	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. PLEDGED DEPOSITS/CASH AND BANK BALANCES

The Group

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 2012	31 December 2011
Pledged deposits	**N/A**	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 2012 were amounts in RMB equivalent to approximately HK$135,864,000 (31 December 2011: approximately HK$6,206,000) which are not freely convertible into other currencies.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

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31. SHARE CAPITAL

Shares

	Number of shares		Share capital	
	31 December 2012 '000	31 December 2011 '000	**31 December 2012 HK$'000**	31 December 2011 HK$'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 year/period, ordinary shares of HK$0.02 each	**6,545,573**	6,319,464	**130,911**	126,389
Consideration shares *(Note i)*	**300,000**	226,109	**6,000**	4,522
Issuance of ordinary shares *(Note ii)*	**1,300,000**	–	**26,000**	–
At the end of the year/period, ordinary shares of HK$0.02 each	**8,145,573**	6,545,573	**162,911**	130,911

Notes:

(i) On 6 January 2012, the Group acquired 30% equity interests of Gold Grand from Jubilee Star, an independent third party, for a consideration of HK$333,060,000. The consideration for the acquisition was satisfied by (i) HK$184,560,000 by way of the Promissory Note; and (ii) HK$148,500,000 by way of 300,000,000 consideration shares at the market price of HK$0.495 per share on the completion date. For details, please refer to the Company's announcement dated 10 January 2012.

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$285,993,000. The consideration for the acquisition was satisfied by (i) HK$36,280,000 of cash; (ii) HK$84,654,000 by way of the promissory note; and (iii) HK$165,060,000 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 1 September 2012, the Company entered into a subscription agreement with its substantial shareholder, Yanchang Petroleum, pursuant to which Yanchang Petroleum agreed to subscribe for and the Company agreed to allot and issue 1,300,000,000 shares in cash at the subscription price of HK$0.51 per share. For details, please refer to the Company's announcement dated 1 September 2012.

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 month period is limited to 1% of the shares of the Company in issue at any time. Any future grant of share options in excess of this limit is subject to shareholders' approval in a general meeting.

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31 December 2012

31. SHARE CAPITAL *(Continued)*

Share Options *(Continued)*

Share Option Scheme *(Continued)*

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.

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

31 December 2012

Name or category of participant	Option type	Number of share options: At 1 January 2012	Granted during the year	Exercised during the year	Forfeited during the year	At 31 December 2012	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	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
		12,000,000	–	–	–	12,000,000				

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

31 December 2012

31. SHARE CAPITAL *(Continued)*

Share Options *(Continued)*

Share Option Scheme *(Continued)*

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				

Note:

At 31 December 2012, the number of shares in respect of which share options had been granted and remained outstanding under the Scheme was 12,000,000 (31 December 2011: 12,000,000), representing 0.14% (31 December 2011: 0.18%) of the shares of the Company in issue at that date. The weighted average exercise price per share as at 31 December 2012 was HK$0.7 (31 December 2011: HK$0.7).

There were no movements in the Company's share options under the Scheme during the year. The Scheme was terminated and replaced by a new scheme as detailed below on 31 May 2012. Option granted prior to such termination will continue to be valid and exercisable in accordance with the rules of the Scheme.

New Share Option Scheme

In view of the termination of the Scheme, the Company has approved for the adoption of a new share option scheme ("the New Scheme") on 31 May 2012.

The New Scheme operates 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 New Scheme included the Directors and other employees of the Group. The New Scheme was adopted on 31 May 2012 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 New Scheme shall not exceed 10% of the share capital of the Company in issue as at the date of approval of the New Scheme. In addition, the maximum number of shares in respect of which share options may be granted to any eligible person within any 12 month period is limited to 1% of the shares of the Company in issue at any time. Any future grant of share options in excess of this limit is subject to shareholders' approval in a general meeting.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

31 December 2012

31. SHARE CAPITAL *(Continued)*

Share Options *(Continued)*

New Share Option Scheme *(Continued)*

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 New 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.

No share option was granted under the New Scheme during the year.

32. RESERVES

The Group

The amounts of the Group's reserves and the movements therein for the current year and prior years are presented in the consolidated statement of changes in equity on page 40 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 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 and 1 January 2012	5,859,769	54,045	159,063	(253,806)	5,819,071
Equity-settled share option expenses	–	–	183	–	183
Issue of ordinary shares	637,000	–	–	–	637,000
Consideration shares	142,500	–	–	–	142,500
Total comprehensive loss for the year	–	–	–	(282,118)	(282,118)
At 31 December 2012	**6,639,269**	**54,045**	**159,246**	**(535,924)**	**6,316,636**

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

31 December 2012

32. RESERVES *(Continued)*

The Company *(Continued)*

Notes:

(i) The share premium account of the Group includes (i) shares issued at premium of HK$4,876,210,000 (31 December 2011: HK$4,030,410,000); and (ii) special reserve of HK$1,763,059,000 (31 December 2011: HK$1,829,359,000). Included in the special reserve debited amount of HK$66,300,000 represents the difference between the fair value and the contracted value of the consideration shares paid for acquisitions of additional interests in available-for-sale investment during the year ended 31 December 2012.

(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 HK$4,394,330,000 at 31 December 2012 (31 December 2011: HK$3,830,649,000), which included the Company's contributed surplus in the amount of HK$54,045,000 (31 December 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 HK$4,876,210,000 at 31 December 2012 (31 December 2011: HK$4,030,410,000), may be distributed in the form of fully paid bonus shares.

(iv) 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.

33. TRADE, BILLS AND OTHER PAYABLES

The Group

	31 December 2012	31 December 2011
	HK$'000	*HK$'000*
Trade payables	–	264
Bills payables	–	98,600
Deposit received in advance from wholesale customers	**250,467**	12,015
Other payables	**20,321**	9,409
	270,788	120,288

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

	31 December 2012	31 December 2011
	HK$'000	*HK$'000*
0 to 30 days	–	264

As at 31 December 2012 and 2011, the trade payables are non-interest bearing and have an average credit period on purchases of one to three months.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

31 December 2012

34. PROMISSORY NOTE

On 1 November 2011, the Group and the Company issued a promissory note in a principal amount of HK$84,654,000 for acquiring the entire issued share capital of Forever Peace. The promissory note is interest-free and was fully repaid during the year.

On 6 January 2012, as part of the consideration for the acquisition of 30% equity interests in Gold Grand, the Company issued another non-interest bearing promissory note of principal amount of RMB150,000,000 (approximately of HK$184,560,000) with maturity of 6 months. Later on, on 31 May 2012, such promissory note was fully redeemed by the Company while the equity interests acquired by the Group in Gold Grand amended from 30% to 11%.

35. BORROWINGS

	The Group		The Company	
	31 December 2012	31 December 2011	**31 December 2012**	31 December 2011
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*
Other borrowing	**1,000**	6,746	**1,000**	6,746
Bank borrowings	**211,820**	123,249	**–**	–
	212,820	129,995	**1,000**	6,746

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

	The Group		The Company	
	31 December 2012	31 December 2011	**31 December 2012**	31 December 2011
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*
Secured	**–**	24,650	**–**	–
Unsecured	**212,820**	105,345	**1,000**	6,746
	212,820	129,995	**1,000**	6,746
Carrying amount repayable:				
Within one year or on demand	**212,820**	129,995	**1,000**	6,746
Interest rate				
Interest free	**1,000**	6,746	**1,000**	6,746
Floating rate	**211,820**	123,249	**–**	–
	212,820	129,995	**1,000**	6,746

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

31 December 2012

35. 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 2012	31 December 2011	**31 December 2012**	31 December 2011
Floating rate	**6.00% to 6.56%**	6.71% to 9.15%	**–**	–

36. 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 2011	–	–	1,345	–	1,345
Acquisition of subsidiaries	7,335	1,772	4,508	70,057	83,672
Exchange differences	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 and 1 January 2012	7,344	1,778	5,742	70,561	85,425
Exchange differences	80	19	33	773	905
Effect on change in tax rate	–	–	(57)	–	(57)
Investment property written off	–	–	(795)	–	(795)
Credited to profit or loss during the year	–	–	(720)	–	(720)
Debited to revaluation reserve during the year	–	–	123	–	123
At 31 December 2012	**7,424**	**1,797**	**4,326**	**71,334**	**84,881**

The Group and the Company did not have any significant unprovided deferred tax liabilities at 31 December 2012 (31 December 2011: Nil).

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

31 December 2012

37. 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, indirectly holds 100% equity interests in Xian Guotai 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$285,993,000. As at the date of completion of the acquisition, the fair value of the cost of the acquisition was of 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 *HK$'000*	Fair value adjustments *HK$'000*	Fair value *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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

31 December 2012

37. 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 promissory note	84,654
Issuance of share options	11,625
Total consideration	256,919
Net cash outflow arising on acquisition:	
Cash and 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) 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.

(iii) 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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

31 December 2012

38. PLEDGED ASSETS

The Group

Assets with the following carrying amounts have been pledged to secure bank borrowings (Note 35) and bill payables (Note 33) of the Group.

	31 December 2012 ***HK$'000***	31 December 2011 *HK$'000*
Pledged deposits *(Note 30)*	–	49,300
Prepaid lease payments *(Note 19)*	–	15,262
Property, plant and equipment *(Note 18)*	–	26,533
	–	91,095

39. 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 HK$121,000 for the 12 months ended 31 December 2012 (for the 9 months ended 31 December 2011: HK$122,000) represented contributions payable to the above schemes by the Group.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

31 December 2012

40. OPERATING LEASE ARRANGEMENTS

The Group as lessee

The Group leased office properties, staff quarters and land under operating lease arrangements. Lease for office properties are negotiated for a term of 2 to 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 2012 *HK$'000*	31 December 2011 *HK$'000*
Within one year	**3,579**	4,477
In the second to fifth year, inclusive	**381**	3,299
Over five years	**50**	148
	4,010	7,924

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 2012 *HK$'000*	31 December 2011 *HK$'000*
Within one year	**1,976**	2,103
In the second to fifth year, inclusive	**7,402**	8,164
Over five years	**839**	2,944
	10,217	13,211

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

31 December 2012

41. COMMITMENTS

The Group had capital commitments to pay sub-pipeline construction fees under Henan Yanchang amounted to HK$2,050,000 in total, which were contracted but not provided for as at 31 December 2012 (31 December 2011: HK$788,000).

42. CONTINGENT LIABILITIES

As at 31 December 2012, the Group and the Company had no contingent liabilities (31 December 2011: Nil).

43. MATERIAL RELATED PARTIES TRANSACTIONS

Save as disclosed elsewhere in the consolidated financial statements, during the year 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

	12 months ended 31 December 2012 ***HK$'000***	9 months ended 31 December 2011 *HK$'000*
Salaries and allowance	**6,591**	4,838
Mandatory provident fund contributions	**47**	54
	6,638	4,892

During the year ended 31 December 2012, the Group had the following connected transactions with related parties:

Name of related parties	**Relationship**	**Nature of transactions**	*HK$'000*
Yanchang Petroleum	Substantial shareholder	Supply of refined oil	6,762,978

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

31 December 2012

44. NON-CASH TRANSACTIONS

On 6 January 2012, as part of the consideration for the acquisition of 30% equity interests in Gold Grand, the Group issued 300,000,000 shares of the Company and a non-interest bearing promissory note of principal amount of RMB150,000,000 (approximately of HK$184,560,000) with maturity of 6 months. Later on, on 31 May 2012, such promissory note was fully redeemed by the Company while the equity interests acquired by the Group in Gold Grand amended from 30% to 11%.

45. EVENTS AFTER THE REPORTING PERIOD

The Group and the Company had no significant event taken place subsequent to the end of the reporting period.

46. APPROVAL FOR CONSOLIDATED FINANCIAL STATEMENTS

The consolidated financial statements were approved and authorised for issue by the board of directors on 28 March 2013.

SCHEDULE OF INVESTMENT PROPERTIES

The particulars of the investment properties at 31 December 2012 are as follows:

Location	Type	Tenure	Attributable interest to 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%
金水紫荊山路16號紫金城寫字樓16層 1601-1609號	Building and car park space	Medium-term lease	70%
新鄭市慶安路北段	Building	Medium-term lease	70%