STRONG PETROCHEMICAL HOLDINGS LIMITED
海峽石油化工控股有限公司*

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

2012/13
Annual Report

* *For identification purposes only*

Contents

Forward-looking statements (the "Statements") contained in this Annual Report (the "Report") relating to the forecast business plans, prospects, financial forecasting, and growth strategies of the Group. These Statements are based on information currently available to the Group and are stated herein on the basis of the outlook at the time of this Report. They are based on certain expectations, assumptions and premises, some of which are subjective or beyond our control. These Statements may prove to be incorrect and may not be realised in future. Underlying these Statements is a large number of risks and uncertainties. In light of the risks and uncertainties, the inclusion of Statements in this Report should not be regarded as representations by the board of directors or the Company that the plans and objectives will be achieved, and investors should not place undue reliance on such statements.

Corporate Information

BOARD OF DIRECTORS

Executive Directors
Mr. WANG Jian Sheng *(Chairman)*
Mr. YAO Guoliang

Independent Non-executive Directors
Ms. CHEUNG Siu Wan
Mr. GUO Yan Jun
Ms. LIN Yan

BOARD COMMITTEES

Audit Committee
Ms. CHEUNG Siu Wan *(Chairman)*
Mr. GUO Yan Jun
Ms. LIN Yan

Remuneration Committee
Ms. LIN Yan *(Chairman)*
Mr. GUO Yan Jun
Mr. WANG Jian Sheng

Nomination Committee
Mr. WANG Jian Sheng *(Chairman)*
Ms. CHEUNG Siu Wan
Mr. GUO Yan Jun

COMPANY SECRETARY

Mr. CHENG Man Wah (Appointed on 11 May 2012 and resigned on 31 July 2012)
Ms. WONG Wai Han (Appointed on 31 July 2012) (Practising Solicitor) (Hong Kong)

AUTHORISED REPRESENTATIVES

Mr. WANG Jian Sheng
Mr. YAO Guoliang

REGISTERED OFFICE

Cricket Square
Hutchins Drive
P.O. Box 2681
Grand Cayman KY1-1111
Cayman Islands

HEAD OFFICE AND PRINCIPAL PLACE OF BUSINESS IN HONG KONG

Room 1604, 16th Floor, Far East Finance Centre
16 Harcourt Road
Admiralty
Hong Kong

AUDITOR

Deloitte Touche Tohmatsu
Certified Public Accountants

PRINCIPAL SHARE REGISTRAR AND TRANSFER OFFICE

Royal Bank of Canada Trust Company (Cayman) Limited
4th Floor, Royal Bank House
24 Shedden Road, George Town
Grand Cayman KY1-1110
Cayman Islands

HONG KONG BRANCH SHARE REGISTRAR AND TRANSFER OFFICE

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

PRINCIPAL BANKERS

Bank of China (Hong Kong) Limited
Rabobank International, Singapore Branch
Société Générale, Hong Kong Branch
Standard Chartered Bank (Hong Kong) Limited
The Bank of Tokyo-Mitsubishi UFJ Ltd., Singapore Branch
United Overseas Bank Ltd., Singapore Branch

LEGAL ADVISERS

Edwards Wildman Palmer (as to Hong Kong law)

SHARE INFORMATION

The Stock Exchange of Hong Kong Limited
Stock code: 00852

WEBSITE

www.strongpetrochem.com

Five Years Financial Summary

A summary of the results and of the assets and liabilities of the Group for the last five financial years is set out below:

	2013	2012 (restated)	2011	2010	2009
Results (HK$'000)					
Revenue	**15,090,716**	11,111,550	7,890,665	5,713,234	5,992,151
Profit (loss) before taxation	**312,144**	(122,564)	105,006	197,250	333,199
Taxation (charge) credit	**(4,642)**	11,895	(2,686)	4,347	(3,725)
Profit (loss) for the year	**307,502**	(110,669)	102,320	201,597	329,474
Consolidated Statement of Financial Position (HK$'000)					
Total assets	**2,157,038**	3,362,725	2,304,820	1,687,699	912,896
Total liabilities	**(1,026,778)**	(2,538,995)	(1,463,672)	(918,556)	(338,787)
Equity	**1,130,260**	823,730	841,148	769,143	574,109

Chairman's Statement

To all shareholders,

I am pleased to present the audited consolidated financial results of the Company and its subsidiaries (the "Group") for the year ended 31 March 2013. The Group accomplished remarkable performance despite a complicated and harsh global economic conditions.

BUSINESS REVIEW AND PROSPECTS

Revenue for the year ended 31 March 2013 was approximately Hong Kong ("HK") Dollars ("HK$") 15,090.7 million (2012: approximately HK$11,111.6 million), representing an increase of approximately 36% compared with that of last financial year. Profit attributable to owners of the Company for the year was approximately HK$308.7 million whilst last financial year, loss of HK$109.5 million was recorded. Considering the effects of a shipment which has been concluded and delivered in March 2012 and the one-off gain or loss attributable to an associate, normalised profit attributable to owners of the Company for the year was approximately HK$182.0 million (2012: approximately HK$39.4 million). Details are set out in the section of "Normalised Profit attributable to Owners of the Company" under "Management Discussion and Analysis".

The board of directors of the Company ("Directors", collectively the "Board") has proposed a final dividend of HK4 cents per ordinary share of the Company (2012: Nil).

Trading of Crude Oil, Petroleum Products and Petrochemicals

The Group benefited from the volatile market structure and our employees' expertise, both the revenue and profit margin increased during the year ended 31 March 2013. In the first quarter of 2013, our Singapore office started its trade in crude oil and petroleum products. We will expand the team in Singapore office and it is expected to generate more revenue to the Group in the coming years. We are strongly confident that the revenue generated from oil trading will rise steadily as the demand in Asian Region grows.

Our Group's growth strategies are simple and clear:

1. Strengthening long-term relationships with existing key customers and actively seeking new customers.

2. Investing and developing oil storage business in the People's Republic of China (the "PRC").

3. Expanding the types of products actively traded.

4. Selling oil products directly to customers in the PRC.

5. Investing in selecting businesses with great potential, especially those can bring the Group's synergies upon integration.

The PRC market continued to grow rapidly, despite global economic uncertainties. Our Group is on its way to establish itself as the most competitive oil products trading company in this niche market. In 2013, our Group was granted the rights by the PRC government for petroleum products wholesaling in the PRC. We will firmly seize this valuable golden opportunity to further develop our wholesaling business in this rapidly developing country.

Manufacture and Development of Chemical Products

During the previous financial year, a 57% indirectly owned subsidiary, Hainan Huizhi Petrochemical Fine Chemical Industry Limited Company ("Huizhi") in Yangpu Economic Development Zone, Hainan Province, had been acquired with an aim to participate in manufacture and development of the chemical products, including but not limited to light aromatics, sec-Butyl Acetate, and C_5. The construction of the facilities and equipment for manufacturing and processing mixed aromatics is about to complete, and we estimate that Huizhi will be able to commence trail operation by the end of 2013. With full operation in place, it is expected to bring substantial revenue and satisfactory profit to the Group.

Storage Business

Strong Petrochemical (Nantong) Logistics Company Ltd. ("Strong Nantong"), our non-wholly owned subsidiary, completed its construction of storage facilities with 21 storage tanks with a capacity of 139,000 cubic meters, and commenced trial operation in September 2012. As at 31 March 2013, Strong Nantong was at the progress of fine-tuning three areas, namely control of occupational diseases, environmental protection and safety facilities, and it is expected to commence operation in the coming months. Furthermore, Strong Nantong will use it best endeavour to obtain the operation permit of petroleum storage tank with a capacity of 24,000 cubic meters by the end of 2013.

Oil and Gas Exploration

In March 2013, the Group disposed approximately 33% of equity interest in Asia Sixth Energy Resources Limited ("Asia Sixth") as the investment in Asia Sixth failed to improve the Group's overall operational and financial performance as expected. However, we will strive to seek new opportunities to broaden the revenue base of the Group and enhance its competitive advantage.

Dividend and Share Repurchase

For the two financial years ended 31 March 2012, the Company did not declare any dividend. In order to share our fruitful result with the shareholders, it is proposed to declare a final dividend of HK4 cents per ordinary share of the Company for the financial year ended 31 March 2013.

Share repurchase is another way to reward our shareholders. With a view to benefiting the shareholders as a whole by the enhancement of the earnings per share of the Company, more than 2.3 million shares were repurchased during the year.

Looking ahead, we are fully confident that the Group will continue to make great strides toward our growth strategies with an aim to maximise the returns for our shareholders in the future.

APPRECIATION

Finally, on behalf of the Board, I would like to take this opportunity to thank our shareholders and business partners for their ongoing trust and support. I would also like to express my sincere gratitude to my fellow directors and staff members for their dedication and hard work.

Wang Jian Sheng
Chairman

Hong Kong, 24 June 2013

Management Discussion and Analysis

BUSINESS REVIEW

Trading of Crude Oil, Petroleum Products and Petrochemicals

Crude oil prices are vulnerable to global factors or economic news in relation to Organisation of Petroleum Exporting Countries, Iran, United States and European debt crisis. As a result of the unstable global economic environment, the crude oil prices fluctuated at high levels in 2012. Same as last financial year, a large portion of our Group's revenue was attributable from crude oil business. Facing the unstable economic environment and market competition, the Group strived to broaden the revenue stream. In 2012, we have obtained some new customers and restarted our sales to a state-owned national buyer which further improve the profitability in our core business. For the year ended 31 March 2013, around one-third of revenue was attributable from petroleum business which is one of the Group's areas of focus for development. With regard to petrochemical business, the Group successfully developed the import market of mixed C_4 and the PRC market with business partners.

Manufacture and Development of Chemical Products

To enable the Group to enter into the upstream sector of chemical industry and become a chemical manufacturer, in last financial year, we acquired 57% equity interest of Huizhi, in the consideration of Renminbi ("RMB") 28.5 million. The construction of office building was completed in December 2012, which symbolised completion of the project construction's early stage. The design institutes are fine-tuning the design of related construction after reviewing by the specialists. Upon confirming the design, the construction works will begin and it is expected Huizhi will commence trail operations of manufacturing and processing mixed aromatics by the end of 2013. Furthermore, Huizhi has successfully reached agreement with Yangpu Port and Bureau of Maritime Affairs to freight jar cabinets through marine transportation. Processing aromatics and sec-Butyl Acetate will be the direction of development in the future.

Storage and Logistics Business

In 2012, Strong Nantong, our non-wholly owned subsidiary, completed its construction of storage facilities with 21 storage tanks and a capacity of 139,000 cubic meters, and commenced its trial operation. The reclamation rate of the oil gas reclamation plant reached 99.5%. The trading volume of re-filling platforms increased significantly to 1,200 metric tons ("MT") per day in March 2013, compared with 100 MT per day at the beginning of trial operation in September 2012. For the six months ended 31 March 2013, the total throughput reached 482,000 MT. In February 2013, the 8 pipelines which connected the storage tanks to the terminal in Nantong city commenced trial operation.

Our storage facilities project in Tianjin is carried out by the Group's 15% owned associate, Sinochem Tianjin Port Petrochemical Terminal Co., Ltd. ("Tianjin Terminal"). The Phase 1 construction of storage tanks and facilities with a capacity of 420,000 cubic meters commenced operations in January 2012, while the Phase 2 construction of storage tanks and facilities with a capacity of 540,000 cubic meters commenced operations in January 2013. As at 31 March 2013, 10 long term contracts have been signed with customers and around 95% of the storage tanks have been rented out. Extended construction of storage tanks, with capacity of 240,000 cubic meters and 480,000 cubic meters respectively, are expected to be completed by the end of 2015. Tianjin Terminal will strive to become the most competitive petrochemical storage service provision company in the Bohai Sea region.

The Group also holds 15% equity interest of Tianjin Port Sinochem Petrochemical Dock Co., Ltd. ("Tianjin Dock") which provides logistics services to Tianjin Terminal. Up to 31 March 2013, the Group invested approximately RMB20.9 million (equivalent to approximately HK$24.2 million) into Tianjin Dock.

Management Discussion and Analysis

FINANCIAL REVIEW

Revenue and Fair Value Changes on Derivative Financial Instruments

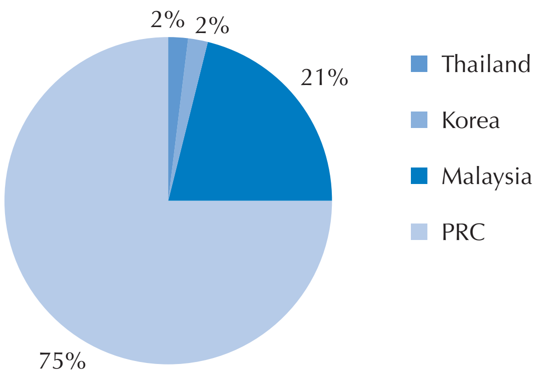
The Group is principally engaged in the trading of oil products. Approximately 60% (2012: 72%) of the Group's revenue was generated from trading of crude oil for the year, while the revenue generated from trading of petroleum products was approximately 36% (2012: 21%) and the revenue generated from trading of petrochemicals was approximately 4% (2012: 7%).

The revenue of the Group was approximately HK$15,090.7 million (2012: approximately HK$11,111.6 million) for the year, representing an increase of approximately 36% compare with last financial year. The trading volume of crude oil increased from 9,018,247 barrels ("BBL") to 10,704,422 BBL for the year which is primarily attributable to the improvement in the market structure, the commencement or recommencement of trade with new or existing customers, and the strong demand of middle distillate product and light crude oil product in Asian Region. The Group made great effort to develop the business of petroleum products since September 2011. As a result, the trading volume of petroleum products increased by almost 1.2 times from 400,684 MT to 869,990 MT for the year. The annual trading volume of petrochemicals decreased from 80,075 MT to 60,486 MT as a result of adopting a more cautious trading strategy focusing on the spread between physical cargoes and related paper products.

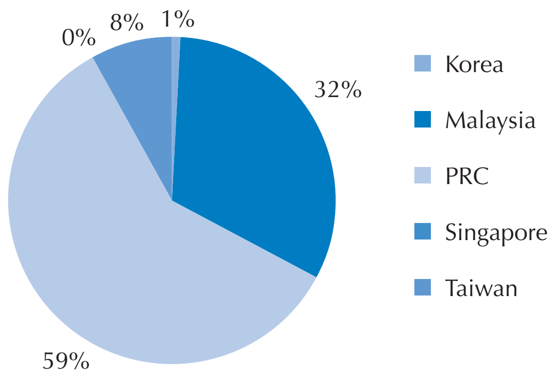
		Year ended 31 March					
		2013			2012		
Products	Unit	**Number of shipment**	**Sales quantity**	**Revenue HK$'000**	Number of shipment	Sales quantity	Revenue HK$'000
Crude oil	BBL	**18**	**10,704,422**	**9,132,189**	13	9,018,247	8,017,380
Petroleum products	MT	**173**	**869,990**	**5,375,932**	42	400,684	2,340,691
Petrochemicals	MT	**81**	**60,486**	**582,595**	44	80,075	753,479
Total		**272**		**15,090,716**	99		11,111,550

Analysis of sales in percentage to total sales by location of delivery to the customers:

2013



2012



Management Discussion and Analysis

The proportion of sales to customers in the PRC to total sales increased from 59% to 75%. This increase indicated the huge demand from the PRC market and our expansion in this country. In view of the large potential of the PRC market, developing the business, including oil storage and wholesaling business, in the PRC market will be our development focus in the coming years.

The Group has established trading teams as well as daily management oversight, manages the overall physical cargo price exposure and controls this through offsetting oil derivative contracts according to the Group's risk management policy. As part of our rigorous control process, a daily reporting system is adopted for all physical and derivative contracts. Such risk control system enables effective and timely management of the Group's exposure to market risk.

During the year, the Group reported an aggregate profit on fair value changes on derivatives financial instrument of approximately HK$117.7 million (2012: aggregate loss of approximately HK$58.3 million), which was attributable to the Group entering derivatives contracts in order to hedge its exposure to crude oil price volatility.

Gross Profit

For the year ended 31 March 2013, the rising demand in crude oil allowed us to ask for a higher cargo premium on selling prices. Benefiting from the increase in revenue and the ability to charge for the higher cargo premium, even though it's partially offset by the fluctuation of oil price which had a negative impact on the gross profit, an increase in overall gross profit of approximately HK$98.5 million to approximately HK$304.8 million (2012: approximately HK$206.3 million) was achieved.

Normalised Profit attributable to Owners of the Company

As mentioned in last financial year's annual report, a shipment with approximately 902,000 net US barrels (the "Shipment") was concluded and delivered in March 2012. However, part of the revenue adjustment of the Shipment and most of the fair value changes on derivative financial instruments which the Group entered the derivatives contracts in order to hedge the exposure to crude oil price volatility of the Shipment can only be recognised in this financial year. The net profit of the Shipment recognised in this financial year was approximately HK$47.9 million.

As mentioned in the section of "Significant Investment Held, Material Acquisitions and Disposals of Subsidiaries, and Future Plans for Material Investments or Capital Assets" below, the Group has entered into a share purchase agreement to dispose approximately 33% equity interest in the issued share capital of Asia Sixth and the shareholder's loan. Therefore, share of losses of Asia Sixth of approximately HK$100.3 million (2012: approximately HK$13.5 million), imputed interest income from loan to Asia Sixth of approximately HK$14.1 million (2012: approximately HK$3.4 million), the gain on change in estimated cash flows in respect of loan to Asia Sixth of approximately HK$165.0 million (2012: Nil) and the nil balance of impairment loss on interest in Asia Sixth (2012: approximately HK$81.4 million) are considered to be one-off gain or loss.

By excluding net profit effect of the Shipment of approximately HK$47.9 million, one-off share of losses of Asia Sixth of approximately HK$100.3 million (2012: approximately HK$13.5 million), imputed interest income from loan to Asia Sixth of approximately HK$14.1 million (2012: approximately HK$3.4 million), the gain on change in estimated cash flows in respect of loan to Asia Sixth of approximately HK$165.0 million (2012: Nil), the nil balance of impairment loss on interest in Asia Sixth (2012: approximately HK$81.4 million) and the nil balance of loss on disposal of an oil tanker (2012: approximately HK$9.5 million), the profit for the year attributable to owners of the Company is adjusted downward from approximately HK$308.7 million, under the best estimate by management, to a normalised profit for the year attributable to owners of the Company of approximately HK$182.0 million, still more than the normalised profit the Group achieved last financial year by more than 360 percent.

	2013 **HK$ million**	2012 HK$ million
Profit (loss) for the year attributable to owners of the Company	**308.7**	(109.5)
(Deduct) add: Net profit of the Shipment	**(47.9)**	47.9
Add: Share of losses of Asia Sixth	**100.3**	13.5
Deduct: Imputed interest income from loan to Asia Sixth	**(14.1)**	(3.4)
Deduct: Gain on change in estimated cash flows in respect of loan to Asia Sixth	**(165.0)**	–
Add: Impairment loss on interest in Asia Sixth	**–**	81.4
Add: Loss on disposal of an oil tanker	**–**	9.5
Underlying earnings after tax	**182.0**	39.4

Liquidity and Financial Resources

The Group generally finances its daily operations from internally generated cash flows (the "Internal Funds") and banking facilities. As at 31 March 2013, the Group had deposits placed with brokers, pledged bank deposits, and bank balances and cash of approximately HK$163.1 million (2012: approximately HK$80.5 million), approximately HK$73.5 million (2012: approximately HK$254.8 million) and approximately HK$361.9 million (2012: approximately HK$156.4 million) respectively. There was no bank structured deposit as at 31 March 2013 (2012: approximately HK$19.5 million). The total of deposits placed with brokers, bank structured deposit, pledged bank deposits, and bank balances and cash (collectively, the "Liquidity Resources") were approximately HK$598.5 million (2012: approximately HK$511.2 million). Most of the Liquidity Resources were denominated in United States Dollars ("US$").

The equity attributable to the owners of the Company increased by approximately HK$307.7 million to approximately HK$1,059.0 million as at 31 March 2013 (2012: approximately HK$751.3 million).

The Group had bank borrowings represented trust receipt, discounting, short-term loans and long-term loans, repayable within 1 year of approximately HK$536.8 million (2012: approximately HK$849.8 million). As at 31 March 2013, the Group's gearing ratio was approximately 26% (2012: 25%). The debt ratio was calculated as the Group's total borrowing divided by total assets.

The Group will mainly use the Internal Funds to repay the due debts and relevant interests, in case of any shortfalls, the Group will consider to avail itself of new loans by unused banking facilities to finance the repayment of the principal and interest in a timely manner.

As at 31 March 2013, the Group has banking facilities of US$755.0 million (equivalent to approximately HK$5,889.0 million) from several banks. Save as disclosed in notes 27 and 37 to the consolidated financial statements, the Group did not have any other charges on assets as at 31 March 2013.

The majority of the Group's sales and purchases are denominated in US$. The Group considers its foreign currency exposure is mainly arising from the exposure of exchange between US$ and HK$ with limited exposure to Singapore Dollar, Euro ("EUR") and RMB. Since the exchange rate of US$ against HK$ is relatively stable during the year, the exposure on foreign exchange is insignificant.

The Group has not implemented any foreign currency hedging policy at the moment. Nonetheless, the management has continuously monitoring the level of foreign currency receipts and payments and their net exposure to foreign exchange risk is kept at acceptable level from time to time and will consider hedging the foreign exchange exposure if it is significant to the Group. The management has arranged limited foreign currency hedging to reduce the exposure of currency risk of crude oil cargoes denoted in EUR. Details are set out in notes 6 and 28 to the consolidated financial statements.

Contingent Liabilities

As at 31 March 2013, the Group did not have any significant contingent liabilities.

Capital Commitments

Save as disclosed in note 32 to the consolidated financial statements, the Group did not have any other significant capital commitments as at 31 March 2013.

Significant Investment Held, Material Acquisitions and Disposals of Subsidiaries, and Future Plans for Material Investments or Capital Assets

The success of the Group will depend, inter alia, on the realisation of the expected synergies, costs control, and growth opportunities and potentials upon integration of the acquired businesses. The Group concentrates on its core business and cautiously expands the scale and geographical spread of its business through organic growth and investment in selective acquisitions with great potential. There can be no assurance that a failure to operate the acquired businesses successfully and thereby not achieve the expected financial benefits, may not adversely affect the Group's financial position and results.

Tianjin Smart Team Bunkering Limited ("Tianjin Smart Team") was established with registered capital of RMB60.0 million (equivalent to approximately HK$74.3 million). During the financial year ended 31 March 2013, the Group invested US$6.0 million (equivalent to approximately HK$46.8 million) in Tianjin Smart Team. In January 2013, Tianjin Smart Team was granted by the PRC government the rights for petroleum products wholesaling in the PRC.

Announced on 27 March 2013, the Group entered into a share purchase agreement to dispose approximately 33% equity interest in the issued share capital of Asia Sixth and the shareholder's loan of US$24.1 million, at a total consideration of approximately US$24.1 million. Completion is conditional upon the parties having received a copy of the written confirmation from the Ministry of Oil and Gas of the Republic of Kazakhstan (the "MOG consent") that the MOG consent to the transactions contemplated under the share purchase agreement; and the government of Kazakhstan will not exercise the state's pre-emptive purchase right under the Law of the Republic of Kazakhstan on Subsoil and Subsoil Use dated 24 June 2010 by 27 December 2013. Upon completion, the Group will remain a shareholder holding 7% equity interest in the issued share capital of Asia Sixth.

Save as disclosed in notes 20, 38 and 39 to the consolidated financial statements, there were no other significant investments held as at 31 March 2013, or plans for material investments of capital assets as at the date of this report, nor were there other material acquisitions and disposals of subsidiaries during the year.

Employees

The number of employees of the Group was increased to 131 (2012: 40) as at 31 March 2013 to cope with our expansion, especially in the PRC. The Group's remuneration packages are maintained at competitive level and are determined on the basis of performance, qualification and experience of individual employee.

We recognise the importance of a good relationship with our employees by providing competitive remuneration package commensurate with prevailing market practice to our employees, including provident fund, life and medical insurances, discretionary bonus, share options, and training for human resources upskilling.

Biographical Details of Directors and Senior Management

EXECUTIVE DIRECTORS

Mr. WANG Jian Sheng ("Mr. Wang"), aged 59, is an executive Director and the chairman of the Company (the "Chairman") since February 2008. He has been a member of the remuneration committee and nomination committee of the Company since November 2008 and March 2012 respectively. In October 2000, Mr. Wang invested in our Group and acted as a substantial shareholder. At the same time, he joined our Group as the supervisor. He graduated from Henan University of Science and Technology, formerly known as Luoyang Industrial College with a bachelor degree in metallic materials and heat process. He is responsible for overseeing the function of the Board, formulating major corporate and business strategies, and identifying business goals and the related business plan at the high level. He is an independent non-executive director of China Financial Services Holding Limited (formerly known as K.P.I. Company Limited) (stock code: 605) whose shares are listed on the Main Board of the Stock Exchange of Hong Kong Limited (the "HKEx"). Mr. Wang owns the entire issued share capital of Sino Century Holdings Limited ("Sino Century") which in turn holds 50% shareholding in Forever Winner International Ltd. ("Forever Winner"), a shareholder of the Company holding 1,041,446,000 shares of the Company.

Mr. YAO Guoliang ("Mr. Yao"), aged 47, is an executive Director and the chief executive officer of the Company (the "CEO") since February 2008. In November 1999, Mr. Yao founded our Group, and has been a director and a trader of our Group since then. He graduated from University of International Business and Economics with a bachelor degree in economics. He has more than 20 years of experience in handling crude oil trading and associated hedging activities. Leveraging on his extensive experience in the oil industry, Mr. Yao is responsible for formulating our corporate and business strategies, business development and management, trade solicitation as well as hedging implementation. Mr. Yao owns the entire issued share capital of Jin Yao Holdings Ltd. ("Jin Yao") which in turn holds 50% shareholding in Forever Winner, a shareholder of the Company holding 1,041,446,000 shares of the Company.

INDEPENDENT NON-EXECUTIVE DIRECTORS

Ms. LIN Yan ("Ms. Lin"), aged 49, has been an independent non-executive Director of the Company (an "INED") since 28 November 2008. She has been the Chairman of the remuneration committee and a member of audit committee since 28 November 2008. She is a member of Certified General Accountant Association of Ontario in Canada. She is currently executive vice president of Tebon Securities Co., Ltd. in Shanghai, the PRC. Ms. Lin has over 20 years of experience in the finance industry. She held the position as a senior compliance manager in Rabobank International, Hong Kong Branch from 1997 to 1999. In 2000 to 2001, she was the corporate controller of Assante Advisory Services in Toronto, Canada. She later joined China Eagle Securities Co., Ltd. in the PRC as the assistant chief finance officer until mid 2002. She obtained her bachelor of science degree majoring in chemistry from Huaqiao University, the PRC, in 1985. In 1993, she obtained a master degree in business administration from Queen´s University, Kingston, Canada. She has been a member of the Self-disciplinary Committee of the Securities Association of China since February 2008. Ms. Lin holds 840,000 shares of the Company and 360,000 share options of the Company pursuant to the share option scheme adopted by the Company on 28 November 2008.

Ms. Cheung Siu Wan ("Ms. Cheung"), aged 46, is an INED since 1 January 2012. Ms. Cheung has been the chairman of the audit committee and a member of the nomination committee of the Company since 1 January 2012 and 16 March 2012 respectively. Ms. Cheung graduated from both Hong Kong University of Science and Technology with a Master of Science in Accounting in 1995 and City University of Hong Kong with a Bachelor of Arts in Business in 1988 respectively. Ms. Cheung has extensive experience in China tax services. Ms. Cheung joined KPMG Hong Kong in 1996, and from 2004 to 2011, she was a partner of KPMG China. Ms. Cheung serves as the member of Steering Team of ACCA Southern China from May 2008, of which from May 2009 to April 2011, as Chairman of Steering Team of ACCA Southern China. Ms. Cheung has also been the member of Steering Team of ACCA Shanghai since March 2010. From April 2009 onwards, Ms. Cheung acted as member of the Accountancy Training Board of Vocational Training Council. Ms. Cheung is a fellow member of Hong Kong Institute of Certified Public Accountants, and member of both Association of Chartered Certified Accountants and Certified Public Accountants of Australia.

Mr. Guo Yan Jun ("Mr. Guo"), aged 59, is an INED since 9 September 2011. Mr. Guo has been a member of audit committee and remuneration committee since 9 September 2011, and nomination committee since 16 March 2012. Mr. Guo graduated from China People's University with a Diploma in Law in 1984 and has extensive entrepreneurship experiences and experience of corporate operation and management. Mr. Guo is the chairman of Beijing Junxinda Economic Development Co., Ltd. and CNHK Media Limited. He is currently an independent non-executive director of Honghua Group Limited and Mei Ah Entertainment Group Limited (Stock code: 196 and 391 respectively) whose shares are listed on the Main Board of the HKEx.

SENIOR MANAGEMENT

Mr. Zhuang Jia, aged 47, is the deputy general manager of our Group. He is responsible for the trading, shipping and business development of our Group and overseeing our petrochemical trading business. He is also a trader of our Company. His duties include negotiating with suppliers and customers on terms and pricing of trades, considering and executing hedging strategies, and monitoring open positions of derivative financial instruments of our Company. He obtained his bachelor of engineering degree from East China University of Science and Technology, previously known as East China Institute of Chemical Technology in the PRC, majoring in petroleum processing in 1988. He has more than 20 years of experience in the oil industry. After university graduation, he joined Sinochem Shanghai as a salesman in the petroleum department and was involved in the hedging activities from April 1993 to February 1994. During the period from March 1994 to January 1997, he was seconded to SCHECO (Hong Kong) Co., Limited, an overseas branch of Sinochem Shanghai, as a trading manager and later promoted to deputy general manager. After the secondment, he returned to Sinochem Shanghai and accepted the position as a manager in the import department until March 1998. Prior to joining our Group in March 2007, he was the trading manager for ICC Chemical Corporation (Shanghai Office) for more than 8 years and was responsible for trading petrochemicals.

Ms. Josephine Chan ("Ms. Chan"), aged 34, is the general manager of Strong Petrochemical Limited (Macao Commercial Offshore) ("Strong Macao"). Ms. Chan holds a bachelor degree in Shipping & Transportation Management from National Taiwan Ocean University in 2001. Ms. Chan joined the Group in 2004 and is currently responsible for trading of crude oil and petroleum products, daily operations and logistics of Macao business. Ms. Chan is one of the traders of our Group.

Mr. Francis Tan Boon Chye ("Mr. Tan"), aged 59, is the general manager and a director of Strong Petroleum Singapore Private Ltd. ("Strong Singapore"). Mr. Tan is a member of the Institute Of Petroleum (London) since 1984. Mr. Tan has over 30 years of experience in the oil industry from cargo and blending operations, shipping & chartering, oil broking (middle distillates) as well as oil trading. Mr. Tan is responsible for the overall oil operations since he joined the Group in 2009.

Mr. Wang Si Jue, aged 51, is the general manager of Nantong Strong International Trading Company Limited and chairman of Huizhi in 2011. He holds an executive master of business administration degree from University of Houston in 2007, a master degree of chemical engineering in 2001 and a bachelor's degree in science majoring in petroleum refining in 1984 both from East China Institute of Chemical Technology (now known as East China University of Science and Technology). He joined the Group in 2011 and has over 30 years' experience in oil refinery and extensive operations and management in large enterprises.

Corporate Governance Report

The Board is pleased to present the Corporate Governance Report of the Company for the year ended 31 March 2013. The Company is committed to strict adherence to the high corporate governance standards. The Board believes it is fundamental and essential to fulfill public and corporate responsibilities, sustainable development of the Group, enhancing shareholders' value and safeguarding interests of stakeholders.

The Company has adopted and is fully compliant with all the provisions of the Corporate Governance Code ("CG Code") set out in Appendix 14 to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules") throughout the year ended 31 March 2013, except for the deviation from Code provision A.6.7 of the CG Code.

Pursuant to Code provision A.6.7 of the CG Code, independent non-executive directors and other non-executive directors should attend general meetings and develop a balanced understanding of the views of shareholders. Mr. Guo Yan Jun and Ms. Lin Yan, being INEDs, were unable to attend the annual general meeting ("AGM") held on 17 August 2012 due to other prior business engagements.

THE BOARD

Responsibilities

The Board is responsible for the overall management, which assumes the responsibility for leadership and control of the Company, and the Directors are collectively responsible for promoting the success of the Company by directing and supervising its affairs, overseeing the achievement of strategic plans, and monitoring its long term performance to enhance shareholders' value. Management of the Company (the "Management") was delegated with authority and responsibility for the day-to-day operations of the Group under the leadership of the Board.

The role of Chairman, Mr. Wang Jian Sheng is separate from that of CEO, Mr. Yao Guoliang. Their respective responsibilities are clearly defined and segregated to reinforce their independence and accountability.

The Chairman is responsible for providing leadership and governance to the Board and ensuring that the Board and its committees function effectively. By approving strategies and policies of the Group and monitoring on their implementation by supervising the Management on their implementation to ensure value creation and maximisation for shareholders. He takes part in cultivating and maintaining good relationships with strategic associates and creating a favourable environment for the development of the Group's businesses.

The CEO is responsible for leading the day-to-day operations of the Group's businesses to achieve their business and financial targets. Acting as the principal manager, he develops operating plans and strategies to the Board and ensures the effective implementation of the strategies and policies adopted and prioritised by the Board supported with effective and competence Management built and maintained by him. He maintained ongoing dialogue with the Chairman and all Directors to keep them timely and appropriately informed of all major changes and business development.

Directors have full and timely access to information of the Group as the Chairman ensures that the Management will supply the Board and its committees with all relevant information in a timely manner, as well as the advices and services of the company secretary of the Company (the "Company Secretary"), with a view to ensuring that Board procedures and all applicable rules and regulations are followed. The Directors may make further enquiries if in their opinion it is necessary or appropriate to request for further information. They also have unrestricted access to the advices and services of the Company Secretary, who is held responsible for providing Directors with Board papers and related materials and ensuring that all proper Board procedures are followed and that all applicable laws and regulations are complied with. When needed and upon making reasonable request to the Board, the INEDs may seek independent professional advice at the Company's expense in assisting them to carry out their duties. Insurance cover has been appropriately arranged to the Directors in connection with the performance of their responsibilities.

The presence of three INEDs is considered by the Board to be a reasonable balance between executive and non-executive Directors. The Board is of the opinion that such balance can provide adequate checks and balances for safeguarding the interests of shareholders and of the Group.

All INEDs are engaged with a fixed term of one year service with the Company and may be terminated by either party giving not less than one month's prior written notice. Shareholders may propose a candidate for election as Director in accordance with the articles of association of the Company. All Directors appointed to fill a vacancy are subject to re-election at the first general meeting of shareholders after appointment in accordance with the Article 86(3) of the articles of association. In accordance with the Article 87 of the articles of association, every Director shall be subject to retirement by rotation at least once every three years. The Board takes into consideration criteria such as expertise, experience, integrity and commitment when selecting new Directors.

The Company has received written annual confirmations from all INEDs as to their independence as required under the Listing Rules. All INEDs are absence from involvement in daily management of the Company or any relationships or circumstances which would interfere their independence.

The INEDs bring a wide range of business and financial expertise, experiences and independent judgment to the Board. Through active participation in Board meetings, taking the lead in managing issues involving potential conflict of interests and serving on Board committees, all INEDs make various contributions to the effective direction of the Company.

Delegation by the Board

The day-to-day management, administration and operation of the Company are delegated to the CEO and the senior management. The delegated functions and work tasks are periodically reviewed. Approval has to be obtained from the Board prior to any significant transactions entered into by the abovementioned officers. The Board has the full support of the CEO and the senior management to discharge its responsibilities.

All committees, namely the Audit Committee, the Remuneration Committee and the Nomination Committee, have specific terms of reference clearly defining the authorities and responsibilities of the respective committees. All committees are required by their terms of reference to report to the Board in relation to their decisions, findings or recommendations, and in certain specific situations, to seek the Board's approval before taking any actions.

The Board reviews, on annual basis, all delegations by the Board to different committees to ensure that such delegations are appropriate and continue to be beneficial to the Company as a whole.

BOARD COMPOSITION, BOARD AND COMMITTEE MEETINGS

As at 31 March 2013, the Board comprises of two executive Directors and three INEDs. The Company has met the requirements of the Listing Rules relating to the appointment of at least three INEDs with at least one of whom is with appropriate professional qualifications or accounting or related financial management expertise throughout the year. All Directors give sufficient time and attention to the affairs of the Group.

The Board meets at least four times each year and more frequently as the needs of the business demand. The Company's memorandum of association and articles of association (the "M&A") provide for participation at meetings via telephone and other electronic means. Apart from the Board meetings, the Board would from time to time devote separate sessions to consider and review the Group's strategy and business activities. The attendance of the Directors at the Board meetings during the year is set out in the table under section "Meetings Held and Attendance" below.

Practices and Conduct of Meetings

The annual meeting schedule and the agenda of each meeting are made available to Directors in advance.

Notice of regular Board meetings is served to all Directors at least 14 days before the meetings, who were all given an opportunity to include matters in the agenda for discussion. For other Board and committee meetings, reasonable notice is given.

The Company Secretary assists the Chairman in preparing the agenda for the meeting and ensures that all applicable rules and regulations in connection with the meetings are observed and complied with. Papers for Board meetings or committee meetings together with all relevant information are sent to all Directors or committee members at least 3 days before each meeting to enable them to make informed decisions with adequate data. The Board and each Director also have direct and independent access to the Management whenever necessary.

According to the current Board practice, any material transaction involving a conflict of interest with a substantial shareholder or a Director will be considered and dealt with by the Board at a duly convened Board meeting. The Company's articles of association also contains provisions requiring the Directors to abstain from voting and not to be counted in the quorum at meetings for approving transactions in which such Directors or any of their associates have a material interest.

BOARD COMMITTEE

The Board has established three committees, namely the Audit Committee, Remuneration Committee and Nomination Committee to oversee particular aspects of the Company's affairs. Specific responsibilities of each committee are described below. All committees have defined terms of reference which are of no less exacting terms than those set out in the CG Code.

Audit Committee

The Audit Committee comprises of three INEDs who possess relevant business and financial management experience. The Company Secretary acts as the secretary to the Audit Committee. None of the members is employed by or otherwise affiliated with the former or existing auditor of the Company. The Audit Committee is chaired by Ms. Cheung Siu Wan, one of the INEDs having professional qualifications, and accounting and financial management skills to understand financial statements and contribute to the corporate governance of the Company under the Listing Rules.

The Audit Committee has undertaken a review of all the non-audit services provided by Deloitte Touche Tohmatsu during the financial year ended 31 March 2013, and is satisfied that such services would not, in the Audit Committee's opinion, affect the independence of Deloitte Touche Tohmatsu as the Company's external auditor. The Audit Committee has recommended to the Board that Deloitte Touche Tohmatsu be nominated for reappointment as external auditor of the Company at the forthcoming AGM.

The terms of reference of the Audit Committee are posted on the Company's website and include the following:

Relationships with the Company's auditor

(i) To act as the key representative body for overseeing the Company's relation with the external auditor, and to be primarily responsible for making recommendation to the Board on the appointment, reappointment and removal of the external auditor, and to approve the remuneration and terms of engagement of the external auditor, and to consider any questions of their resignation or dismissal.

(ii) To review and monitor the external auditor's independence and objectivity and the effectiveness of the audit process in accordance with applicable accounting standard, and to discuss with the auditor the nature and scope of the audit and reporting obligations before the audit commences.

(iii) To develop and implement policy on engaging an external auditor to supply non-audit services. For this purpose, "external auditor" includes any entity that is under common control, ownership or management with the audit firm or any entity that a reasonable and informed third party knowing all relevant information would reasonably conclude to be part of the audit firm nationally or internationally. The Audit Committee should report to the Board, identifying and making recommendations on any matters where action or improvement is needed.

Review of the Company's financial information

(iv) To monitor integrity of the Company's financial statements and annual report and accounts, half-year report and, if prepared for publication, quarterly reports, and to review significant financial reporting judgments contained in them. In reviewing these reports before submission to the Board, the Audit Committee should focus particularly on:

(a) any changes in accounting policies and practices;

(b) major judgmental areas;

(c) significant adjustments resulting from audit;

(d) the going concern assumptions and any qualifications;

(e) compliance with accounting standards; and

(f) compliance with the Main Board Listing Rules and legal requirements in relation to financial reporting.

(v) Regarding to (iv) above:

(a) members of the Audit Committee should liaise with the Board and senior management and the Audit Committee must meet, at least twice a year, with the Company's auditor; and

(b) the Audit Committee should consider any significant or unusual items that are, or may need to be, reflected in the reports and accounts, it should give due consideration to any matters that have been raised by the Company's staff responsible for the accounting and financial reporting function, compliance officer or auditor.

Oversight of the Company's financial reporting system and internal control procedures

(vi) To review the Company's financial controls, internal control and risk management systems.

(vii) To discuss the internal control system with the Management to ensure that the Management has performed its duty to have an effective internal control system. This discussion should include the adequacy of resources, staff qualifications and experience, training programmes and budget of the Company's accounting and financial reporting function.

(viii) To consider major investigation findings on internal control matters as delegated by the Board or on its own initiative and the Management's response to these findings.

(ix) Where an internal audit function exists, to ensure co-ordination between the internal and external auditors, and to ensure that the internal audit function is adequately resourced and has appropriate standing within the Company, and to review and monitor its effectiveness.

(x) To review the group's financial and accounting policies and practices.

(xi) To review the external auditor's management letter, any material queries raised by the auditor to the Management about accounting records, financial accounts or systems of control and the Management's response.

(xii) To ensure that the Board will provide a timely response to the issues raised in the external auditor's management letter.

(xiii) To report to the Board on the matters set out herein.

(xiv) To consider other topics, as defined by the Board.

(xv) To review arrangements employees of the Company can use, in confidence, to raise concerns about possible improprieties in financial reporting, internal control or other matters, and to ensure that proper arrangements are in place for fair and independent investigation of these matters and for appropriate follow-up action.

During the year ended 31 March 2013, the Audit Committee held 2 meetings and reviewed the preliminary, interim and annual results, and internal controls of the Group, and performed the duties and responsibilities under the terms of reference and as set out in the CG Code.

The Audit Committee reviews the Group's risk management policy annually. A high level review of internal controls of the Group was performed at the end of the year. The Audit Committee will continue to examine the Group's systems and policies for assessing and taking action to contain the different types of risk in its various operations as part of the Audit Committee's ongoing review of the adequacy of the Group's internal controls.

The Audit Committee has full access to and co-operation of the Management and has been given the resources required for it to discharge its functions properly. It has full discretion to invite any Director and executive officer to attend its meetings. The Audit Committee has also met with the external auditor, without the presence of the Management of the Company during the year.

In addition, the Audit Committee keeps under constant review changes to the Hong Kong Financial Reporting Standards with the assistance of the external auditor to assess their application to the accounting policies adopted by the Group and, where applicable, their effective adoption by the Group.

All the recommendations of the Audit Committee to the Management and the Board were accepted and implemented.

Subsequent to the financial year end, the Audit Committee has reviewed the Group's audited consolidated financial statements for the year ended 31 March 2013, including the accounting principles and practices adopted by the Group, and recommended them to the Board for approval.

Remuneration Committee

The Remuneration Committee comprises of three members whereas the majority of the members must be INEDs. Currently, the Remuneration Committee is chaired by Ms. Lin Yan, an INED. The Company Secretary acts as the secretary to the Remuneration Committee.

The Remuneration Committee is responsible for recommending to the Board a framework for the remuneration of Directors and key executives. The review covers all aspects of remuneration, including but not limited to Directors' fees, salaries, allowances, bonuses and other benefits. The Remuneration Committee also oversees the administration of the Company's share option scheme. The Remuneration Committee's recommendations are made in consultation with the CEO and submitted for endorsement by the Board. No Director is involved in any decision making, in respect of any remuneration or compensation to be offered or granted to him/her.

The terms of reference of the Remuneration Committee are posted on the Company's website and include the following:

(i) To make recommendations to the Board on the Company's policy and structure for all Directors' and senior management remuneration and on the establishment of a formal and transparent procedure for developing remuneration policy.

(ii) To review and approve the Management's remuneration proposals with reference to the Board's corporate goals and objectives.

(iii) Either:

 (a) to determine, with delegated responsibility, the remuneration packages of individual executive Directors and senior management; or

 (b) to make recommendations to the Board on the remuneration packages of individual executive Directors and senior management.

 This should include benefits in kind, pension rights and compensation payments, including any compensation payable for loss or termination of their office or appointment.

(iv) To make recommendations to the Board on the remuneration of non-executive Directors.

(v) To consider salaries paid by comparable companies, time commitment and responsibilities and employment conditions elsewhere in the Group.

(vi) To review and approve compensation payable to executive Directors and senior management for any loss or termination of office or appointment to ensure that it is consistent with contractual terms and is otherwise fair and not excessive.

(vii) To review and approve compensation arrangements relating to dismissal or removal of Directors for misconduct to ensure that they are consistent with contractual terms and that are otherwise reasonable and appropriate.

(viii) To ensure that no Director or any of his/her associates is involved in deciding his/her own remuneration.

During the year ended 31 March 2013, the Remuneration Committee held one meeting to review the remuneration package, including the treatment and the vesting recommendations for the share options granted, of the Directors and senior management.

No individual Director is involved in deciding his or her own remuneration.

The remuneration of senior management was within the following bands:

	Number of individuals	
	2013	2012
The emolument bands (in HK$)		
Nil to HK$1,000,000	**3**	4
HK$1,000,001 — HK$2,000,000	**1**	1

Nomination Committee

The Nomination Committee comprises of the Chairman and two INEDs, and is chaired by the Chairman. The Company Secretary acts as the secretary to the Nomination Committee.

The Nomination Committee is guided by its terms of reference, which sets out its responsibilities. It is responsible for the review of candidates for nomination or re-nomination as Director, taking into consideration each candidate's qualifications and experience and how he/she can contribute to the effectiveness of the Board. The Nomination Committee is also responsible for recommending a framework for evaluation of the Board effectiveness, as well as evaluation of Board effectiveness and the contribution of each individual Director to the effectiveness of the Board.

The terms of reference of the Nomination Committee are posted on the Company's website and include the following:

(i) review the structure, size and composition (including the skills, knowledge and experience) of the Board at least annually and make recommendations on any proposed changes to the Board to complement the Company's corporate strategy;

(ii) be responsible for nominating for the approval of the Board, candidates to fill Board vacancies as and where they arise;

(iii) before appointment is made by the Board, evaluate the balance of skill, knowledge and experience on the Board, and, in the light of this evaluation prepare a description of the role and capabilities required for a particular appointment;

(iv) identify individuals suitably qualified to become Board members and select or make recommendations to the Board on the selection of individuals nominated for directorships;

(v) make recommendations to the Board on the appointment or re-appointment of Directors and succession planning for Directors, in particular the Chairman and the CEO;

(vi) assess the independence of INEDs; and

(vii) do any such things to enable the Nomination Committee to discharge its duties conferred on it on by the Board.

During the year ended 31 March 2013, one meeting was held to review the composition of the Board and the suitability of Directors proposed for re-appointment at the Company's AGM.

The Nomination Committee is also charged with the responsibility of determining annually whether a Director is independent. Each member of Nomination Committee will not take part in determining his/her own re-nomination or independence.

Under the articles of association, at least one-third of the Directors are required to retire from office by rotation and they are eligible for re-election at the Company's AGM. Thus, each Director must retire from office at least once every three years. In addition, all Directors appointed to fill a vacancy are subject to re-election at the first general meeting of shareholders after appointment in accordance with the Article 86(3) of the articles of association.

The Nomination Committee had recommended the re-nomination of Ms. Cheung Siu Wan and Ms. Lin Yan for re-election at the forthcoming AGM. The Board had accepted the Nomination Committee's recommendation.

Meetings Held and Attendance

Details of Directors' attendance of the Board meetings, three committees meetings and the AGM held during the year ended 31 March 2013 are set out as follows:

	Meetings attended/Meetings held				
Name of Directors	**Board**	**Audit Committee**	**Remuneration Committee**	**Nomination Committee**	**AGM held on 17 August 2012**
Executive Directors					
Mr. Wang Jian Sheng *(Chairman)*	9/9	N/A	1/1	1/1	1/1
Mr. Yao Guoliang *(CEO)*	9/9	N/A	N/A	N/A	1/1
Independent Non-executive Directors					
Ms. Cheung Siu Wan	8/9	2/2	N/A	1/1	1/1
Mr. Guo Yan Jun	8/9	2/2	1/1	1/1	N/A
Ms. Lin Yan	8/9	2/2	1/1	N/A	N/A

Apart from regular Board meetings, the Chairman also held meeting with INEDs without presence of executive Directors during the year.

Apart from the AGM held on 17 August 2012, the Company has not held any other general meetings.

Corporate Governance Report

CORPORATE GOVERNANCE FUNCTIONS

The Board did not establish a corporate governance committee but has delegated its responsibility for performing corporate governance duties to the respective Board Committees. During the year ended 31 March 2013, the Board and Board Committees have reviewed the Group's policies and practices on corporate governance and made recommendations to the Board; reviewed and monitored the training and continuous professional development of Directors and senior management; reviewed and monitored the Company's policies and practices on compliance with legal and regulatory requirements; reviewed and monitored the CG Code of conduct applicable to employees and Directors; and reviewed the Group's compliance with the CG Code and disclosure in the Corporate Governance Report.

MODEL CODE FOR SECURITIES TRANSACTIONS

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

The Company has established written guidelines on no less exacting terms than the Model Code for dealings in the Company's securities by relevant employees who are likely to be in possession of unpublished price-sensitive information in relation to the Company or its securities. The Company has received written annual compliance declaration from employees to confirm their compliance.

INDUCTION AND CONTINUOUS DEVELOPMENT OF DIRECTORS

All Directors, upon appointment to the Board, shall receive an induction package (the "Package") designed to enhance their knowledge and understanding of the Group's culture and operations by senior management. The Package usually includes a briefing on the Group's structure, businesses and governance practices. Every Board member receives a memorandum on director's responsibilities upon joining the Board, which lays down the guidelines on conduct, Directors' duties, and other key governance issues.

The Company provided continuous professional training and all Directors (namely, Mr. Wang Jian Sheng, Mr. Yao Guoliang, Ms. Cheung Siu Wan, Mr. Guo Yan Jun and Ms. Lin Yan) received regular updates and presentations on changes and developments to the Group's business and to the legislative and regulatory environments in which the Group operates to develop and refresh their knowledge and skills to ensure that their contribution to the Board remains informed and relevant. All Directors are also encouraged to attend relevant training courses at the Company's expense.

COMPANY SECRETARY

The appointment and removal of the Company Secretary is subject to Board approval in accordance with the articles of association of the Company. Ms. Wong Wai Han ("Ms. Wong") has been appointed as Company Secretary with effect from 31 July 2012.

Ms. Wong is currently a practicing solicitor in Hong Kong. She has experience in corporate finance and compliances matters for the listed companies in Hong Kong. Ms. Wong obtained a bachelor of laws from City University of Hong Kong in 1998 and obtained the second degree in Chinese laws from Tsinghua University in 2004. Ms. Wong is also one of the joint company secretaries of Techcomp (Holdings) Limited, a company whose shares are listed on the Main Board of the HKEx (stock code: 1298) and the Singapore Exchange Securities Trading Limited. Ms. Wong has complied with the requirement under Rule 3.29 of the Listing Rules during the period ended 31 March 2013.

The primary contact person of the Company is Mr. Li Chik Ming, the chief financial officer of the Company, in relation to any corporate secretarial matters.

ACCOUNTABILITY AND AUDIT

The Directors acknowledge their responsibility for the preparation of consolidated financial statements which give a true and fair view of the state of affairs of the Group. In preparing the consolidated financial statements which give a true and fair view, it is fundamental that appropriate accounting policies are selected and applied consistently.

In preparing the financial statements, the Directors consider that the financial statements of the Group are prepared on a going concern basis and appropriate accounting policies have been consistently applied. The Directors have also made judgments and estimates that are prudent and reasonable in the preparation of the financial statements.

The statement of the external auditor about the reporting responsibilities on the consolidated financial statements is set out in the Independent Auditor's Report on pages 33 and 34 of the annual report.

AUDITOR'S REMUNERATION

Auditor's remuneration in relation to audit amounted to HK$1,619,000 (2012: HK$1,804,000). The external auditor is refrained from engaging in non-assurance services except for limited tax related services or specifically approved items. The Audit Committee reviews and approves the external auditor's statutory audit scope and non-audit services. The following remuneration was paid by the Group to its auditor, Deloitte Touche Tohmatsu:

	2013 **HK$'000**	2012 HK$'000 (restated)
Audit service	**1,619**	1,804
Non-audit services	**100**	493
	1,719	2,297

INTERNAL CONTROL

The Board has overall responsibility for the maintenance of sound and effective internal controls to safeguard shareholders' investment and the assets of the Group. The Board has entrusted the Audit Committee with the responsibility to review, and has delegated to the Management the implementation of such systems of internal controls as well as the review of relevant financial, operational, and compliance controls, and risk management systems.

A risk management system is in place to ensure the regular identification, evaluation and management of risks faced by the Group. Procedures have been set up for, inter alia, safeguarding assets against unauthorised use or disposition, controlling capital expenditure, maintaining proper accounting records and ensuring the reliability of financial information used for business and publications. The systems are regularly reviewed by the Board and to amend from time to time.

A formal risk management policy has been put in place to ensure the regular identification, evaluation and management of risks faced by the Group. The systems and policies of the Group are designed to help minimise and manage business risks, protect the assets of the Group from misappropriation or impairment, accurately report the results and financial position of the Group, to ensure compliance with relevant legal and regulatory requirement, and to adopt appropriate recommended best practices. This includes taking into consideration environmental, social, and corporate governance matters.

Management throughout the Group maintains and monitors the internal control systems on an ongoing basis. Risk assessment and evaluation are an integral part of the annual planning process. The Group's external auditor, Deloitte Touche Tohmatsu, reports findings to the Audit Committee and contributes an independent perspective on relevant internal controls arising from the audit. The Audit Committee reports to the Board on matters in relation to the oversight of the financial reporting system, internal control procedures and risk management systems. The Board has conducted a review of the Company's internal control systems for the year ended 31 March 2013 by considering the work performed by the Audit Committee.

In addition to the internal control review conducted by the Board, the Group had engaged an independent risk advisory consultant from one of reputable accountancy and professional services firms to perform risk assessment procedures in respect of our risk management functions in relating to the policies and procedures of the hedging activities for the year ended 31 March 2013. Report on the results of assessment and recommendations were provided to the Management and the Audit Committee.

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

INVESTOR RELATIONS AND SHAREHOLDERS' RIGHTS

The Board recognises the importance of maintaining on-going communication with shareholders. The Company promotes communications with shareholders through several communication channels including publication of notices, circulars, announcement of key developments, interim and annual reports as prescribed under the Listing Rules which can also be accessed via the "Investor Relations" section of the Company's website.

The articles of association of the Company have been amended at the 2012 AGM held on 17 August 2012 so as to bring the articles of association in line with the current revised requirements of the Listing Rules and certain changes to the laws of the Cayman Islands. An updated version of the memorandum of association and articles of association of the Company is available on the website of the Company (www.strongpetrochem.com) and the HKEx (http://www.hkexnews hk/index.htm). Apart from the said amendments made at the 2012 AGM, there had been no significant change in the Company's constitutional documents.

The aims of the Company are to improve its transparency, gain more understanding and confidence in relation to the Group's business developments and acquire more market recognition and support from the shareholders.

Shareholders are encouraged to attend all general meetings of the Company. The notice of the AGM was circulated to all shareholders in accordance with the requirements of the Listing Rules and the articles of association of the Company. It is a standard practice to have the Non-executive Directors available to answer questions relating to their roles, tenure, and the Board Committees. The results of voting by poll are published on the websites of the HKEx and the Company after the meetings.

Pursuant to the Company's articles of association, shareholder(s) 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 of the Company shall at all times have the right, by written requisition to the Board or the Company Secretary, to require an extraordinary general meeting to be called by the Board for the transaction of any business specified in such requisition; and such meeting shall be held within two months after the deposit of such requisition. If within twenty-one days of such deposit the Board fails to proceed to convene an extraordinary general meeting, the requisitionist(s) himself (themselves) may do so in the same manner, and all reasonable expenses incurred by the requisitionist(s) as a result of the failure of the Board shall be reimbursed to the requisitionist(s) by the Company.

There are no provisions under the Company's articles of association or the Companies Law, Chapter 22 (Law 3 of 1961, as consolidated and revised) of the Cayman Islands regarding procedures for shareholders to put forward proposals at general meetings other than a proposal of a person for election as director. Shareholders may follow the procedures set out above to convene an extraordinary general meeting for any business specified in such written requisition.

Shareholder(s) may at any time send their enquiries to the Board in writing through Mr. Li Chik Ming, the chief financial officer of the Company whose contact details are as follows:

Mr. Li Chik Ming
Chief Financial Officer
Strong Petrochemical Holdings Limited
Room 1604, 16th Floor, Far East Finance Centre, 16 Harcourt Road, Admiralty, Hong Kong
Tel: (852) 2834 3393
Email: info@strongpetrochem.com

The Company adheres the importance of the shareholders' privacy and will not disclose such information without their consent, unless required by law, the HKEx, order or requirement of any court or other competent authority.

Directors' Report

The Directors present their annual report and the audited consolidated financial statements for the year ended 31 March 2013.

PRINCIPAL ACTIVITIES

The principal activity of the Company is investment holding. The principal activities of its principal associated and subsidiary companies are set out in notes 20 and 40 to the consolidated financial statements respectively.

RESULTS AND APPROPRIATIONS

The results of the Group for the year ended 31 March 2013 are set out in the consolidated statement of comprehensive income on page 35.

The Board has recommended the payment of a final dividend of HK4 cents (2012: Nil) per ordinary share of the Company in respect of the year ended 31 March 2013, payable on 6 September 2013 to shareholders whose names appear on the register of members of the Company as at the close of business on 16 August 2013 subject to the approval of the shareholders of the Company at the forthcoming AGM of the Company.

CLOSURE OF REGISTER OF MEMBERS

The register of members of the Company will be closed from, Monday 5 August 2013 to Wednesday, 7 August 2013 both days inclusive, during which period no transfer of shares will be effected. In order to be eligible to attend and vote at the AGM of the Company to be held on 7 August 2013, all completed share transfer forms accompanied by the relevant share certificates must be lodged with the branch share registrar of the Company in Hong Kong, Tricor Investor Services Limited, at 26th Floor, Tesbury Centre, 28 Queen's Road East, Wanchai, Hong Kong not later than 4:30 p.m. on Friday, 2 August 2013.

The register of members of the Company will be closed from, Wednesday 14 August 2013 to Friday, 16 August 2013 both days inclusive, during which period no transfer of shares will be effected. In order to be eligible for the proposed final dividend, all completed share transfer forms accompanied by the relevant share certificates must be lodged with the branch share registrar of the Company in Hong Kong, Tricor Investor Services Limited, at 26th Floor, Tesbury Centre, 28 Queen's Road East, Wanchai, Hong Kong not later than 4:30 p.m. on Tuesday, 13 August 2013.

PROPERTY, PLANT AND EQUIPMENT

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

SHARE CAPITAL

Details of the movements in the share capital of the Company during the year are set out in note 30 to the consolidated financial statements.

FIVE YEARS FINANCIAL SUMMARY

A summary of the results, net assets and total equity of the Group for the last five financial years is set out on page 3.

DISTRIBUTABLE RESERVES

The distributable reserves of the Company as at 31 March 2013, calculated in accordance with the Companies Law, Chapter 22 (Law 3 of 1961, as consolidated and revised) of the Cayman Islands, amounted to approximately HK$790.9 million.

DIRECTORS

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

Executive Directors	**Independent Non-executive Directors**
Mr. Wang Jian Sheng	Ms. Cheung Siu Wan
Mr. Yao Guoliang	Mr. Guo Yan Jun
	Ms. Lin Yan

In accordance with the Article 87 of the articles of association, Ms. Cheung Siu Wan and Ms. Lin Yan should retire at the forthcoming AGM and, being eligible, offer themselves for re-election at the forthcoming AGM.

The Directors' biographical details are set out on pages 12 to 13.

The Company received confirmation from each of the INEDs of their independence pursuant to Rule 3.13 of the Listing Rules. The Company considered all the INEDs as independent from the date of their appointment to 31 March 2013.

None of the Directors who are proposed for re-election at the forthcoming AGM has a service contract with the Company which is not terminable by the Company within one year without payment of compensation (other than statutory compensation).

MANAGEMENT CONTRACTS

No contracts, other than employment contracts, concerning the management and administration of the whole or any substantial part of the business of the Company were entered into or existed during the year.

DIRECTORS' INTERESTS IN CONTRACTS

Saved as disclosed in the section of "Continuing Connected Transactions" and note 35 to the consolidated financial statements of this annual report, no contracts of significance in relation to the Group's business to which the Company or its subsidiaries was a party and in which a Director had a material interest, whether directly or indirectly, subsisted at any time during the year or at the end of the year.

DIRECTORS' INTERESTS IN COMPETING BUSINESS

As at the date of this report, none of the Directors, the management shareholders of the Company and their respective associates (as defined in the Listing Rules) had any interest in a business which causes or may cause a significant competition with the business of the Group and any other conflicts of interest which any such person has or may have with the Group.

INTERESTS OF DIRECTORS AND CHIEF EXECUTIVE

As at 31 March 2013, the interests and short positions of the Directors and chief executive in the shares, underlying shares and debentures of the Company or any of Company's associated corporations (within the meaning of the Securities and Futures Ordinance, Chapter 571 of the Laws of Hong Kong (the "SFO")), as recorded in the register required to be kept under Section 352 of Part XV of the SFO, or as otherwise notified to the Company and the HKEx pursuant to the Model Code are set out below:

Long position in ordinary shares of HK$0.025 each of the Company

Name of Director	Capacity	Number of ordinary shares held	Number of underlying shares held	Total	Percentage of the issued share capital of the Company (%)
Mr. Wang Jian Sheng	Interest of a controlled corporation (Note 1)	1,041,446,000	–	1,041,446,000	64.61
Mr. Yao Gaoliang	Interest of a controlled corporation (Note 1)	1,041,446,000	–	1,041,446,000	64.61
Ms. Lin Yan	Beneficial owner (Note 2)	840,000	360,000	1,200,000	0.07

Note 1: Each of Sino Century and Jin Yao holds 50% of the entire issued share capital of Forever Winner. Mr. Wang holds the entire issued share capital of Sino Century. Mr. Yao holds the entire issued share capital of Jin Yao.

Note 2: The number of underlying shares held are the share options granted by the Company, details of which are set out in the section headed "Share Options" below.

Save for those disclosed above, as at 31 March 2013, none of the Directors or chief executive of the Company had any interests or short positions in the shares, underlying shares or debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) as recorded in the register required to be kept under Section 352 of the SFO, or as otherwise notified to Company and the HKEx pursuant to the Model Code.

Apart from the section headed "Share Options" as disclosed later in this report, none of the Directors or chief executive (including their spouses and children under the age of 18), during the year ended 31 March 2013, held any interests in or was granted any right to subscribe for the securities of Company and its associated corporations (within the meaning of Part XV of the SFO), or had exercised any such rights.

SHARE OPTIONS

Particulars of the share option scheme adopted by the Company on 28 November 2008 (the "Scheme") and the fair values of the share options granted during the year are set out in note 36 to the consolidated financial statements.

The movements in the share options of the Company during the year are set out as follows:

		Price of share of the Company			Number of share options[2]		
Nature or category of participant (the "Eligible participants")	Date of grant[1] (dd/mm/yy)	Exercise price HK$	At the grant date of share options[3] HK$	At the exercise date of share options HK$	Outstanding at 1/4/2012	Reclassification during the year	Outstanding at 31/3/2013
Independent non-executive Directors							
Ms. Lin Yan	07/05/09	0.645	0.655	N/A	360,000	–	360,000
Subtotal of Directors					360,000	–	360,000
Employees	07/05/09	0.645	0.655	N/A	9,240,000	3,160,000	12,400,000
Other participants in aggregate	07/05/09	0.645	0.655	N/A	133,710,000	(3,160,000)	130,550,000
Total					143,310,000	–	143,310,000

Notes:

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

2. During the year, no share options of the Company were cancelled or forfeited.

3. The stated price was the closing price of the shares of the Company on the HKEx on the trading day immediately prior to the date of the grant of the share options.

Save as disclosed above, at no time during the year was the Company or any of its subsidiaries a party to any arrangements to enable the Directors to acquire benefits by means of the acquisition of shares in, or debentures of, the Company or any other body corporate.

INTERESTS OF SUBSTANTIAL SHAREHOLDERS

Save as disclosed below, the Directors are not aware of any other person, (other than the interests of the Director or chief executive of the Company) had an interest or short position in the shares or underlying shares of the Company which would fall to be disclosed to the Company under the Divisions 2 and 3 of Part XV of the SFO, or which were recorded in the register required to be kept under Section 336 of the SFO:

Long position in shares of the Company

Name of shareholder	Nature of interest	Number of ordinary shares	Approximate percentage of shareholding %
Forever Winner	Beneficial Owner (Note 1)	1,041,446,000	64.61
Atlantis Capital Holdings Limited ("Atlantis")	Interest of controlled corporations (Note 2)	80,756,000	5.01

Note 1: Each of Sino Century and Jin Yao holds 50% of the entire issued share capital of Forever Winner. Mr. Wang holds the entire issued share capital of Sino Century. Mr. Yao holds the entire issued share capital of Jin Yao.

Note 2: According to the form of disclosure of interests submitted by Atlantis and Ms. Liu Yang ("Ms. Liu") on 18 November 2011 (the date of the relevant event being 17 November 2011), these shares were controlled by Atlantis through the controlled corporations namely Atlantis Fund Management (Ireland) Limited, Atlantis Investment Management (London) Limited and Atlantis Investment Management (Hong Kong) Limited. Atlantis is wholly owned by Ms. Liu, by virtue of the provisions of the SFO, Ms. Liu is deemed to be interested in all the shares in which Atlantis was interested.

CONTINUING CONNECTED TRANSACTIONS

During the year, the Group entered into a tenancy agreement with Strong Property Limited, which constituted continuing connected transactions and related party transactions and are set out in note 35 to the consolidated financial statements.

The continuing connected transaction under the above tenancy agreement falls within the de minimis threshold under Rule 14A.33(3) of the Listing Rules and therefore is exempted from the reporting, annual review, announcement and independent shareholders' approval requirements contemplated under the Listing Rules.

MAJOR CUSTOMERS AND SUPPLIERS

In the year under review, sales to the Group's five largest customers and purchases from the five largest suppliers accounted for approximately 74% and 57% of the total sales and purchases for the year, respectively. The Group's largest customer and supplier accounted for approximately 32% and 15% of the total sales and purchases for the year, respectively.

None of the Directors, their associates or any shareholder (which to the knowledge of the Directors owns more than 5% of the Company's share capital) has a beneficial interest in these major customers or suppliers.

EMOLUMENT POLICY

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

The Group implemented its remuneration policy, bonus and share option schemes based on the achievements and performance of employees.

The emoluments of the Directors will be decided by the Remuneration Committee having regard to the Group's operating results, individual performance and comparable market statistics. Details of Directors' emolument and other staff costs are set out in notes 12 and 11 respectively to the consolidated financial statements.

RETIREMENT BENEFIT PLANS

Other than operating a Hong Kong Mandatory Provident Fund Scheme, participating in the defined contribution pension scheme operated by the Macao government authority, the Central Provident Fund operated by Singapore government and the PRC state-managed retirement benefits scheme, the Group has not operated any other retirement benefits schemes for the Group's employees. Particulars of the retirement benefit plans are set out in note 34 to the consolidated financial statements.

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

During the year, the Company repurchased a total of 2,368,000 ordinary shares of the Company at an aggregate purchase price of HK$1,982,000 on the HKEx, representing approximately 0.15% of the issued share capital of the Company as at the date of the passing of the ordinary resolution under which the general mandate to repurchase shares was granted. Particulars of the shares repurchased are as follow:

Month of repurchase	No. of ordinary shares of HK$0.025 each	Purchase price paid per share Highest	Lowest	Aggregate consideration paid
		HK$	HK$	HK$
July 2012	4,000	0.52	–	2,000
September 2012	538,000	0.87	0.68	443,000
October 2012	660,000	0.87	0.83	563,000
November 2012	50,000	0.82	–	41,000
December 2012	760,000	0.85	0.81	641,000
January 2013	192,000	0.85	0.82	159,000
February 2013	32,000	0.83	0.82	26,000
March 2013	132,000	0.83	0.80	107,000
Total	2,368,000			1,982,000

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

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

PRE-EMPTIVE RIGHTS

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

SUFFICIENCY OF PUBLIC FLOAT

As at the date of this report, based on the information that is publicly available to the Company and to the knowledge of the Directors, the Company has maintained a sufficient public float.

DISCLOSURE PURSUANT TO RULES 13.20 AND 13.22 OF THE LISTING RULES

As at 31 March 2013, the Group had an advance to an entity and financial assistance to an affiliated company in the amount of US$24,100,000 (the "Advance"), which exceeded 8% under the assets ratio as defined under Rule 14.07(1) of the Listing Rules, details of which as disclosed in the announcement dated 29 December 2011.

Advance to an entity

The Advance, as one of the conditions for the acquisition of 40% interests in Asia Sixth, was made to Asia Sixth as a shareholder loan (the "Loan") and drawn down on 28 December 2011. Save as disclosed in note 20 to the consolidated financial statements, the Loan was mainly used to finance the purchase of 60% interest in Aral Petroleum Capital LLP. The Loan was unsecured, non-interest bearing and repayable on the date falling five years after 28 December 2011.

Financial assistance to an affiliated company

In compliance with the requirement under Rule 13.22 of the Listing Rules, the unaudited statement of financial position of Asia Sixth, an affiliated company of the Group, based on its latest financial statements at the latest practicable date, as of 31 March 2013, is presented below:

	Significant statement of financial position classifications	**Group's attributable interest**
	HK$'000	HK$'000
Non-current assets	51,918	20,767
Current assets	732	293
Liabilities	(259,006)	(103,602)

AUDITOR

A resolution will be proposed at the forthcoming AGM to re-appoint Messrs Deloitte Touche Tohmatsu as auditor of the Company.

On behalf of the Board
Wang Jian Sheng
Chairman

24 June 2013

Independent Auditor's Report

Deloitte.
德勤

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

We have audited the consolidated financial statements of Strong Petrochemical Holdings Limited (the "Company") and its subsidiaries (collectively referred to as the "Group") set out on pages 35 to 91, which comprise the consolidated statement of financial position as at 31 March 2013, and the consolidated statement of comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

DIRECTORS' RESPONSIBILITY FOR THE CONSOLIDATED FINANCIAL STATEMENTS

The directors of the Company are responsible for the preparation of the 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 (the "HKICPA") 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 the consolidated financial statements that are free from material misstatement, whether due to fraud or error.

AUDITOR'S RESPONSIBILITY

Our responsibility is to express an opinion on these consolidated financial statements based on our audit and to report our opinion solely to you, as a body, in accordance with our agreed terms of engagement and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report. We conducted our audit in accordance with Hong Kong Standards on Auditing issued by the HKICPA. 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 auditor's judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation of the consolidated financial statements that give a true and fair view in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the consolidated financial statements.

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

Independent Auditor's Report

OPINION

In our opinion, the consolidated financial statements give a true and fair view of the state of the Group's affairs as at 31 March 2013 and of its profit and cash flows for the year then ended in accordance with the Hong Kong Financial Reporting Standards and have been properly prepared in accordance with the disclosure requirements of the Hong Kong Companies Ordinance.

Deloitte Touche Tohmatsu
Certified Public Accountants
Hong Kong
24 June 2013

Consolidated Statement of Comprehensive Income

For the year ended 31 March 2013

	NOTES	2013 HK$'000	2012 HK$'000 (restated)
Revenue	7	**15,090,716**	11,111,550
Cost of sales		**(14,785,878)**	(10,905,273)
Gross profit		**304,838**	206,277
Other income	8(a)	**21,224**	9,835
Other gains and losses	8(b)	**164,215**	(90,707)
Fair value changes on derivative financial instruments		**117,708**	(58,339)
Distribution and selling expenses		**(107,205)**	(82,848)
Administrative expenses		**(56,478)**	(56,864)
Other expenses		**(476)**	(1,429)
Finance costs	9	**(24,444)**	(30,337)
Share of losses of associates		**(107,238)**	(18,152)
Profit (loss) before taxation		**312,144**	(122,564)
Taxation (charge) credit	10	**(4,642)**	11,895
Profit (loss) for the year	11	**307,502**	(110,669)
Other comprehensive income			
Exchange difference arising on translation		**1,010**	6,664
Total comprehensive income (expense) for the year		**308,512**	(104,005)
Profit (loss) for the year attributable to:			
Owners of the Company		**308,716**	(109,497)
Non-controlling interests		**(1,214)**	(1,172)
		307,502	(110,669)
Total comprehensive income (expense) attributable to:			
Owners of the Company		**309,640**	(102,833)
Non-controlling interests		**(1,128)**	(1,172)
		308,512	(104,005)
Earnings (loss) per share	14		
— basic (HK$)		**0.19**	(0.07)
— diluted (HK$)		**0.19**	(0.07)

Consolidated Statement of Financial Position

At 31 March 2013

	NOTES	2013 HK$'000	2012 HK$'000 (restated)
Non-current assets			
Property, plant and equipment	15	**117,172**	69,607
Prepaid lease payments	16	**21,063**	21,461
Other investment	17	**1,560**	–
Other assets	18	**1,059**	392
Interests in associates	20	**128,943**	135,388
Loan to an associate	20	**–**	96,516
Deferred tax asset	29	**–**	4,358
		269,797	327,722
Current assets			
Inventories	21	**819,044**	1,253
Prepaid lease payments	16	**479**	477
Trade and bills receivables	22	**183,215**	2,468,047
Other receivables, deposits and prepayments	22	**88,824**	31,965
Amounts due from non-controlling shareholders of a subsidiary	22	**–**	13,261
Tax recoverable		**20**	20
Derivative financial instruments	28	**21,869**	8,772
Bank structured deposit	19	**–**	19,504
Deposits placed with brokers	24	**163,136**	80,472
Pledged bank deposits	25	**73,506**	254,824
Bank balances and cash	25	**361,856**	156,408
		1,711,949	3,035,003
Assets classified as held for sale	31	**175,292**	–
		1,887,241	3,035,003
Current liabilities			
Trade and bills payables	26	**381,307**	1,653,937
Other payables and accruals	26	**28,503**	28,024
Receipt in advance		**22,081**	2,257
Amounts due to non-controlling shareholders of a subsidiary	26	**–**	4,913
Bank borrowings	27	**536,820**	849,782
Derivative financial instruments	28	**43,472**	–
Tax payable		**155**	82
		1,012,338	2,538,995

Consolidated Statement of Financial Position

At 31 March 2013

	NOTES	2013 HK$'000	2012 HK$'000 (restated)
Net current assets		**874,903**	496,008
Total assets less current liabilities		**1,144,700**	823,730
Equity			
Share capital	30	**40,300**	40,360
Reserves		**1,018,679**	710,961
Equity attributable to owners of the Company		**1,058,979**	751,321
Non-controlling interests		**71,281**	72,409
Total equity		**1,130,260**	823,730
Non-current liability			
Bank borrowings	27	**14,440**	–
		1,144,700	823,730

The consolidated financial statements on pages 35 to 91 were approved and authorised for issue by the Board of Directors on 24 June 2013 and are signed on its behalf by:

Wang Jian Sheng
DIRECTOR

Yao Guoliang
DIRECTOR

Consolidated Statement of Changes in Equity

For the year ended 31 March 2013

	Attributable to owners of the Company										
	Share capital HK$'000	Share premium HK$'000	Special reserve HK$'000 (Note 1)	Legal reserve HK$'000 (Note 2)	Share options reserve HK$'000	Translation reserve HK$'000	Other reserve HK$'000 (Note 3)	Retained profits HK$'000	Total HK$'000	Non-controlling interests HK$'000	Total HK$'000
At 1 April 2011	40,292	206,790	(1,922)	49	42,174	10,327	–	543,438	841,148	–	841,148
Exchange differences arising on translation	–	–	–	–	–	6,664	–	–	6,664	–	6,664
Loss for the year (restated)	–	–	–	–	–	–	–	(109,497)	(109,497)	(1,172)	(110,669)
Total comprehensive income (expense) for the year (restated)	–	–	–	–	–	6,664	–	(109,497)	(102,833)	(1,172)	(104,005)
Recognition of equity-settled share-based payments	–	–	–	–	772	–	–	–	772	–	772
Issue of shares on exercise of share options	73	2,645	–	–	(847)	–	–	–	1,871	–	1,871
Acquisition of a subsidiary (note 38(ii))	–	–	–	–	–	–	–	–	–	26,521	26,521
Shares repurchased and cancelled	(5)	(165)	–	–	–	–	–	–	(170)	–	(170)
Deemed disposal of partial interests in subsidiaries (note 39)	–	–	–	–	–	–	10,533	–	10,533	47,060	57,593
	68	2,480	–	–	(75)	–	10,533	–	13,006	73,581	86,587
At 31 March 2012 (restated)	**40,360**	**209,270**	**(1,922)**	**49**	**42,099**	**16,991**	**10,533**	**433,941**	**751,321**	**72,409**	**823,730**
Exchange differences arising on translation	**–**	**–**	**–**	**–**	**–**	**924**	**–**	**–**	**924**	**86**	**1,010**
Profit (loss) for the year	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**308,716**	**308,716**	**(1,214)**	**307,502**
Total comprehensive income (expense) for the year	**–**	**–**	**–**	**–**	**–**	**924**	**–**	**308,716**	**309,640**	**(1,128)**	**308,512**
Shares repurchased and cancelled	**(60)**	**(1,922)**	**–**	**–**	**–**	**–**	**–**	**–**	**(1,982)**	**–**	**(1,982)**
At 31 March 2013	**40,300**	**207,348**	**(1,922)**	**49**	**42,099**	**17,915**	**10,533**	**742,657**	**1,058,979**	**71,281**	**1,130,260**

Notes:

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

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

3. Other reserve is resulted from the deemed disposal of partial interests in subsidiaries. Details of which are set out in note 39.

Consolidated Statement of Cash Flows

For the year ended 31 March 2013

	NOTE	2013 HK$'000	2012 HK$'000 (restated)
OPERATING ACTIVITIES			
Profit (loss) before taxation		**312,144**	(122,564)
Adjustments for:			
Bank interest income		**(577)**	(445)
Imputed interest income from loan to an associate		**(14,061)**	(3,398)
Finance costs		**24,444**	30,337
Share-based payment expense		**–**	772
Depreciation		**2,510**	23,834
Release of prepaid lease payments		**476**	472
(Gain) loss on disposal of property, plant and equipment		**(3)**	9,472
Write-down of inventories		**–**	1,895
Change in fair value of bank structured deposit		**1,041**	75
Change in fair value of derivative financial instruments		**30,375**	(43,208)
Gain on change in estimated cash flows in respect of loan to an associate		**(165,042)**	–
Impairment loss on interest in an associate		**–**	81,402
Share of losses of associates		**107,238**	18,152
Operating cash flows before movements in working capital		**298,545**	(3,204)
(Increase) decrease in inventories		**(817,791)**	1,021,202
Decrease (increase) in trade and bills receivables		**2,284,832**	(2,030,247)
Increase in other receivables, deposits and prepayments		**(56,859)**	(6,051)
(Decrease) increase in trade and bills payables		**(1,272,630)**	986,466
Increase in receipt in advance		**19,824**	2,257
Increase in other payables and accruals		**479**	5,066
Cash from (used in) operations		**456,400**	(24,511)
Interest paid and bank charges		**(24,444)**	(30,337)
Income tax (paid) refund		**(211)**	3,354
NET CASH FROM (USED IN) OPERATING ACTIVITIES		**431,745**	(51,494)
INVESTING ACTIVITIES			
Bank interest received		**577**	445
Purchase of property, plant and equipment		**(49,845)**	(58,330)
Proceeds from disposal of property, plant and equipment		**3**	113,973
Loan advanced to an associate		**–**	(187,979)
Acquisition of an associate		**–**	(1)
Acquisition of subsidiaries	38	**–**	(66)
Withdrawal (placement) of pledged bank deposits		**181,318**	(239,214)
Increase in deposits placed with brokers		**(82,664)**	(17,100)
Settlement of bank structured deposit		**18,463**	–
Purchase of other investment		**(1,560)**	–
Purchase of other assets		**(667)**	–
Proceeds from sale of available-for-sale investment		**–**	7,401
NET CASH FROM (USED IN) INVESTING ACTIVITIES		**65,625**	(380,871)

Consolidated Statement of Cash Flows

For the year ended 31 March 2013

	NOTE	2013 HK$'000	2012 HK$'000 (restated)
FINANCING ACTIVITIES			
Payment on repurchase of shares		**(1,982)**	(170)
Proceeds from exercise of share options		**–**	1,871
New bank loans raised		**5,568,431**	5,001,653
Repayment of bank borrowings		**(5,866,953)**	(4,879,124)
(Repayment to) advance from non-controlling shareholders of a subsidiary		**(4,913)**	4,913
Proceed on disposal of partial interest of subsidiaries without losing control	39	**–**	57,593
Capital injection from other shareholders of a subsidiary		**13,261**	924
NET CASH (USED IN) FROM FINANCING ACTIVITIES		**(292,156)**	187,660
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS		**205,214**	(244,705)
CASH AND CASH EQUIVALENTS AT BEGINNING OF THE YEAR		**156,408**	400,866
EFFECT OF FOREIGN EXCHANGE RATE CHANGES		**234**	247
CASH AND CASH EQUIVALENTS AT END OF THE YEAR		**361,856**	156,408
ANALYSIS OF THE BALANCES OF CASH AND CASH EQUIVALENTS			
Bank balances and cash		**361,856**	156,408

1. GENERAL

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

The Company acts as an investment holding company. The principal activities of the Company's subsidiaries are set out in note 40.

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

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

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

Amendments to HKAS 12	Deferred tax: Recovery of underlying assets
Amendments to HKFRS 7	Disclosures — Transfers of financial assets
Amendments to HKAS 1	As part of the annual improvements to HKFRSs 2009–2011 cycle issued in June 2012

Except as described below, the application of the amendments to standards in the current year has had no material impact on the Group's financial performance and positions for the current and prior years and/or on the disclosures set out in these consolidated financial statements.

Amendments to HKFRS 7 Disclosures — Transfers of financial assets

The Group has applied for the first time the amendments to HKFRS 7 "Disclosures — Transfers of financial assets" in the current year. The amendments increase the disclosure requirements for transactions involving the transfer of financial assets in order to provide greater transparency around risk exposures when financial assets are transferred.

The Group has arrangements with various banks to transfer to the banks its contractual rights to receive cash flows from certain bills receivable. The arrangements are made through discounting those receivables to banks on a full recourse basis. Specifically, if the bills receivable are not paid at maturity, the banks have the right to request the Group to pay the unsettled balance. As the Group has not transferred the significant risks and rewards relating to these bills receivable, it continues to recognise the full carrying amount of the receivables and has recognised the cash received on the transfer as a secured borrowing (see note 27). The relevant disclosures have been made regarding the transfer of these trade receivables on application of the amendments to HKFRS 7 (see note 23). In accordance with the transitional provisions set out in the amendments to HKFRS 7, the Group has not provided comparative information for the disclosures required by the amendments.

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

Amendments to HKAS 1 Presentation of financial statements (as part of the Annual Improvements to HKFRSs 2009–2011 Cycle issued in June 2012)

Various amendments to HKFRSs were issued in June 2012, the title of which is Annual Improvements to HKFRSs (2009 – 2011 Cycle). The effective date of these amendments is annual periods beginning on or after 1 January 2013. In current year, the Group has applied for the first time the amendments to HKAS 1 in advance of the effective date (annual periods beginning on or after 1 January 2013). 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.

In the current year, the Group has made restatement on certain balances including interests in associates, loan to an associate, share of losses of associates and other income, gains and losses in respect of investment in an associate and loan to an associate which was acquired and advanced during the year ended 31 March 2012, such restatement has no material effect on the information in the consolidated statement of financial position as at 1 April 2011. In accordance with the amendments to HKAS 1, the Group has therefore not presented a third statement of financial position as at 1 April 2011.

The details and effects of the restatement on the results, basic and diluted loss per share for the year ended 31 March 2012 and financial position of the Group as at 31 March 2012 are set out in note 3.

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

Amendments to HKFRSs	Annual improvements to HKFRSs 2009–2011 cycle, except for the amendments to HKAS 1[1]
Amendments to HKFRS 7	Disclosures — Offsetting financial assets and financial liabilities[1]
Amendments to HKFRS 9 and HKFRS 7	Mandatory effective date of HKFRS 9 and transition disclosures[3]
Amendments to HKFRS 10, HKFRS 11 and HKFRS 12	Consolidated financial statements, joint arrangements and disclosure of interests in other entities: Transition guidance[1]
Amendments to HKFRS 10, HKFRS 12 and HKAS 27 (Revised 2011)	Investment entities[2]
HKFRS 9	Financial instruments[3]
HKFRS 10	Consolidated financial statements[1]
HKFRS 11	Joint arrangements[1]
HKFRS 12	Disclosure of interests in other entities[1]
HKFRS 13	Fair value measurement[1]
HKAS 19 (Revised 2011)	Employee benefits[1]
HKAS 27 (Revised 2011)	Separate financial statements[1]
HKAS 28 (Revised 2011)	Investments in associates and joint ventures[1]
Amendments to HKAS 1	Presentation of items of other comprehensive income[4]
Amendments to HKAS 32	Offsetting financial assets and financial liabilities[2]
HK(IFRIC)-INT 20	Stripping costs in the production phase of a surface mine[1]

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

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

HKFRS 9 Financial instruments

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

Key requirements of HKFRS 9 are described as follows:

- All recognised financial assets that are within the scope of HKAS 39 "Financial instruments: Recognition and measurement" are 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 accounting periods. All other debt investments and equity investments are measured at their fair values at the end of subsequent reporting 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. 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 the Group's annual periods beginning on 1 April 2015, with earlier application permitted. The directors anticipate that the application of HKFRS 9, based on an analysis of the Group's financial instruments as at 31 March 2013, would have no material impact on the Group's financial assets and financial liabilities.

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.

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

HKFRS 13 Fair value measurement *(continued)*

HKFRS 13 is effective for the Group's annual periods beginning on 1 April 2013. The directors anticipate that the application of the new standard is unlikely to affect the amounts reported in the Group's consolidated financial statements, including derivatives financial instruments and financial asset at fair value through profit or loss, but will result in more extensive disclosures about fair value measurements in the Group's consolidated financial statements.

Amendments to HKAS 1 Presentation of items of other comprehensive income

The amendments to HKAS 1 "Presentation of items of other comprehensive income" 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: (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 the Group's annual periods beginning on 1 April 2013. The presentation of items of other comprehensive income will be modified accordingly when the amendments are applied.

Amendments to HKAS 32 Offsetting financial assets and financial liabilities and amendments to HKFRS 7 Disclosures — Offsetting financial assets and financial liabilities

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 for financial instruments under an enforceable master netting agreement or similar arrangement.

The amendments to HKFRS 7 are effective for the Group's annual periods beginning on 1 April 2013. The disclosures should also be provided retrospectively for all comparative periods. However, the amendments to HKAS 32 are not effective until for the Group's annual periods beginning on 1 April 2014, with retrospective application required.

The directors anticipate that the application of these amendments to HKAS 32 and HKFRS 7 may result in more disclosures being made with regard to the derivative contracts.

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

New and revised Standards on consolidation, associates and disclosures

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.

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.

The directors anticipate that HKFRS 10 and HKFRS 12 will be adopted in the Group's consolidated financial statements for the annual periods beginning on 1 April 2013. The directors have not performed a detail analysis of the impact of the application of these standards and hence have not yet quantified the extent of the impact. However, based on the assessment of the new definition of control and the additional guidance on control set out in HKFRS 10, the directors do not anticipate the overall effect on the consolidated financial statements upon application of these standards to be material.

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

3. PRIOR PERIOD ADJUSTMENTS AND RESTATEMENT OF COMPARATIVE FINANCIAL INFORMATION

During the year ended 31 March 2012, the Group completed the acquisition of its 40% equity interest in an associate, Asia Sixth Energy Resources Limited ("Asia Sixth"). Since the management of Asia Sixth required additional time to determine the fair values of assets and liabilities of a subsidiary acquired by Asia Sixth at initial recognition, no reliable consolidated financial information of Asia Sixth was made available to enable the Group to account for its interest in Asia Sixth at initial recognition and to equity account for its interests in Asia Sixth for the period from 28 December 2011 (the "Date of Acquisition") to 31 March 2012 in accordance with HKAS 28 "Investments in associates" as well as to assess the fair value of the loan to an associate in accordance with HKAS 39 "Financial instruments: Recognition and measurement" at initial recognition when the consolidated financial statements of the Group for the year ended 31 March 2012 were issued on 22 June 2012. The Group's interest in Asia Sixth and loan to Asia Sixth were stated at cost less any identified impairment losses as at 31 March 2012 in its consolidated financial statements for the year ended 31 March 2012.

During the year ended 31 March 2013, the management of Asia Sixth provided the relevant consolidated financial information such that the Group can reassess the valuation of its interest in and loan to Asia Sixth at initial recognition and equity account for its interest in Asia Sixth for the period from the Date of Acquisition to 31 March 2012. The directors consider that it is appropriate to account for such financial information of Asia Sixth obtained subsequent to 31 March 2012 as prior period adjustments in the consolidated financial statements retrospectively. Accordingly, the comparative figures as stated in the respective line items in the consolidated statement of financial position as at 31 March 2012 and the consolidated statement of comprehensive income for the year then ended and related notes have been restated.

3. PRIOR PERIOD ADJUSTMENTS AND RESTATEMENT OF COMPARATIVE FINANCIAL INFORMATION *(continued)*

The prior period adjustments are as follows:

(1) At the Date of Acquisition, the fair value of non-current interest free loan to an associate with principal amount of approximately HK$187,979,000 at initial recognition was calculated by discounting the principal amount at an effective interest rate of 13.8% per annum for 5 years, the maturity period of the loan, which amounting to approximately HK$98,483,000. The difference of approximately HK$89,496,000, representing the imputed interest element, was therefore capitalised as interest in an associate.

(2) The Group assessed the recoverable amounts of its interest in Asia Sixth during the year ended 31 March 2012 and recognised an impairment loss of approximately HK$81,402,000 in profit or loss.

(3) During the period from the Date of Acquisition to the year ended 31 March 2012, the imputed interest income in respect of loan to an associate amounting to approximately HK$3,398,000 was recognised in profit or loss.

(4) During the period from the Date of Acquisition to the year ended 31 March 2012, the share of loss of Asia Sixth amounting to approximately HK$13,459,000 was recognised in profit or loss based on the consolidated financial statements of Asia Sixth and its subsidiary.

The effects of the correction of errors described above on the financial position of the Group as at 31 March 2012 are summarised as follows:

	As previously reported	Adjustment 1	Adjustment 2	Adjustment 3	Adjustment 4	As restated
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
Interests in associates	135,388	89,496	(81,402)	–	(8,094)	135,388
Loan to an associate	187,979	(89,496)	–	3,398	(5,365)	96,516
Total effects on net assets	323,367	–	(81,402)	3,398	(13,459)	231,904

The effects of the above prior period adjustments do not have any impact on the financial position of the Group as at 1 April 2011 as the Date of Acquisition was after that date and accordingly, a third statement of financial position has not been presented.

The effects of the correction of errors described above on the results of the Group for the year ended 31 March 2012 are summarised as follows:

	Adjustment 2	Adjustment 3	Adjustment 4	Total
	HK$'000	HK$'000	HK$'000	HK$'000
Increase in other income	–	3,398	–	3,398
Increase in losses under other gains and losses	(81,402)	–	–	(81,402)
Increase in share of losses of associates	–	–	(13,459)	(13,459)
(Increase) decrease in loss for the year	(81,402)	3,398	(13,459)	(91,463)

3. PRIOR PERIOD ADJUSTMENTS AND RESTATEMENT OF COMPARATIVE FINANCIAL INFORMATION *(continued)*

The effects of the above prior period adjustments on the Group's basic and diluted loss per share for the year ended 31 March 2012 are as follows:

	Impact on basic and diluted loss per share for the year ended 31 March 2012 HK$
Figures before adjustments	(0.01)
Adjustments arising from prior period adjustments	(0.06)
Figures after adjustments	(0.07)

4. SIGNIFICANT ACCOUNTING POLICIES

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

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

The principal accounting policies adopted are set out below.

Basis of consolidation

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

Income and expenses of subsidiaries acquired or disposed of during the year are included in the consolidated statement of comprehensive income from the effective date of acquisition or up to the effective date of disposal, as appropriate.

Where necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies into line with those used by other members of the Group.

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

Non-controlling interests in subsidiaries are presented separately from the Group's equity therein.

4. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Allocation of total comprehensive income to non-controlling interests

Total comprehensive income and expense of a subsidiary is attributed to the owners of the Company and to the non-controlling interests even if this results in the non-controlling interests having a deficit balance.

Changes in the Group's ownership interests in existing subsidiaries

Changes in the Group's ownership interests in existing 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 and the fair value of the consideration paid or received is recognised directly in equity and attributed to owners of the Company.

Investments in associates

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

The results and assets and liabilities of associates are incorporated in these consolidated financial statements using the equity method of accounting, except when the investment is classified as held for sale (in which case it is accounted for in accordance with HKFRS 5 "Non-current assets held for sale and discontinued operations"). Under the equity method, investments in associates are initially recognised in the consolidated statement of financial position at cost and adjusted thereafter to recognise the Group's share of the profit or loss and other comprehensive income of the associates. When the Group's share of losses of an associate exceeds the Group's interest in that associate (which includes any long-term interests that, in substance, form part of the Group's net investment in the associate), the Group discontinues recognising its share of further losses. Additional losses are recognised only to the extent that the Group has incurred legal or constructive obligations or made payments on behalf of that associate.

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

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

Business combinations

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 at 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.

4. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Business combinations *(continued)*

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

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

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

Acquisition of assets through acquisition of a subsidiary

Where acquisition of a group of assets through acquisition of a subsidiary does not constitute a business, identifiable assets acquired and liabilities assumed will be identified and recognised individually. The cost of the acquisition shall be allocated to the individual identifiable assets and liabilities on the basis of their relative fair values at the date of purchase. The accounting policies in measuring these assets and liabilities subsequent to the initial recognition are set out in respective notes. Such transactions do not give rise to goodwill or gain on bargain purchase.

Non-current assets held for sale

Non-current assets and disposal groups are classified as held for sale if their carrying amounts will be recovered principally through a sale transaction rather than through continuing use. This condition is regarded as met only when the sale is highly probable and the non-current asset (or disposal group) is available for immediate sale in its present condition. Management must be committed to the sale, which should be expected to qualify for recognition as a completed sale within one year from the date of classification.

When the Group is committed to a sale plan involving loss of control of a subsidiary, all of the assets and liabilities of that subsidiary are classified as held for sale when the criteria described above are met, regardless of whether the Group will retain a non-controlling interest in its former subsidiary after the sale.

Non-current assets (and disposal groups) classified as held for sale are measured at the lower of their previous carrying amount and fair value less costs to sell.

Revenue recognition

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

4. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Revenue recognition *(continued)*

Revenue from sales of goods is recognised when goods are delivered and titles have passed, at which time all the following conditions are satisfied:

- the Group has transferred to the buyer the significant risks and rewards of ownership of the goods;
- the Group retains neither continuing managerial involvement to the degree usually associated with ownership nor effective control over the goods sold;
- the amount of revenue can be measured reliably;
- it is probable that the economic benefits associated with the transaction will flow to the Group; and
- the costs incurred or to be incurred in respect of the transaction can be measured reliably.

Service income is recognised when services are provided.

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

Property, plant and equipment

Property, plant and equipment including buildings held for use in the production or supply of goods and services, or for administrative purposes, other than construction in progress, are stated in the consolidated statement of financial position at cost less subsequent accumulated depreciation and subsequent accumulated impairment losses, if any.

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

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

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

4. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Leasing

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

The Group as lessee

Operating lease payments are recognised as an expense on a straight-line basis over the lease term. Prepaid lease payments represent leasehold interests in land under operating lease arrangements and are released over the lease-term on a straight-line basis.

The Group as lessor

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

Foreign currencies

In preparing the financial statements of each individual group entity, transactions in currencies other than the entity's functional currency ("foreign currencies") are recorded in the respective functional currency (i.e. the currency of the primary economic environment in which the entity operates) at the rates of exchanges prevailing on the dates of the transactions. At the end of the reporting period, monetary items denominated in foreign currencies are retranslated at the rates prevailing at that date. Non-monetary items carried at fair value that are denominated in foreign currencies are retranslated at the rates prevailing on the date when the fair value was determined. Non-monetary items that are measured in terms of historical cost in a foreign currency are not retranslated. On disposal of a foreign operation, all of the exchange differences accumulated in equity in respect of that operation attributable to the owners of the Company are reclassified to profit or loss.

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

For the purposes of presenting the consolidated financial statements, the assets and liabilities of the Group's foreign operations are translated into the presentation currency of the Group (i.e. HK$) using exchange rates prevailing at the end of each reporting period. Income and expenses items are translated at the average exchange rates for the year, 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 in other comprehensive income and accumulated in equity under the heading of translation reserve (attributed to non-controlling interests as appropriate). All of the exchange differences accumulated in equity in respect of foreign operations are reclassified to profit or loss upon disposal of the foreign operation.

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.

4. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Retirement benefit costs

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

Taxation

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

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

Deferred tax is recognised on temporary differences between the carrying amounts of assets and liabilities in the consolidated financial statements and the corresponding tax base used in the computation of taxable profit. Deferred tax liabilities are generally recognised for all taxable temporary differences. 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 assets and liabilities are not recognised if the temporary difference arises from goodwill or from the initial recognition (other than in a business combination) of other assets and liabilities in a transaction that affects neither the taxable profit nor the accounting profit.

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

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

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

The measurement of deferred tax liabilities and assets reflects the tax consequences that would follow from the manner in which the Group expects, at the end of the reporting period, to recover or settle the carrying amount of its assets and liabilities. Current and deferred tax is recognised in profit or loss.

Inventories

Inventories are stated at the lower of cost and net realisable value. Cost of inventories is calculated using the weighted average method. Net realisable value represents the estimated selling price for inventories less all estimated costs of completion and costs necessary to make the sale.

4. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Financial instruments

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

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 ("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.

Financial assets

The Group's financial assets are classified into financial assets at FVTPL, loans and receivables and available-for-sale financial assets. The classification depends on the nature and purpose of the financial assets and is determined at the time of initial recognition.

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.

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

Financial assets at FVTPL

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

A financial asset is classified as held for trading if:

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

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

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

4. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Financial instruments *(continued)*

Financial assets *(continued)*

Financial assets at FVTPL (continued)

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

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. Subsequent to initial recognition, loans and receivables (including loan to an associate, trade receivables, bill receivables, other receivables and deposits, amounts due from non-controlling shareholders of a subsidiary, deposits placed with brokers, pledged bank deposits, bank balances and cash) are carried at amortised cost using the effective interest method, less any identified impairment losses (see accounting policy on impairment of financial assets below).

Change in estimate of cash flows

If the estimates of receipts from financial assets revise, the Group adjusts the carrying amount of the financial asset to reflect actual and revised estimated cash flows. The Group recalculates the carrying amount of the financial assets by computing the present value of estimated future cash flows at the financial instrument's original effective interest rate. The difference between the carrying amount and the revised present value is recognised as income or expense in profit or loss.

Impairment of financial assets

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

4. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Financial instruments *(continued)*

Financial assets *(continued)*

Impairment of financial assets (continued)

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

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

For certain categories of financial asset, such as trade receivables, assets that are assessed not to be impaired individually are, in addition, 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 and observable changes in national or local economic conditions that correlate with default on receivables.

For financial assets carried at amortised cost, the amount of the impairment loss recognised is the difference between the asset's carrying amount and the present value of the estimated future cash flows discounted at the financial asset's original effective interest rate.

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

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

Financial liabilities and equity instruments

Debt and equity instruments issued by a group entity are classified as either financial liabilities or as equity instruments in accordance with the substance of the contractual arrangements entered into and the definitions of a financial liability and an equity instrument.

Equity instruments

An equity instrument is any contract that evidences a residual interest in the assets of the Group after deducting all of its liabilities. Equity instruments issued by the Company are recorded at the proceeds received, net of direct issue costs.

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

4. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Financial instruments *(continued)*

Financial liabilities and equity instruments *(continued)*

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 (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 financial liability, or, where appropriate, a shorter period to the net carrying amount on initial recognition.

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

Financial liabilities at FVTPL

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

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

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

Other financial liabilities

Other financial liabilities including trade and bills payables, other payables, bank borrowings and amounts due to non-controlling shareholders of a subsidiary are subsequently measured at amortised cost, using the effective interest method.

Derivative financial instruments

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

Derecognition

The Group derecognises a financial asset only when the contractual rights to the cash flows from the asset expire, or when it transfers the financial asset and substantially all the risks and rewards of ownership of the asset to another entity. If the Group neither transfers nor retains substantially all the risks and rewards of ownership and continues to control the transferred asset, the Group continues to recognise the asset to the extent of its continuing involvement and recognises an associated liability. If the Group retains substantially all the risks and rewards of ownership of a transferred financial asset, the Group continues to recognise the financial asset and also recognises a collateralised borrowing for the proceeds received.

4. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Financial instruments *(continued)*

Derecognition *(continued)*

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

The Group derecognises financial liabilities when, and only when, the Group's obligations are discharged, cancelled or expire. The difference between the carrying amount of the financial liability derecognised and the consideration paid and payable is recognised in profit or loss.

Impairment losses on tangible assets

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

Recoverable amount is the higher of fair value less costs to sell and value in use. 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 a cash-generating unit) is reduced to its recoverable amount. An impairment loss is recognised immediately in profit or loss.

Where 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 a cash-generating unit) in prior years. A reversal of an impairment loss is recognised as an income immediately.

Share-based payment transactions

Equity-settled share-based payment transactions

Share options granted to employees

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

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

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

4. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Share-based payment transactions *(continued)*

Equity-settled share-based payment transactions *(continued)*

Share options granted to suppliers/consultants

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

5. CAPITAL RISK MANAGEMENT

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

The capital structure of the Group consists of debt representing bank borrowings disclosed in note 27, net of cash and cash equivalents, and equity attributable to owners of the Company, comprising issued share capital, share premium, retained profits and other reserve as disclosed in the consolidated statement of changes in equity.

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

6. FINANCIAL INSTRUMENTS

	2013 HK$'000	2012 HK$'000 (restated)
Categories of financial instruments		
Financial assets		
FVTPL		
— Held for trading	21,869	8,772
— Designated as at FVTPL	1,560	19,504
Loans and receivables (including cash and cash equivalents)	784,084	3,072,360
Financial liabilities		
FVTPL		
— Held for trading	43,472	–
Amortised cost	942,677	2,516,042

6. FINANCIAL INSTRUMENTS *(continued)*

Financial risk management objectives and policies

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

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

Market risks

Interest rate risk

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

The Group's cash flow interest rate risk primarily relates to its variable-rate deposits placed with brokers, pledged bank deposits and bank balances, and bank borrowings, as set out in notes 24, 25 and 27 respectively.

Sensitivity analysis

The sensitivity analysis below have been determined based on the exposure to interest rates for variable-rate bank balances, pledged bank deposits, deposits placed with brokers and bank borrowings at the end of the reporting period. The analysis is prepared assuming the amount of bank balances, pledged bank deposits, deposits placed with brokers and bank borrowings outstanding at the end of the reporting period were outstanding for the whole year. A 10 basis points (2012: 10 basis points) increase or decrease is used for bank balances, pledged bank deposits, deposits placed with brokers and a 50 basis points (2012: 50 basis points) increase or decrease is used for bank borrowings which represents management's assessment of reasonably possible changes in interest rates.

For bank balances, pledged bank deposits, deposits placed with brokers, if the interest rate increase by 10 basis points (2012: 10 basis points) and all other variables were held constant, the post-tax profit for the year will increase by approximately HK$598,000 (2012: loss for the year decrease by HK$492,000). No sensitivity for the decrease in interest rate is performed as the directors considered the existing interest rate level for majority of bank balances, pledged bank deposits and deposits placed with brokers is so low that close to zero and the financial impact would not be material.

For bank borrowings, if interest rate increases/decreases by 50 basis points (2012: 50 basis points) and all other variables were held constant; the post-tax profit for the year will decrease/increase by approximately HK$2,756,000 (2012: loss for the year increase/decrease by approximately HK$4,249,000).

Currency risk

The majority of the Group's sales and purchases are denominated in the functional currency of the Company and its subsidiaries. Occasionally, some purchases are denominated in foreign currencies.

6. FINANCIAL INSTRUMENTS *(continued)*

Financial risk management objectives and policies *(continued)*

Market risks *(continued)*

Currency risk (continued)

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

	Liabilities		Assets	
	2013	2012	**2013**	2012
	HK$'000	HK$'000	**HK$'000**	HK$'000
Functional currency as US$ against				
HK$	**173**	161	**4,938**	1,063
EURO dollar ("EUR")	**–**	96,327	**18**	1,707
Other currencies	**10**	15	**3,999**	858
US$ against functional currency as				
Renminbi ("RMB")	**–**	–	**11,510**	12,580

The Group currently does not have a foreign currency hedging policy. However, the management monitors foreign exchange exposure and will consider hedging significant foreign currency exposure should the need arise. During the two years ended 31 March 2013, the management has entered into several foreign currency forward contracts to reduce the exposure of currency risk of bank loans denominated in EUR. As at 31 March 2012, the Group had an outstanding foreign forward contract with a notional amount of EUR9,361,000 in relation to USD (2013: nil). The detail of the derivative financial instrument is disclosed in note 28.

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

Sensitivity analysis

If EUR against US$ increases/decreases by 5%, the Group's loss for the year ended 31 March 2012, after taking into consideration the effect of foreign currency forward contract, would decrease/increase by approximately HK$138,000. 5% is the sensitivity rate used by the management in the assessment of the reasonably positive change in foreign exchange rate.

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

Other price risk

Oil price risk

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

6. FINANCIAL INSTRUMENTS *(continued)*

Financial risk management objectives and policies *(continued)*

Other price risk *(continued)*

Oil price risk (continued)

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

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

Sensitivity analysis

If the reference oil price had been 10% higher/lower and all other variables were held constant, the Group's profit for the year would decrease/increase by approximately HK$46,473,000 (2012: loss for the year would increase/decrease by approximately HK$81,787,000). The sensitivity rate of 10% represents management's assessment of the reasonably possible change in the reference oil price.

Reference index price risk

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

Liquidity risk

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

The Group relies on bank borrowings as a significant source of liquidity. As at 31 March 2013, the Group has available unutilised short-term bank loan facilities of approximately US$686,574,000 (equivalent to HK$5,355,275,000) (2012: US$471,054,000 (equivalent to HK$3,674,218,000)).

6. FINANCIAL INSTRUMENTS *(continued)*

Financial risk management objectives and policies *(continued)*

Liquidity risk *(continued)*

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

To the extent that interests are floating rate, the undiscounted amount is derived from interest rate at the end of the reporting period.

	Weighted average effective interest rate %	On demand or less than 1 month HK$'000	1 month to 3 months HK$'000	3 months to 1 year HK$'000	Over 1 year HK$'000	Total undiscounted cash flows HK$'000	Total carrying amount HK$'000
As at 31 March 2013							
Non-derivative financial liabilities							
Trade and bills payables	–	381,307	–	–	–	381,307	381,307
Other payables	–	130	105	9,875	–	10,110	10,110
Bank borrowings — variable rate	1.77%	533,875	308	3,921	15,102	553,206	551,260
		915,312	413	13,796	15,102	944,623	942,677
Derivatives — net settlement							
— futures contracts	–	23,231	7,313	–	–	30,544	30,544
— swap contracts	–	12,928	–	–	–	12,928	12,928
		36,159	7,313	–	–	43,472	43,472
As at 31 March 2012							
Non-derivative financial liabilities							
Trade and bills payables	–	1,653,937	–	–	–	1,653,937	1,653,937
Other payables	–	5,271	145	1,994	–	7,410	7,410
Amounts due to non-controlling shareholders of a subsidiary	–	4,913	–	–	–	4,913	4,913
Bank borrowings — variable rate	2.22%	850,160	–	–	–	850,160	849,782
		2,514,281	145	1,994	–	2,516,420	2,516,042

6. FINANCIAL INSTRUMENTS *(continued)*

Financial risk management objectives and policies *(continued)*

Credit risk

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

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

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

The Group has closely monitored the recoverable amount of loan to an associate to ensure adequate impairment loss is made for irrecoverable amounts.

The directors of the Company consider the credit risk of amount due from non-controlling shareholders of a subsidiary is low because they are the entities with good financial background.

Other than concentration of credit risk on liquid funds and bank structured deposit which are deposited with several financial institutions with high credit ratings, the Group also has concentration of credit risk on the trade receivables. The total trade receivables of the Group as at 31 March 2013 were due from 9 (2012: 6) customers. These customers are mainly large and established oil trading companies or/and foreign state-owned energy companies with good financial backgrounds. The management closely monitors the subsequent settlement by the customers. At the same time, the management endeavours to diversify and expand the customer base in order to mitigate the concentration of credit risk through establishing new business relationships with non state-owned licensed import agents and overseas oil trading companies.

Fair value

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

- the fair values of financial assets and financial liabilities with standard terms and conditions and traded on active liquid markets are determined with reference to quoted market bid prices and ask prices respectively;

- the fair value of derivative instruments is calculated using quoted prices. Where such prices are not available, fair value is determined by discounted cash flow analysis using the applicable yield curve for the duration of the instruments for non-optional derivatives, and option pricing models for optional derivatives; and

- the fair values of other financial assets and financial liabilities (excluding derivative instruments) are determined in accordance with generally accepted pricing models based on discounted cash flow analysis.

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

6. FINANCIAL INSTRUMENTS *(continued)*

Fair value *(continued)*

Fair value measurements recognised in the consolidated statement of financial position

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

- Level 1 fair value measurements are those derived from quoted prices (unadjusted) in active market for identical assets or liabilities.

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

- Level 3 fair value measurements are those derived from valuation techniques that include inputs for the asset or liability that are not based on observable market data (unobservable inputs).

	At 31 March 2013			
	Level 1 HK$'000	Level 2 HK$'000	Level 3 HK$'000	Total HK$'000
Financial assets at FVTPL				
Other investment	–	–	1,560	1,560
Derivative financial instruments	–	21,869	–	21,869

	At 31 March 2013			
	Level 1 HK$'000	Level 2 HK$'000	Level 3 HK$'000	Total HK$'000
Financial liabilities at FVTPL				
Derivative financial instruments	–	43,472	–	43,472

	At 31 March 2012			
	Level 1 HK$'000	Level 2 HK$'000	Level 3 HK$'000	Total HK$'000
Financial asset at FVTPL				
Bank structured deposit	–	–	19,504	19,504
Derivative financial instruments	–	8,772	–	8,772

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

6. FINANCIAL INSTRUMENTS *(continued)*

Fair value *(continued)*

Reconciliation of Level 3 fair value measurements of financial assets

	Other investment HK$'000	Bank structured deposit HK$'000
At 1 April 2011	–	19,579
Total gain or losses		
— Fair value change in bank structured deposit classified as asset at FVTPL recognised in profit or loss	–	(75)
At 31 March 2012	**–**	**19,504**
Total gain or losses		
— Fair value change in bank structured deposit classified as asset at FVTPL recognised in profit or loss	**–**	**(1,041)**
Purchases	**1,560**	**–**
Settlements	**–**	**(18,463)**
At 31 March 2013	**1,560**	**–**

7. REVENUE AND SEGMENTAL INFORMATION

Revenue

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

Segmental information

The Group's revenue is substantially derived from a single business operation of trading of crude oil, petroleum products and petrochemicals ("Trading business"). The financial information for the Trading business as a whole, which is substantially the same as the revenue and expenses presented on the consolidated statement of comprehensive income, is regularly reviewed by the executive directors of the Company who served as chief operating decision makers and used for the purposes of assessment of performance and resource allocation. Accordingly, the Trading business as a whole constitutes one operating segment for the purpose of segment information presentation under HKFRS 8 "Operating segments".

The management plans to develop an oil storage business ("Oil Storage business") in the People's Republic of China (the "PRC" excluding Hong Kong and Macao). Up to 31 March 2013, certain storage facilities have been completed but not yet generated any revenue and incurred insignificant expense. Up to 31 March 2013, the executive directors did not regularly review any discrete information of Oil Storage business for the purpose of resource allocation and assessment of performance. Accordingly, it does not constitute as an operating segment.

The Group's revenue and results are principally derived from the Trading business are disclosed in the consolidated statement of comprehensive income.

7. REVENUE AND SEGMENTAL INFORMATION *(continued)*

Revenue from major products

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

	2013 HK$'000	2012 HK$'000
Crude oil	**9,132,189**	8,017,380
Petroleum products	**5,375,932**	2,340,691
Petrochemicals	**582,595**	753,479
	15,090,716	11,111,550

Geographical information

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

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

	Revenue from external customers		Non-current assets	
	2013 HK$'000	2012 HK$'000	**2013 HK$'000**	2012 HK$'000
Hong Kong	**–**	–	**1,122**	474
Macao	**–**	–	**1,080**	1,167
PRC	**11,376,989**	6,522,384	**265,290**	224,432
Malaysia*	**3,101,112**	3,575,590	**–**	–
Thailand	**287,482**	–	**–**	–
Korea	**325,133**	114,842	**–**	–
Taiwan	**–**	897,608	**–**	–
Singapore	**–**	1,126	**745**	775
	15,090,716	11,111,550	**268,237**	226,848

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

Note: For the purpose of the geographical information above, non-current assets exclude financial instruments (consisting of loan to an associate and other investment) and the deferred tax asset.

7. REVENUE AND SEGMENTAL INFORMATION *(continued)*

Information about major customers

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

	2013	2012
	HK$'000	HK$'000
Customer A	**4,894,399**	1,796,016
Customer B	**2,334,025**	– *
Customer C	**2,013,154**	4,165,742

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

8. OTHER INCOME, GAINS AND LOSSES

	2013	2012
	HK$'000	HK$'000
		(restated)
(a) Other income		
Rental income from short-term leasing of unutilised property, plant and equipment and storage area of the rented/owned vessel	**6,290**	3,796
Bank interest income	**577**	445
Service income	**296**	2,196
Imputed interest income from loan to an associate	**14,061**	3,398
	21,224	9,835
(b) Other gains and losses		
Gain on change in estimated cash flows in respect of loan to an associate	**165,042**	–
Impairment loss on interest in an associate	**–**	(81,402)
Decrease in fair value on bank structured deposit	**(1,041)**	(75)
Gain (loss) on disposal of property, plant and equipment	**3**	(9,472)
Others	**211**	242
	164,215	(90,707)

9. FINANCE COSTS

	2013	2012
	HK$'000	HK$'000
Interests on bank borrowings wholly repayable within five years	**15,073**	24,258
Bank charges on letter of credit facilities	**9,371**	6,079
	24,444	30,337

10. TAXATION CHARGE (CREDIT)

	2013	2012
	HK$'000	HK$'000
Current tax:		
PRC Enterprise Income Tax	**284**	331
Overprovision in prior years:		
PRC Enterprise Income Tax	**–**	(4,749)
Deferred tax charge (credit) (note 29)	**4,358**	(7,477)
	4,642	(11,895)

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

Under the Enterprise Income Tax Law and Implementation Rules of the PRC, the tax rate of the PRC subsidiaries is 25% (2012: 25%) for the year.

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

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

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

	2013	2012
	HK$'000	HK$'000
		(restated)
Profit (loss) before taxation	**312,144**	(122,564)
Tax at applicable Hong Kong Profits Tax rate of 16.5% (2012: 16.5%)	**51,504**	(20,223)
Tax effect of income not taxable for tax purposes	**(29,601)**	(584)
Tax effect of expenses not deductible for tax purposes	**961**	16,124
Effect of tax exemption granted to Macao subsidiary	**(46,701)**	(3,885)
Tax effect of different rates of subsidiaries operating in other jurisdictions	**113**	–
Tax effect of share of losses of associates	**17,694**	2,995
Tax effect of tax losses not recognised	**6,249**	5,801
Written off of deferred tax asset in respect of tax losses recognised	**4,358**	–
Overprovision in respect of prior years	**–**	(4,749)
Balancing allowance upon disposal of underlying assets	**–**	(7,477)
Others	**65**	103
Taxation charge (credit) for the year	**4,642**	(11,895)

11. PROFIT (LOSS) FOR THE YEAR

	2013 HK$'000	2012 HK$'000
Profit (loss) for the year is arrived after charging:		
Auditor's remuneration		
Current year	**1,632**	1,833
Underprovision in prior years	**55**	193
	1,687	2,026
Release of prepaid lease payments (included in other expenses)	**476**	472
Depreciation of property, plant and equipment		
Vessel (Note)	**–**	23,513
Others	**2,510**	321
Net foreign exchange losses	**4,292**	4,602
Operating lease rentals in respect of storage facilities, a vessel and rented premises	**64,962**	1,754
Directors' emoluments (note 12)	**420**	1,295
Other staff costs		
Salaries, bonus and other allowances	**18,135**	14,295
Retirement benefits scheme contributions	**665**	400
Share-based payments	**–**	60
	19,220	16,050
Write-down of inventories (included in cost of sales)	**–**	1,895
Cost of inventories recognised as expense (included in cost of sales)	**14,697,406**	10,803,661
Share-based payments to outsiders (included in distribution and selling expenses)	**–**	655

Note: As certain areas of the vessel was leased out for rental income for a short period during the year ended 31 March 2012, the respective depreciation of vessel amounting to HK$544,000, together with the attributable operating costs of the vessel, was included in other expenses. The remaining amount of HK$22,969,000, together with the attributable operating costs of the vessel, was included in distribution and selling expenses.

12. DIRECTORS' AND CHIEF EXECUTIVE'S EMOLUMENTS AND EMPLOYEES' EMOLUMENTS

The emoluments paid or payable to each of the 5 (2012: 8) directors and the chief executive were as follows:

	Executive director		Independent non-executive director			
	Wang Jian Sheng HK$'000	Yao Guoliang HK$'000 (note 5)	Lin Yan HK$'000	Guo Yan Jun HK$'000 (note 3)	Cheung Siu Wan HK$'000 (note 4)	Total HK$'000
Fees	–	–	120	120	180	420
Other emoluments						
Salaries and other benefits	–	–	–	–	–	–
Share-based payments	–	–	–	–	–	–
Discretionary bonus	–	–	–	–	–	–
Total emoluments for 2013	–	–	120	120	180	420

	Executive director			Independent non-executive director					
	Wang Jian Sheng HK$'000	Yao Guoliang HK$'000 (note 5)	Wong Wing HK$'000 (note 1)	Zhu Yao Bin HK$'000 (note 2)	Lau Hon Kee HK$'000 (note 2)	Lin Yan HK$'000	Guo Yan Jun HK$'000 (note 3)	Cheung Siu Wan HK$'000 (note 4)	Total HK$'000
Fees	–	–	–	115	135	120	70	45	485
Other emoluments									
Salaries and other benefits	–	–	565	–	–	–	–	–	565
Long service payment	–	–	117	–	–	–	–	–	117
Share-based payments	–	–	39	6	6	6	–	–	57
Discretionary bonus	–	–	71	–	–	–	–	–	71
Total emoluments for 2012	–	–	792	121	141	126	70	45	1,295

Notes:

(1) Mr. Wong Wing resigned as executive director on 1 October 2011.

(2) Mr. Zhu Yao Bin and Mr. Lau Hon Kee resigned as independent non-executive directors on 1 January 2012.

(3) Mr. Guo Yan Jun was appointed as an independent non-executive director on 9 September 2011.

(4) Ms. Cheung Siu Wan was appointed as an independent non-executive director on 1 January 2012.

(5) Mr. Yao Guoliang is also the chief executive of the Company and his emoluments disclosed above include those for services rendered by him as the chief executive.

12. DIRECTORS' AND CHIEF EXECUTIVE'S EMOLUMENTS AND EMPLOYEES' EMOLUMENTS *(continued)*

The discretionary bonus for the year ended 31 March 2012 was determined by reference to the individual performance of the directors and approved by the board of directors (the "Board").

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

Employees' emoluments

Of the five individuals with the highest emoluments in the Group, nil (2012: one) was director of the Company (2012: the emolument of that director is included in the disclosures above). The emoluments of the remaining five (2012: four) individuals were as follows:

	2013 HK$'000	2012 HK$'000
Salaries and other benefits	**6,293**	4,036
Long service payment	**–**	402
Contributions to retirement benefits schemes	**176**	24
Share-based payments	**–**	4
	6,469	4,466

Their emoluments were within the following bands:

	2013 No. of employees	2012 No. of employees
Nil to HK$1,000,000	**1**	2
HK$1,000,001 to HK$1,500,000	**2**	2
HK$1,500,001 to HK$2,000,000	**2**	–

13. DIVIDENDS

The final dividend of HK4 cents per ordinary share of the Company (2012: Nil) has been proposed by the directors and is subject to the approval by the Company's shareholders at the forthcoming annual general meeting.

14. EARNINGS (LOSS) PER SHARE

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

	2013	2012
Weighted average number of ordinary shares for the purpose of calculating basic earnings (loss) per share	**1,613,731,551**	1,613,345,924
Effect of dilutive potential ordinary shares:		
Share options	**25,744,913**	–
Weighted average number of ordinary shares for the purpose of calculating diluted earnings (loss) per share	**1,639,476,464**	1,613,345,924

The incremental shares from assumed exercise of share options are excluded in calculation of the diluted loss per share for the year ended 31 March 2012 since the assumed exercise of those share options would result in a decrease in loss per share.

15. PROPERTY, PLANT AND EQUIPMENT

	Vessel	Buildings	Storage tanks	Leasehold improvements	Plant and machinery	Furniture and fixtures	Office equipment	Motor vehicle	Construction in progress	Total
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
COST										
At 1 April 2011	188,105	1,698	–	951	–	700	961	–	8,854	201,269
Exchange realignment	–	–	–	–	–	–	3	–	345	348
Additions	–	–	–	–	–	49	152	–	58,129	58,330
Acquired on acquisition of subsidiaries (note 38)	–	–	–	–	–	11	44	936	–	991
Disposals	(188,105)	–	–	–	–	(12)	(28)	–	–	(188,145)
At 31 March 2012	–	1,698	–	951	–	748	1,132	936	67,328	72,793
Exchange realignment	–	–	–	–	–	(1)	(1)	(20)	256	234
Transfer	–	–	80,053	–	17,190	–	–	–	(97,243)	–
Additions	–	–	–	270	–	159	547	709	48,160	49,845
Disposals	–	–	–	–	–	(10)	(101)	–	–	(111)
At 31 March 2013	–	1,698	80,053	1,221	17,190	896	1,577	1,625	18,501	122,761
ACCUMULATED DEPRECIATION										
At 1 April 2011	41,148	552	–	941	–	666	744	–	–	44,051
Exchange realignment	–	–	–	–	–	–	1	–	–	1
Provided for the year	23,513	85	–	7	–	17	122	90	–	23,834
Eliminated on disposals	(64,661)	–	–	–	–	(12)	(27)	–	–	(64,700)
At 31 March 2012	–	637	–	948	–	671	840	90	–	3,186
Exchange realignment	–	–	2	–	2	1	–	(1)	–	4
Provided for the year	–	85	1,237	121	490	51	213	313	–	2,510
Eliminated on disposals	–	–	–	–	–	(10)	(101)	–	–	(111)
At 31 March 2013	–	722	1,239	1,069	492	713	952	402	–	5,589
CARRYING VALUES										
At 31 March 2013	–	976	78,814	152	16,698	183	625	1,223	18,501	117,172
At 31 March 2012	–	1,061	–	3	–	77	292	846	67,328	69,607

15. PROPERTY, PLANT AND EQUIPMENT *(continued)*

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

Vessel	12.5%
Buildings	5%
Storage tanks	5%
Leasehold improvements	Over the shorter of the term of the lease or 3 – 4 years
Plant and machinery	10%
Furniture and fixtures	20% – $33^1/_3$%
Office equipment	19% – $33^1/_3$%
Motor vehicle	17% – $24^1/_4$%

As at 31 March 2013, the Group's storage tanks and plant and machinery amounting to HK$78,814,000 (2012: nil) and HK$16,698,000 (2012: nil) respectively were pledged to secure certain bank borrowings granted to the Group.

As at 31 March 2013 and 2012, construction in progress represents the cost incurred for construction of storage tanks and plant and machinery.

16. PREPAID LEASE PAYMENTS

The Group's prepaid lease payments comprise leasehold interest in land in the PRC with medium-term lease for 50 years.

The amounts are analysed for reporting purposes as:

	2013 HK$'000	2012 HK$'000
Prepaid lease payments of the Group are analysed for reporting purpose as:		
Current asset	**479**	477
Non-current asset	**21,063**	21,461
	21,542	21,938

As at 31 March 2013, all of the Group's prepaid lease payments are pledged to secure certain bank borrowings granted to the Group (2012: nil).

17. OTHER INVESTMENT

The balance represents investment in convertible preferred shares issued by a private entity incorporated in the United States of America. The investment contained an embedded derivative and was designated at FVTPL at initial recognition.

18. OTHER ASSETS

The amount represents a golf club membership and an art work that are carried at cost.

19. BANK STRUCTURED DEPOSIT

The amount at 31 March 2012 represented a principal-protected structured deposit denominated in US$ whose principal amount was US$2,000,000 (equivalent to HK$15,600,000) and maturity date was 9 May 2012. The bank structured deposit contained an embedded derivative, the return on which was determined with reference to a foreign exchange yield differential index published by the issuer of the structured deposit, which is a bank with high credit rating assigned by international credit-rating agencies. The structured deposit was designated at FVTPL at initial recognition.

During the year ended 31 March 2013, the structured deposit was settled at approximately US$2,367,000 (equivalent to HK$18,463,000) upon maturity.

At 31 March 2012, there was a significant concentration of credit risk for financial assets designated at FVTPL. The carrying amount reflected at 31 March 2012 represented the Group's maximum exposure to credit risk for such financial assets.

20. INTERESTS IN ASSOCIATES

	2013 **HK$'000**	2012 HK$'000 (restated)
Cost of investments in associates, unlisted	**129,751**	143,211
Share of post-acquisition losses	**(13,360)**	(19,908)
Exchange realignment	**12,552**	12,085
	128,943	135,388
Loan to an associate (Note)	**–**	96,516

Note:

On the Date of Acquisition, Excellent Harvest Holdings Limited ("Excellent Harvest"), a wholly-owned subsidiary of the Company, completed the acquisition of an associate, Asia Sixth at a consideration of US$67 (equivalent to approximately HK$500). As one of the conditions for acquisition of Asia Sixth, a shareholders' loan agreement dated 28 December 2011 was entered into between Excellent Harvest and Asia Sixth, pursuant to which Excellent Harvest granted a shareholder loan facility of US$24,100,000 (equivalent to approximately HK$187,979,000) to Asia Sixth. The full amount of HK$187,979,000 was drawn down on 28 December 2011. The loan was mainly used to finance the purchase of 60% interest in Aral Petroleum Capital LLP ("Aral"), a legal entity established under the laws of the Republic of Kazakhstan, and finance the daily operations of Aral. The loan was unsecured, interest free and repayable on 28 December 2016. The directors of the Company consider that the settlement of the loan is neither planned nor likely to occur in the foreseeable future, accordingly, it is treated as part of the net investment in an associate.

At the end of the reporting periods, the loan to an associate is measured at an effective interest rate of 13.8% per annum.

20. INTERESTS IN ASSOCIATES *(continued)*

A detail review of the exploration work on the existing oil wells carried out by Aral was conducted and noticed that the result of oil reserve findings from the existing wells were deviated from expectation. Accordingly, impairment losses of HK$81,402,000 has been recognised in respect of interest in Asia Sixth during the year ended 31 March 2012.

On 27 March 2013, Excellent Harvest entered into a sale and purchase agreement with the controlling shareholder of Asia Sixth pursuant to which Excellent Harvest has conditionally agreed to dispose of approximately 33.12% equity interest in Asia Sixth and assign the loan interest with principal amount of US$24,100,000 (equivalent to approximately HK$187,979,000) to the controlling shareholder at a consideration of US$55 (equivalent to approximately HK$400) and US$24,100,000 (equivalent to approximately HK$187,979,000) respectively. As the directors of the Company expects the completion of the disposal is highly probable and will take place within one year, the interest in Asia Sixth and loan to Asia Sixth are therefore classified as assets held for sale and set out in note 31. The consideration amounting to US$6,000,000 (equivalent to approximately HK$46,800,000) is payable on 9 April 2013 and the remaining balance will be settled at date of completion. The consideration of US$6,000,000 has been received subsequent to the end of the reporting period.

As the expected timing of cash flows from the repayment of loan to an associate changed after the sale and purchase agreement signed on 27 March 2013, the carrying amount of the loan to an associate is adjusted to reflect the revised estimated cash flows at effective interest rate of 13.8% per annum. The difference between the carrying amount and revised amount of HK$165,042,000 was recognised in profit or loss during the current year.

As at 31 March 2013 and 2012, the Group had interests in the following associates:

Name of entity	Form of business structure	Country of establishment	Paid up registered capital		Equity interest attributable to the Group		Principal activity
			2013	2012	2013 %	2012 %	
中化天津港石化倉儲有限公司 (Sinochem Tianjin Port Petrochemical Terminal Co., Ltd.)	Sino-foreign owned enterprise	PRC	**RMB628,060,000**	RMB628,060,000	**15 (Note)**	15 (Note)	Provision of petrochemicals storage services
天津港中化石化碼頭有限公司 (Tianjin Port Sinochem Petrochemical Dock Co., Ltd.)	Sino-foreign owned enterprise	PRC	**RMB139,388,000**	RMB139,388,000	**15 (Note)**	15 (Note)	Development and operation of dock and related ancillary facilities
Asia Sixth	Ordinary	British Virgin Islands ("BVI")	**US$167**	US$167	**40**	40	Investment holding
Subsidiary of Asia Sixth							
Groenzee BV	Ordinary	Netherlands	**EUR18,000**	EUR18,000	**40**	40	Investment holding
Jointly controlled entity of Asia Sixth							
Aral	Partnership	The Republic of Kazakhstan	**Kazakhstani Tenge 140,000**	Kazakhstani Tenge 140,000	**24**	24	Exploration of crude oil

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

20. INTERESTS IN ASSOCIATES *(continued)*

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

	2013 HK$'000	2012 HK$'000 (restated)
Total assets	**2,283,095**	2,007,289
Total liabilities	**(1,423,478)**	(1,104,708)
Net assets	**859,617**	902,581
Group's share of net assets	**128,943**	135,388
Revenue	**160,278**	28,861
Loss for the year	**296,892**	64,931
Group's share of loss for the year	**107,238**	18,152

21. INVENTORIES

These mainly relate to crude oil, petroleum products and petrochemicals held for resale purposes.

Included in the balance are inventories of HK$735,067,000 (2012: nil) which have been pledged as security for bank loans.

22. TRADE AND BILLS RECEIVABLES AND OTHER FINANCIAL ASSETS

The following is an aged analysis of trade and bills receivables presented based on the invoice date at the end of the reporting period which approximated the revenue recognition dates:

	2013 HK$'000	2012 HK$'000
0 to 30 days	**183,215**	2,468,047

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

22. TRADE AND BILLS RECEIVABLES AND OTHER FINANCIAL ASSETS *(continued)*

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

At 31 March 2013, included in the Group's bills receivables were receivable amounting to HK$40,068,000 (2012: HK$11,353,000) which have been discounted to an unrelated bank and pledged as security for certain borrowings (see notes 23 and 27).

At the end of the reporting period, included in other receivables, deposits and prepayments was an amount of HK$62,862,000 (2012: HK$10,315,000) representing the prepayment to contractors for construction work and suppliers for purchase of goods.

As at 31 March 2012, included in other receivables was an amount of RMB1,183,500 (equivalent to approximately HK1,460,000) representing a bank-accepted bill factored to the Group by a non-controlling shareholder of a subsidiary. The amount was subsequently settled during the year ended 31 March 2013.

Amounts due from non-controlling shareholders of a subsidiary as at 31 March 2012 were unsecured, interest free and expected to be settled within one year. The amounts were subsequently settled during the year ended 31 March 2013.

23. TRANSFERS OF FINANCIAL ASSETS

The following were the Group's bills receivables as at 31 March 2013 that were transferred to banks by discounting those bills receivable on a full recourse basis. If the bills receivable are not paid on maturity, the banks have the right to request the Group to pay the unsettled balance. As the Group is still subject to the credit risk and has not transferred the significant risks and rewards relating to these receivables, it continues to recognise the full carrying amount of the receivables and has recognised the cash received on the transfer as a secured borrowing (see note 27). These financial assets are carried at amortised cost in the Group's consolidated statement of financial position.

	As at 31 March 2013 HK$'000
Carrying amount of transferred assets	**40,068**
Carrying amount of associated liabilities	**(40,068)**

24. DEPOSITS PLACED WITH BROKERS

The amount represents margin deposits placed with brokers for trading derivatives. The amount carried interest at interest rates which ranged from 0.0001% to 0.001% (2012: 0.0001% to 0.001%) per annum for the year.

25. PLEDGED BANK DEPOSITS AND BANK BALANCES AND CASH

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

Bank balances and cash comprised cash on hand, balances in saving and current accounts, and short-term bank deposits with an original maturity of three months or less. As at 31 March 2013, the bank balances and cash of approximately HK$60,015,000 (2012: HK$19,462,000) were denominated in RMB which is not freely convertible into other currencies.

Pledged bank deposits, balances in saving account and short-term bank deposits carried effective interest at prevailing market rates which range from 0.01% to 1.50% (2012: 0.01% to 1.49%) per annum for the year.

26. TRADE AND BILLS PAYABLES AND OTHER CURRENT LIABILITIES

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

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

	2013 HK$'000	2012 HK$'000
0 to 30 days	139,897	1,653,937
31 to 60 days	241,410	–
	381,307	1,653,937

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

As at 31 March 2013, included in other payables and accruals are the director fees of HK$105,000 (2012: HK$145,000) payable to all three independent non-executive directors. The balances are unsecured, non-interest bearing and repayable by the end of June 2013 (2012: end of June 2012).

Amounts due to non-controlling shareholders of a subsidiary were unsecured, interest-free and repayable on demand.

27. BANK BORROWINGS

	2013 HK$'000	2012 HK$'000
Loans from discounted bills	**40,068**	11,353
Bank loans	**511,192**	838,429
	551,260	849,782
Analysed as:		
Secured	**511,192**	826,573
Unsecured	**40,068**	23,209
	551,260	849,782
Carrying amount repayable:		
Within one year	**536,820**	849,782
More than one year, but not exceeding two years	**9,287**	–
More than two years, but not exceeding five years	**5,153**	–
	551,260	849,782
Less: Amounts due within one year shown under current liabilities	**(536,820)**	(849,782)
Amounts shown under non-current liabilities	**14,440**	–

The loans carried interest at variable market rates of range from 0.70% to 6.88% (2012: 1.03% to 3.5%) per annum. The bank borrowings are secured by the storage tanks, plant and machinery, prepaid lease payments, certain inventories, bills receivables and bank deposits. Details of which were set out in notes 15, 16, 21, 22 and 25 respectively.

As at 31 March 2012, the bank loans of approximately HK$96,327,000 were denominated in EUR which was not the functional currency of the relevant group entity.

28. DERIVATIVE FINANCIAL INSTRUMENTS

At the end of the current reporting period, the Group has the following outstanding futures and swaps contracts in order to manage the Group's price risk exposure in relation to the fluctuation of oil price. As at 31 March 2012, the Group also has outstanding forward contract to manage the Group's foreign currency risk exposure in relation to the fluctuation of EUR for the bank loans denominated in EUR.

The major terms of these contracts are as follows:

At 31 March 2013

Notional amount	Expiry date	Strike price
Crude oil futures contracts — long position:		
USD80,097,320	15 April 2013 to 13 September 2013	USD94.09 to USD109.26 per barrel
Crude oil futures contracts — short position:		
USD165,166,450	15 April 2013 to 13 June 2013	USD93.18 to USD110.02 per barrel
Fuel oil crack swap contracts — long position:		
USD2,642,880	1 April 2013	USD8.92 to USD10.88 per barrel
Naphtha crack swap contracts — long position:		
USD1,352,000	30 April 2013	USD13.80 to USD14.35 per metric ton
Fuel oil swap contracts — long position:		
USD68,447,250	1 April 2013 to 30 April 2013	USD625.00 to USD663.00 per metric ton
Fuel oil swap contracts — short position:		
USD36,188,750	1 April 2013 to 31 May 2013	USD647.50 to USD663.95 per metric ton
RBOB Gas futures contracts — long position:		
USD647,543	31 May 2013	USD307.25 to USD310.03 per gallon
RBOB Gas futures contracts — short position:		
USD652,961	31 May 2013	USD310.35 to USD311.81 per gallon

28. DERIVATIVE FINANCIAL INSTRUMENTS *(continued)*

At 31 March 2012

Notional amount	Expiry date	Strike price
Crude oil futures contracts — long position:		
USD35,386,890	13 April 2012	USD122.35 to USD125.48 per barrel
Crude oil futures contracts — short position:		
USD141,904,600	16 May 2012	USD122.10 to USD125.77 per barrel
Fuel oil swap contracts — short position:		
USD58,766,250	1 April 2012 to 30 April 2012	USD722.50 to USD756.25 per metric ton
RBOB Gas futures contracts — long position:		
USD3,531,574	30 April 2012	USD333.50 to USD338.45 per gallon
RBOB Gas futures contracts — short position:		
USD6,392,534	30 April 2012	USD335.10 to USD339.45 per gallon
Foreign currency forward contracts — long EUR short USD:		
EUR9,361,000	Value date 19 April 2012	1.315 EUR/USD

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

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

29. DEFERRED TAX ASSET

	Accelerated tax depreciation HK$'000	Tax loss HK$'000	Total HK$'000
At 1 April 2011	(7,477)	4,358	(3,119)
Credit to profit or loss	7,477	–	7,477
At 31 March 2012	**–**	**4,358**	**4,358**
Charge to profit or loss	**–**	**(4,358)**	**(4,358)**
At 31 March 2013	**–**	**–**	**–**

At the end of the reporting period, the Group has estimated tax losses of approximately HK$136,904,000 (2012: HK$99,031,000) available for offset against future profits. At 31 March 2012, a deferred tax asset had been recognised in respect of HK$26,411,000 of such loss. No deferred tax asset had been recognised in respect of HK$136,904,000 (2012: HK$72,620,000) due to the unpredictability of future profit streams. The losses may be carried forward indefinitely.

The deferred tax asset of HK$4,358,000 was charged to profit or loss during the year ended 31 March 2013 as the management assessed that taxable profit may not be available to utilise such tax loss.

Under the Enterprise Income Tax Law of the PRC, withholding tax is imposed on dividends declared in respect of profits earned by the PRC subsidiaries from 1 January 2008 onwards. Deferred taxation has not been provided for in the consolidated financial statements in respect of temporary differences attributable to accumulated profits of the PRC subsidiaries amounting to HK$1,176,000 (2012: nil) as the Group is able to control the timing of the reversal of the temporary differences and it is probable that the temporary differences will not reverse in the foreseeable future.

30. SHARE CAPITAL

	Note	Number of shares	Share capital
			HK$'000
Ordinary shares of HK$0.025 each			
Authorised:			
At 1 April 2011, 31 March 2012 and 2013		**4,000,000,000**	**100,000**
Issued:			
At 1 April 2011		1,611,674,000	40,292
Exercise of share options		2,900,000	73
Shares repurchased and cancelled		(188,000)	(5)
At 31 March 2012		**1,614,386,000**	**40,360**
Shares repurchased and cancelled	(a)	**(2,368,000)**	**(60)**
At 31 March 2013		**1,612,018,000**	**40,300**

Note:

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

Month of repurchase	No. of ordinary shares of HK$0.025 each	Price per share Highest	Price per share Lowest	Aggregate consideration paid
	'000	HK$	HK$	HK$'000
July 2012	4	0.52	0.52	2
September 2012	538	0.87	0.68	443
October 2012	660	0.87	0.83	563
November 2012	50	0.82	0.82	41
December 2012	760	0.85	0.81	641
January 2013	192	0.85	0.82	159
February 2013	32	0.83	0.82	26
March 2013	132	0.83	0.80	107
	2,368			1,982

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

All the shares which were issued during the year ended 31 March 2012 rank pari passu in all respects with other shares in issue.

31. ASSETS CLASSIFIED AS HELD FOR SALE

On 27 March 2013, Excellent Harvest entered into a sale and purchase agreement with the controlling shareholder of Asia Sixth pursuant to which Excellent Harvest has conditionally agreed to dispose of approximately 33.12% equity interest in Asia Sixth and assign the loan interest with principal amount of US$24,100,000 (equivalent to approximately HK$187,979,000) to the controlling shareholder at a consideration of US$55 (equivalent to approximately HK$400) and US$24,100,000 (equivalent to approximately HK$187,979,000) respectively. As the directors of the Company expects the completion of the disposal is highly probable and will take place within one year, the interest in Asia Sixth and loan to Asia Sixth are therefore classified as assets held for sale. Details are set out in note 20.

The carrying amount of interest in an associate and loan to an associate as at 31 March 2013, which have been presented separately in the consolidated statement of financial position, are as follow:

	HK$'000
Interest in an associate	**–**
Loan to an associate	**175,292**
Total assets classified as held for sale	**175,292**

32. CAPITAL COMMITMENTS

As at 31 March 2013, the Group had contracted for capital expenditure of approximately RMB61,171,000 (equivalent to approximately HK$75,748,000) (2012: approximately RMB45,823,000 (equivalent to approximately HK$56,528,000)) and authorised but not contracted for capital expenditure of approximately RMB71,847,000 (equivalent to approximately HK$88,967,000) (2012: approximately RMB143,409,000 (equivalent to approximately HK$180,000,000)) respectively in respect of the construction of the petroleum products and petrochemicals storage facilities on two leasehold land parcels in Nantong City, Jiangsu Province, the PRC and construction of facilities and equipments for manufacture and processing of mixed aromatics in Yangpu Economic Development Zone, Hainan Province, the PRC.

33. OPERATING LEASE COMMITMENTS

The Group as lessee

At the end of the reporting period, the Group had outstanding commitments under non-cancellable operating leases in respect of storage facilities, a vessel and rented premises (2012: storage facilities and rented premises) which fall due as follows:

	2013 **HK$'000**	2012 HK$'000
Within one year	**57,906**	1,067
In the second to fifth year inclusive	**–**	779
	57,906	1,846

Leases are negotiated and rentals are fixed for an average of one year (2012: two years).

33. OPERATING LEASE COMMITMENTS *(continued)*

The Group as lessor

Rental income earned from property, plant and equipment and unutilised storage area of the vessel during the year was approximately HK$6,290,000 (2012: HK$3,796,000) and there has no commitment outstanding as at 31 March 2013 and 2012.

34. RETIREMENT BENEFITS SCHEMES

The Group operates a MPF Scheme under the rules and regulations of the Mandatory Provident Fund Schemes Ordinance for all its employees in Hong Kong. All the employees of the Group in Hong Kong are required to join the MPF Scheme. Contributions are made based on a percentage of the employees' salaries and are charged to the consolidated statement of comprehensive income as they become payable in accordance with the rules of the MPF Scheme. The assets of the MPF Scheme are held separately from those of the Group in an independently administered fund. The Group's employer contributions vest fully with the employees when contributed into the MPF Scheme. No forfeited contribution is available to reduce the contribution payable in the future years as at the end of the reporting period.

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

The Group's subsidiaries in the PRC, in compliance with the applicable regulations of the PRC, participated in central insurance schemes operated by the relevant local government authorities. The contribution is borne by the Group on a fixed percentage of the employees' salaries.

The Group's subsidiary in Singapore, in compliance with the applicable regulations of Singapore, participated in a defined contribution scheme operated by the local government. The subsidiary is required to contribute an amount based on the employees' salaries.

During the year, the total amount contributed by the Group to the schemes and cost charged represents contribution paid or payable to the schemes by the Group at rates or amount specified in the rules of the schemes. The amount of contributions made by the Group in respect of retirement benefit schemes during the year is disclosed in note 11.

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

35. RELATED PARTY TRANSACTIONS

During the year, the Group paid the rental expenses of approximately HK$998,000 (2012: HK$998,000) to Strong Property Limited, a company in which the controlling shareholders have controlling interests, for the use of office premises.

Compensation of key management personnel

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

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

36. SHARE-BASED PAYMENT TRANSACTIONS

Equity-settled share option scheme

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

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

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

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

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

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

On 7 May 2009, a total of 40,000,000 (160,000,000 share options after share subdivision) share options were granted to certain employees and directors of the Group and some individuals associated with suppliers and consultants under the Share Option Scheme entitling the holders thereof to subscribe for shares of the Company at an exercise price of HK$2.58 (HK$0.645 after share subdivision).

No share option was granted during the two years ended 31 March 2013. Options granted on 7 May 2009 are exercisable during the year starting from 8 May 2009 to 28 November 2018. The options granted under the Share Option Scheme has vesting period in three tranches of 40%, 30% and 30% of its options granted from the grant date to 8 May 2009, 8 May 2010 and 8 May 2011 respectively.

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

Equity-settled share option scheme *(continued)*

The following table discloses movements of the Company's share options held by employees, directors of the Group and other eligible participants during the year:

Eligible participants	Outstanding at 1.4.2011	Reclassification during the year (note 2)	Exercise during the year	Outstanding at 31.3.2012	Reclassification during the year (note 3)	Outstanding at 31.3.2013
Directors	5,720,000	(3,860,000)	(1,500,000)	360,000	–	360,000
Employees	8,060,000	2,300,000	(1,120,000)	9,240,000	3,160,000	12,400,000
Others (note 1)	132,430,000	1,560,000	(280,000)	133,710,000	(3,160,000)	130,550,000
	146,210,000	–	(2,900,000)	143,310,000	–	143,310,000

All the share options as at 31 March 2013 and 2012 were exercisable.

Notes:

(1) Others represent individuals associated with suppliers and consultants who has provided consultancy services (mainly for selling and marketing aspects) to the Group on continuous basis for two years till 8 May 2011 or some resigned staff/directors, whose options, at discretion of the Board were not cancelled or forfeited.

(2) During the year ended 31 March 2012, some directors of the Group resigned. At discretion of the Board, the options were not cancelled or forfeited.

(3) During the year ended 31 March 2013, some individuals who received the options previously rejoined the Group as employees.

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

In respect of the share options exercised during the year ended 31 March 2012, the weighted average share price at the dates of exercise was HK$1.120.

The estimated fair value of the options granted on 7 May 2009 was approximately HK$46,836,000. The Group recognised the total expense of HK$772,000 (2013: nil) for the year ended 31 March 2012 in relation to share options granted by the Company.

37. PLEDGE OF ASSETS

The Group had pledged the storage tanks, plant and machinery, prepaid lease payments, inventories, certain bills receivables and bank deposits to secure certain banking facilities including bank borrowings and bills payable. Details of which were set out in notes 15, 16, 21, 22 and 25 respectively.

38. ACQUISITION OF SUBSIDIARIES

For the year ended 31 March 2012

(i) Acquisition of business through acquisition of a subsidiary

On 14 October 2011, the Group acquired entire interest of the issued share capital of Strong Petroleum Singapore Private Ltd. ("Strong Singapore") for a consideration of SG$272,000 (equivalent to approximately HK$1,661,000). The principal activity of Strong Singapore was providing an administrative supporting services to Strong Petrochemical Limited (Macao Commercial Offshore) in Singapore.

	HK$'000
Consideration transferred	
Cash	1,661

Assets acquired and liabilities recognised at the date of acquisition are as follows:

	HK$'000
Property, plant and equipment	869
Other receivables and deposits	1,443
Bank balances	49
Advance from a group company	(616)
Other payables	(56)
Tax payable	(28)
	1,661

Net cash outflow arising on acquisition	
Cash consideration paid	(1,661)
Less: Bank balances acquired	49
	(1,612)

Included in the loss for the year ended 31 March 2012 of the Group was loss of approximately HK$3,539,000 attributable to the additional expenses incurred by Strong Singapore. No revenue was generated from Strong Singapore.

Had the acquisition been completed on 1 April 2011, there would have no significant impact on the Group's loss and revenue since the expenses incurred by Strong Singapore was fully reimbursed by the Group prior to the acquisition. The pro forma information is for illustrative purposes only and is not necessarily an indication of results of operations of the Group that actually would have been achieved had the acquisition been completed on 1 April 2011, nor is it intended to be a projection of future results.

38. ACQUISITION OF SUBSIDIARIES *(continued)*

For the year ended 31 March 2012 *(continued)*

(ii) Acquisition of assets through acquisition of a subsidiary

On 18 November 2011, the Group entered into a cooperation agreement with two independent parties, owners of Hainan Huizhi Petrochemical Fine Chemical Industry Limited Company ("Hainan Huizhi"), pursuant to which the Group and two owners of Hainan Huizhi agreed to contribute RMB28,500,000, RMB8,500,000 and RMB3,000,000 (equivalent to approximately HK$35,155,000, HK$10,485,000 and HK$3,701,000) respectively to Hainan Huizhi, representing 57%, 31% and 12% of the enlarged registered capital of Hainan Huizhi ("Acquisition"). After the Acquisition, Hainan Huizhi became a subsidiary of the Group. The Acquisition was completed on 14 December 2011. The principal activity of Huizhi is planned to be manufacturing and processing of mixed aromatics. At the date of Acquisition, Hainan Huizhi has not commenced its operation. Hainan Huizhi was acquired so as to obtain an advantage and priority in manufacturing and development of the chemical products in the PRC market.

	HK$'000
Assets acquired at the date of acquisition are as follows:	
Property, plant and equipment	122
Amount due from a group company	35,155
Amounts due from other shareholders	14,185
Other receivables, deposits and prepayments	3,267
Available-for-sale investment	7,401
Bank balance and cash	1,546
	61,676
Non-controlling interests	(26,521)
Capital to be contributed by the Group	35,155
Net cash inflow arising on acquisition	
Bank balance and cash acquired	1,546

At the date of Acquisition, all parties have not contributed the agreed amount to Hainan Huizhi. All contributions are subsequently made during the year ended 31 March 2013.

39. DEEMED DISPOSAL OF PARTIAL INTERESTS IN SUBSIDIARIES

On 9 September 2011, the Group entered into an agreement with two independent parties, pursuant to which the two independent parties have conditionally agreed to subscribe 32.5% and 16.5% enlarged share capital of Teamskill Investments Limited for cash considerations of RMB30,875,000 and RMB15,675,000 (equivalent to approximately HK$38,199,000 and HK$19,394,000) respectively. The major asset of Teamskill Investments Limited is the entire interest in Strong Petrochemical (Nantong) Logistics Co., Limited. The subscription ("Deemed Disposal") was completed on 6 March 2012.

The Deemed Disposal, without losing the Group's control over Teamskill Investments Limited, was accounted for as equity transaction. The difference amounting to HK$10,533,000 between the aggregate cash consideration of HK$57,593,000 and 49% of the carrying amount of the net assets of Teamskill Investments Limited amounting to HK$47,060,000 was recognised directly in equity as other reserve and attributable to owners of the Company.

40. PRINCIPAL SUBSIDIARIES

Particulars of the Company's principal subsidiaries are as follows:

Name of the Company	Place of incorporation/ establishment	Equity interest attributable to the Group		Issued and fully paid share capital/ registered capital	Principal activities
		2013 %	2012 %		
Wide Sea International Limited ("Wide Sea")	BVI	100	100	US$2	Investment holding
Strong Petrochemical Limited	Hong Kong	100	100	HK$20,000,000	Trading of petroleum products, crude oil and petrochemicals
Strong Petrochemical Limited (Macao Commercial Offshore)	Macao	100	100	MOP100,000	Trading of petroleum products, crude oil and petrochemicals
Teamskill Investments Limited	BVI	51	51	US$200	Investment holding
Excellent Harvest Holdings Ltd.	BVI	100	100	US$1	Investment holding
南通潤德石油化工有限公司# Strong Petrochemical (Nantong) Logistics Co., Limited*	PRC	51	51	US$12,500,000	Provision of petroleum products and petrochemicals storage services
Strong Petroleum Singapore Private Ltd.	Singapore	100	100	SG$1,000,000	Trading of petroleum products
海南滙智石化精細化工有限公司## Hainan Huizhi Petrochemical Fine Chemical Industry Limited Company*	PRC	57	57	RMB50,000,000	Manufacture and processing of mixed aromatics
南通海峽國際貿易有限公司# Nantong Strong International Trading Company Limited*	PRC	100	100	US$2,000,000	Trading of petroleum products and petrochemicals

The above table lists the principal subsidiaries of the Company which, in the opinion of the directors, principally affect the results and net assets of the Group. To give full details of subsidiaries would, in the opinion of the directors, result in particulars of excessive length.

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

* The English name of these entities established in the PRC is for identification purpose only.

\# Wholly foreign owned enterprise registered in the PRC.

\#\# Taiwan-Hong Kong-Macao entities and domestic entities jointly owned limited liability company registered in the PRC (台港澳與境內合資有限責任公司).

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

Financial Information of the Company

THE FINANCIAL POSITION OF THE COMPANY

	2013 HK$'000	2012 HK$'000
ASSETS AND LIABILITIES		
Non-current asset		
Interests in subsidiaries	**165,893**	165,893
Current assets		
Prepayments and deposits	**1,269**	1,924
Dividend receivable	**–**	190,994
Amounts due from subsidiaries	**727,822**	603,093
Deposits placed with brokers	**1,507**	396
Bank balances and cash	**84,321**	886
	814,919	797,293
Current liabilities		
Other payables and accruals	**1,224**	1,378
Amounts due to subsidiaries	**106,256**	79,415
	107,480	80,793
Net current assets	**707,439**	716,500
Net assets	**873,332**	882,393
EQUITY		
Share capital	**40,300**	40,360
Other reserves	**833,032**	842,033
Total	**873,332**	882,393

THE MOVEMENTS OF THE COMPANY'S RESERVES

	Share premium HK$'000	Share options reserve HK$'000	Contribution Surplus HK$'000	Retained profits HK$'000	Total HK$'000
At 1 April 2011	206,790	42,174	118,111	49,768	416,843
Profit for the year	–	–	–	422,785	422,785
Recognition of equity-settled share-based payments	–	772	–	–	772
Issue of shares on exercise of share options	2,645	(847)	–	–	1,798
Shares repurchased and cancelled	(165)	–	–	–	(165)
	2,480	(75)	–	422,785	425,190
At 31 March 2012	**209,270**	**42,099**	**118,111**	**472,553**	**842,033**
Loss for the year	**–**	**–**	**–**	**(7,079)**	**(7,079)**
Shares repurchased and cancelled	**(1,922)**	**–**	**–**	**–**	**(1,922)**
	(1,922)	**–**	**–**	**(7,079)**	**(9,001)**
At 31 March 2013	**207,348**	**42,099**	**118,111**	**465,474**	**833,032**