聯合能源集團有限公司
UNITED ENERGY GROUP LIMITED

(於開曼群島註冊成立及於百慕達存續之有限公司)
(Incorporated in the Cayman Islands and continued in Bermuda with limited liability)

(股份代號 Stock Code: 0467)

2008 Annual Report
年報

Contents

Corporate Information

DIRECTORS

Executive Directors

Zhang Hongwei *(Chairman)*
Zhu Jun
Zhang Meiying

Independent Non-Executive Directors

Chau Siu Wai
San Fung
Zhu Chengwu

COMPANY SECRETARY

Ho Yuk Ming Hugo

PRINCIPAL PLACE OF BUSINESS

Unit 2112, 21st Floor
Two Pacific Place
88 Queensway
Hong Kong

REGISTERED OFFICE

Clarendon House
2 Church Street
Hamilton HM11
Bermuda

PRINCIPAL BANKERS

Industrial and Commercial Bank of China (Asia) Ltd.
Wing Hang Bank Limited
Hong Kong and Shanghai Banking Corporation Ltd.

LEGAL ADVISER IN HONG KONG

Slaughter and May

AUDITORS

RSM Nelson Wheeler
29th Floor, Caroline Centre
Lee Gardens Two
28 Yun Ping Road
Hong Kong

HONG KONG BRANCH SHARE REGISTRAR AND TRANSFER OFFICE

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

WEBSITE

http://www.uegl.com.hk

Chairman's Statement

On behalf of the Board of Directors, I am pleased to submit the Annual Report of United Energy Group Limited (the "Company") and its subsidiaries (collectively, the "Group") for the year ended 31 March 2008.

FINANCIAL HIGHLIGHTS

During the year under review, the Group recorded turnover of HK$4.89 million (2007: HK$15.93 million). Loss attributable to shareholders was HK$101.50 million (2007: profit attributable to shareholders was HK$16.82 million).

The Group maintained its strong financial position during the year, with cash and cash equivalents amounting HK$2,113 million as at the end of March 2008. On 16 October 2007, the Company raised net capital of approximately HK$2.184 million through a share placement, further enhancing the Group's financial position.

BUSINESS REVIEW

In light of the continued rapid growth of China's economy, as well as strong overall demand for oil throughout Asia and other developed regions, the Group has refocused its strategy on the development of its oil production business.

Reflecting this change in emphasis towards the oil resources industry, the Company changed its name to United Energy Group Limited on 24 December 2007, with unanimous shareholder support. In January 2008, the Group further tightened its strategic focus by restructuring its shareholding of the property development business to 30%.

In October 2007, the Company acquired 100% interest in United Petroleum & Natural Gas Investments Limited, ("United Petroleum") which holds a participating interest in an oil field project in Liaohe Field — located in China's Bohai Bay Basin. The project is being jointly developed with China National Petroleum Corporation ("CNPC"), pursuant to an Enhanced Oil Recovery ("EOR") contract; and features net 2P reserves of 61 mmbbl.

Subsequent to the financial year end, the Group announced to acquire 60% stake in Transmeridian Exploration Inc. ("TMEI"), which owns 100% of South Alibek Field (121 mmbbl net 2P reserves) in Kazakhstan, as well as 50% effective interest in Gasha Field (estimated 78 mmbbl net 2P reserves) in Russia.

The Group's acquisition of TMEI's majority interest compliments its strategic focus on the upstream oil and natural gas business — diversifying the geographic base of our resources and increasing overall reserves. Plans to simplify TMEI's capital structure and further consolidate the Group's stake should yield additional economic benefits.

Chairman's Statement

China and Kazakhstan are becoming increasingly important markets due to the recent discovery of significant oil reserves. The Group's acquisitions in both of these countries enjoy stable fiscal regimes as well as long-term 25-year production contracts, ensuring future operational stability.

After completion of these strategic acquisitions, the Group will become China's largest independent Energy & Petroleum company — enjoying established relationships with CNPC and other major industry players, as well as strong connections with the PRC Government. Leading the business is a veteran management team, with a proven track record in successful development of exploration opportunities.

MARKET OUTLOOK

Positive and buoyant dynamics have fuelled impressive growth in the Energy & Petroleum (E&P) industry, with strong momentum driven by constantly increasing global demand.

Energy demand from developing economic powerhouses like China and India continues to be strong, showing few tangible signs of weakening despite recent global economic conditions. Longer term, energy demand from China and India is predicted to grow at a CAGR of 2.5% and 2.8%, respectively, from 2004 to 2030.

However, supply has not kept up with demand. Declines in industry-wide reserves have been driving M&A activity and consolidation around the world. In addition, geopolitical events and non-OPEC production delays are contributing to wider supply concerns on a global scale.

Together, these forces have placed strong upward pressure on oil prices — drawing significant attention and investment into the E&P sector worldwide.

PROSPECTS

The Group believes that global economic growth — and especially China's rapidly expanding economy — will continue to fuel increasing demand for oil and natural gas.

Given the current market conditions, the Company's production assets in China and Kazakhstan are expected to provide significant cash flows as production capacity increases in the near future.

Leveraging our relationships with major Chinese E&P players, the Group will continue to expand into new markets internationally, targeting areas such as Southeast Asia, Africa and Latin America. We will also maintain our aggressive growth strategy of acquiring reserves and increasing production through both organic and inorganic initiatives.

Chairman's Statement

With an impressive international asset portfolio, a strong balance sheet and an experienced, visionary management team; the Group stands well positioned to gain long-term benefits from the global economy's constantly increasing demand for energy.

APPRECIATION

In closing, I would like to express my sincere gratitude to our shareholders and business partners for their continuous support and confidence in the Group. I must also thank our staff for their efforts and dedication. Our people are the backbone of our Company and the architects of our future.

As a Group, we remain committed to building China's largest independent E&P business for the benefit of our shareholders, staff and business associates.

Zhang Hongwei
Chairman

28 July 2008

Management Discussion and Analysis

FINANCIAL REVIEW

Turnover during the year under review was HK$4.89 million (2007: HK$15.93 million), and loss attributable to shareholders was HK$101.50 million (2007: profit attributable to shareholders was HK$16.82 million).

On 16 October 2007, the Company raised net capital of approximately HK$2,184 million through the placement of 1,374,000,000 ordinary shares at HK$1.61 per share – further enhancing the Group's financial position.

The Group's Audit Committee has reviewed the audited consolidated financial statements for the year ended 31 March 2008. The Audit Committee has reviewed with management the accounting principles and practices adopted by the Group, as well as internal control and financial reporting matters, and found them to be satisfactory.

Acquisitions

The Group continued its aggressive acquisition strategy throughout the year under review.

In October 2007, the Company acquired 100% interest in United Petroleum, an oil production business that holds 60% participating interests in an oil field project located in the Gaosheng Block of China's Bohai Basin. The project is being jointly developed with CNPC, pursuant to an Enhanced Oil Recovery contract.

Subsequent to the end of the financial year, on 11 June 2008, the Company announced the proposed acquisition of 60% stake in TMEI, which holds 100% interest in South Alibek Field in Kazakhstan, as well as 50% effective interest in Gasha Field in Russia.

Review of the Oil Production Business

1 February 2007 marked the commencement of an Enhanced Oil Recovery ("EOR") contract between CNPC and United Petroleum, when the Company began preparatory work to launch pilot testing.

During the year under review, fieldwork progressed according to schedule, beginning with the assessment and selection of the optimal project implementation scheme. After in-depth discussions and repeated on-site surveillance, one of the three evaluated project implementation schemes was chosen as the most suitable and efficient design for the pilot test area. Fieldwork operations were ramped up as the project design was refined and technical measures were improved.

Drilling of the first well began on 2 July 2007, and fieldwork reached its peak in August and September. Work was completed on 10 December 2007, and steam injection began in March 2008. The steam flood pilot test is currently on schedule.

Management Discussion and Analysis

During the year under review, the Group completed the entire obligated workload stipulated under the EOR contract:

- Completed 11 vertical wells, drilling a total depth of 19,051 metres;
- Completed 6 overhaul wells;
- Rebuilt and expanded one metering station;
- Expanded one steam injection station;
- Installed two steam injection boilers;
- Installed 11 well heads;
- Constructed a total of 19.8 km of well grid and between-station pipelines, as well as 2.1 km of steam injection pipelines; and
- Established pilot test area metering and dynamic detection system.

SEGMENT INFORMATION

Particulars of the Group's segment information are set out in note 8 to the financial statements.

Liquidity and Financial Resources

The Group maintained its strong financial position for the year under review, with cash and cash equivalents amounting to HK$2,113 million as at 31 March 2008 (2007: HK$361 million). The significant improvement in the Group's liquidity was largely the result of the issuance of 1,374 million new shares on 16 October 2007, which generated net proceeds of approximately HK$2,184 million in cash.

The Group had no long-term borrowings, therefore the gearing ratio is not applicable. The current ratio improved to 67.02 (2007: 2.90), based on current assets of HK$2,903 million (2007: HK$1,087 million) and current liabilities of HK$43 million (2007: HK$375 million).

Capital Structure

As at 31 March 2008, the Group had total assets of HK$3,204 million (2007: HK$1,399 million) which were financed by shareholders' funds of HK$2,942 million (2007: HK$789 million), total liabilities of HK$71 million (2007: HK$404 million) and minority interests of HK$191 million (2007: HK$207 million).

During the financial year, the Group substantially expanded its capital base, mainly due to the acquisition of United Petroleum and acquisition of loan due to United Energy Holdings Limited. This was achieved through the allotment and issue of 4,527,108,257 ordinary shares. In addition, the Company issued and alloted 1,374,000,000 ordinary shares to raise approximately HK$2,184 million in cash on 16 October 2007.

Management Discussion and Analysis

ORDERS

In line with its business nature, the Group did not have any order records as at 31 March 2008.

EMPLOYEES

As at 31 March 2008, the Group employed a total of 50 full time employees, located in Hong Kong and the PRC.

Employees' remuneration packages have been reviewed periodically and determined with reference to the performance of the individual and prevailing market practices. Remuneration packages include base salaries, year end bonus, medical benefits and a contributory provident fund.

CONTINGENT LIABILITIES

The Group had no significant contingent liabilities as at 31 March 2008.

EXPOSURE TO FLUCTUATIONS IN EXCHANGE RATES AND RELATED HEDGES

The Group's transaction was mainly denominated in Hong Kong Dollars, United States dollars and Renminbi. As the exchange rate between these currencies are relatively stable, the exposure to fluctuations in the exchange rate of the currencies is minimal. Accordingly, no hedge on the currencies was made during the period under review.

MAJOR CUSTOMERS AND SUPPLIERS

The Group's largest and five largest customers represented 100% of total turnover, as the Group had only one customer.

Save for the expense of letting business and operating expenses paid, the Group did not make any significant purchases during the year.

Save for the connected transaction disclosed on page 86 of the annual report, none of the Company's directors, their associates or any shareholders of the Company (who, to the knowledge of the Company's directors, hold more than 5% of the Company's shares in issue) had any beneficial interest in the Group's only customer.

Corporate Governance Report

Sound corporate governance practices are crucial to the smooth, effective and transparent operation of a company and its ability to attract investment, protect rights of shareholders and stakeholders, and enhance shareholder value. The Company is committed to maintain good corporate governance standard and procedures to ensure the integrity, transparency, open and accountable to our shareholders.

CORPORATE GOVERNANCE PRACTICES

The Company has applied the principles and complied with the code provisions as set out in the Code on Corporate Governance Practices (the "Code") contained in Appendix 14 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules") during the year ended 31st March, 2008 except that:

1. The Code A.2.1 — the company does not have the post of chief executive officer;

2. The Code A.4.1 — the independent non-executive Directors have not been appointed for any specific terms as they are subject to retirement by rotation at least once every three years in accordance with the Company's Bye-laws.

As mention in the Corporate Governance Report (the "CG Report") contained in the 2007 Annual Report that although the Company does not separate the duties between the chairman and chief executive officer, the executive function of the Company is performed by the executive directors and management of the Company. Thus, significant decision of the Company is made by the Board. The Board considers that such structure will not affect the balance of power and authority between the chairman and the executive directors.

Code provision A.4.1 of the Code provides that non-executive Directors should be appointed for a specific term, subject to re-election. As mention in the CG Report contained in the 2007 Annual Report that none of the non-executive Directors has entered into any service contracts with the Company or its subsidiaries. In view of the fact that the non-executive Directors are subject to retirement by rotation at least once every three years though they have no set term of office, the Board considers that the quality of good corporate governance will not be impaired.

MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS

The Group has adopted the code of conduct with respect to the dealings in securities of the Company by the Directors as set out in Appendix 10 of the Listing Rules (the "Model Code").

Having made specific enquiry with all Directors, each of whom has confirmed compliance with the required standard set out in the Model Code during the year ended 31 March 2008.

Corporate Governance Report

BOARD OF DIRECTORS

Composition

The Board of Directors (the "Board") of the Company comprises 6 members. Mr. Zhang Hongwei acts as the Chairman of the Board. The other executive Directors are Mr. Zhu Jun and Ms. Zhang Meiying. The Company has three independent non-executive Directors, Mr. Chau Siu Wai, Mr. San Fung and Mr. Zhu Chengwu, one of whom namely, Mr. Zhu Chengwu has appropriate professional accounting experience and expertise.

All directors have distinguished themselves in their field of expertise, and have exhibited high standards of personal and professional ethics and integrity. The biographical details of each Director are disclosed on pages 21 to 23 of this Annual Report.

Each independent non-executive Director has pursuant to the Rule 3.13 of the Listing Rules, confirmed that he is independent of the Company and the Company also considers that they are independent.

Save as the family relationship between Mr. Zhang Hongwei, chairman of the Board, and Ms. Zhang Meiying, executive director and daughter of the chairman, there are no relationships among members of the board. Except for the above, the Board considers that all directors are free from any relationship that interfere the exercise of individual independent judgment.

Function

The Board, led by the Chairman, is responsible for formulation and approval of the Group's development and business strategies, key operational proposals, financial control procedures, material acquisition and disposal of investments, major funding decisions, financial announcements, annual reports, share issuance/ repurchase, nomination of directors, appointment of key management personnel, related party transactions, remuneration to directors and key management and other significant transactions in accordance with the rules governing the meeting of the Board, Bye-laws and rules governing the meeting of shareholders.

The executive Directors are responsible for day-to-day management of the Company's operations. These executive Directors conduct regular meetings with the senior management of the Company, its subsidiaries and associated companies, at which operational issues and financial performance are evaluated.

The Bye-laws of the Company contain description of responsibilities and operation procedures of the Board. The Board holds regular meeting to discuss and consider significant matters relating to existing operations and proposals of new operations and projects. Board meetings formally hold at least 4 times a year.

Corporate Governance Report

The Chairman ensures that board meetings are being held whenever necessary. Though the Chairman is responsible to set the board meeting agenda, all board members are encouraged to participate to include matters in the agenda. The Board conducts meeting on a regular basis and extra meetings are convened when circumstances require. The Bye-Laws of the Company allow a board meeting to be conducted by way of a tele-conference.

There are fifteen meetings being held during the financial year ended 31 March 2008 and attendance of individual directors are as follows:

	Board Meetings
Zhang Hongwei	11/15
Zhu Jun	15/15
Zhang Meiying	15/15
Chau Siu Wai	8/15
San Fung	8/15
Zhu Chengwu	8/15

Responsibilities

In the course of discharging their duties, the directors act in good faith, with due diligence and care, and in the best interests of the Company and its shareholders. Their responsibilities include (1) regular board meetings focusing on business strategy, operational issues and financial performance; (2)monitoring the quality, timeliness, relevance and reliability of internal and external reporting; (3) monitoring and managing potential conflicts of interest of management, board members and shareholders, including misuse of corporate assets and abuse in connected transaction; and (4) ensuing processes are in place to maintain the overall integrity of the Company, including financial statements, relationships with suppliers, customers and other stakeholders, and compliance with all laws and ethics.

Director's Responsibilities for the Financial Statement

The Directors acknowledge their responsibilities for the preparation of the financial statements of the Group and ensure that the financial statements of the Group and ensure that the financial statements are accordance with statutory requirements and applicable accounting standards. The Directors also ensure the timely publication of the financial statements of the Group.

The Directors confirm that, to the best of their knowledge, information and belief, having made all reasonable enquiries, they are not aware of any material uncertainties relating to events or conditions that may cast significant doubt upon the Company's ability to continue as a going concern.

Corporate Governance Report

Delegation by the board

The Board has established Board committees, namely Audit Committee and Remuneration Committee to overseas particular aspects of the Company's affairs and to assist in sharing the Board's responsibilities. All the Board committees have clear written terms of reference and have to report to the Board regularly on their decisions and recommendations. The day-to-day running of the Company, including implementation of the strategies and plans adopted by the Board and its committees, is delegated to the management with divisional heads responsible for different aspects of the business.

Audit Committee

The Company formulated written terms of reference for the Audit Committee in accordance with the requirements of the Listing Rules. The Audit Committee consists of the all independent non-executive Directors, namely Messrs. Chau Siu Wai, San Fung and Zhu Chengwu. It is chaired by Mr. Chau Siu Wai.

The Audit Committee reports directly to the Board and reviews the matters relating to the work of the external auditor, financial statements and internal controls. The Audit Committee meets with the Company's external auditor to ensure the objectivity and credibility of financial reporting and internal control procedures as well as to maintain an appropriate relationship with the external auditors of the Company.

There are two audit committee meetings being held during the year ended 31 March 2008. The individual attendance of each member is as follows:

Chau Siu Wai	2/2
San Fung	2/2
Zhu Chengwu	2/2

The members of Audit Committee have full access to and co-operation from the management and they have full discretion to invite any director or executive to attend the meeting. The Audit Committee has performed the following function during the year ended 31st March, 2008: (1) reviewed the annual audit plan of external auditors, their audit reports and matters incidental thereto; (2) the appointment of external auditors including the terms of engagement; (3) discussed the internal control issues; (4) examined the application of funds; (5) reviewed the interested party transactions; and (6) reviewed the periodic financial statements of the Company and made commendation to the Board for approval and evaluated the performance and independent of the external auditors.

Corporate Governance Report

Remuneration Committee

With effect from 17 July 2006, a remuneration committee has been set up with written terms of reference to review the remuneration package, performance-based remuneration and termination compensation of directors and senior management of the Group. The remuneration committee comprises Mr. Zhu Chengwu, Mr. Chau Siu Wai and Ms. Zhang Meiying. It is chaired by Mr. Zhu Chengwu.

The major responsibilities of the Remuneration Committee are to make recommendation to the Board on the Company's policy and structure for remuneration of Directors and senior management, to determine remuneration packages of all executive Directors and senior management including benefits in kind, pension rights and compensation payments. The Remuneration Committee takes into consideration on factors such as salaries paid by comparable companies, time commitment and responsibilities of the Directors and senior management.

The Remuneration Committee held a meeting on 6 June 2008 at which all committee members were present. At the meeting, the Remuneration Committee reviewed and discussed the remuneration policy for 2008, the remuneration package and bonus arrangements of the Directors and senior management for 2008.

Nomination of Directors

Although the Board has not established a nomination committee, as mentioned in the CG Report contained in the 2007 Annual Report, the function of nomination committee has been performed by the Board. To maintain high quality of the Board with a balance of skill and experience, the Board identifies individuals who fulfill criteria of the Company. When assessing the quality of the individual, the Board makes reference to his experience, qualification, integrity and other relevant factors.

RESPONSIBILITIES AND REMUNERATION OF EXTERNAL AUDITORS

The statement of the external auditors of the Company, Messrs. RSM Nelson Wheeler, about their reporting responsibilities on the financial statements of the Group is set out in the Independent Auditor's Report on page 24.

Corporate Governance Report

During the year, remuneration paid to the Company's auditors, Messrs RSM Nelson Wheeler, is as follows:

Services rendered:	*HK$*
— audit services	750,000
— non-audit service	730,000

INTERNAL CONTROL

The Board is responsible for maintaining an adequate system of internal controls within the Group and for reviewing their effectiveness. The system of internal controls is designed to facilitate effective and efficient operations, to safeguard assets and to ensure the quality of internal and external reporting and compliance with applicable laws and regulations. It is also designed to provide reasonable, but not absolute, assurance that material misstatement or loss can be avoided, and to manage and minimize risks of failure in operation systems. As mentioned in the CG Report contained in the 2007 Annual Report that the Company committed to implement a stricter and more regulated internal control procedures in the new financial year.

In the future, the Group will conduct regular review of the Group's internal control system and its effectiveness to ensure the interest of shareholders is safeguarded.

COMMUNICATION WITH SHAREHOLDERS

The objective of shareholder communication is to provide our shareholders with detailed information about the Company so that they can exercise their rights as shareholders in an informed manner.

The Company uses a range of communication tools to ensure its shareholders are kept well informed of key business imperatives. These include general meeting, annual report, various notices, announcements and circulars. The poll voting procedures and the rights of shareholders to demand a poll were included in all circulars accompanying notice convening general meeting and the details procedures for conducting a poll has been read out by the chairman at general meeting.

The annual general meeting provides a useful forum for shareholders to exchange views with the Board. The Chairman, Directors, Board Committees' Chairman/Members and external auditor, where appropriate, are available to answer questions at the meeting.

Report of the Directors

The directors present their annual report and the audited financial statements for the year ended 31 March 2008.

PRINCIPAL ACTIVITIES

The Company is primarily involved in investment holding. The principal activity of its subsidiary is set out in note 38 to the financial statements.

RESULTS AND DIVIDENDS

The results of the Group for the year ended 31 March 2008 and the state of affairs of the Group at that date are set out in the financial statements on pages 26 to 88 of the annual report.

PROPERTY, PLANT AND EQUIPMENT

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

DIRECTORS AND DIRECTORS' SERVICE CONTRACTS

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

Executive directors:

Zhang Hongwei — *Chairman*
Zhu Jun
Zhang Meiying

Independent non-executive directors:

Chau Siu Wai
San Fung
Zhu Chengwu

Pursuant to Bye-laws 87(1) and 87(2) of the Bye-laws, Ms. Zhang Meiying and Mr. Zhu Chengwu shall retire by rotation and being eligible, will offer themselves for re-election at the Annual General Meeting.

There is no service contract entered into between the Company and the executive and independent non-executive directors and they are not appointed for a specific term. However, all directors are subject to retirement by rotation at least once every three years pursuant to the Bye-laws of the Company.

Report of the Directors

SHARE OPTION SCHEME

Under the share option scheme adopted by the Company on 11 May 2006 (the "Scheme"), the Directors may, at their discretion, invite any eligible participants to take up options to subscribe for shares in the capital of the Company. The Scheme is effective for the period from 11 May 2006 to 10 May 2016. The total number of shares in respect of which options may be granted under the Scheme is not permitted to exceed 30% of the shares of the Company in issue from time to time. The number of shares issued and to be issued in respect of which options granted and may be granted to any individual is not permitted to exceed 10% of the shares of the Company in issue from time to time.

On 4 December 2007, a total of 275,000,000 shares options were granted to a director of the Company and eligible participants. The options were granted at a cash consideration of HK$1.00 per grantee and entitled the grantees to subscribe for ordinary shares at an exercise price of HK$1.56 per share. The options are exercisable during the period from 4 December 2008 to 3 December 2012. During the year, none of these share options were exercised.

DIRECTORS' INTERESTS IN SHARES

As at 31 March 2008, the Directors and their associates had the following interests or short positions in shares, underlying shares and debentures of the Company or any of its associated corporations (within the meaning of the Securities and Futures Ordinance (the "SFO")) as recorded in the register required to be kept under Section 352 of the SFO or as otherwise notified to the Company and The Stock Exchange of Hong Kong Limited (the "Stock Exchange") pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code"):

Name of Director	Name of Company	Nature of interest	Number of Shares		Approximate % shareholding
			Long Position	Short Position	
Zhang Hongwei	The Company	Attributable interest of controlled corporation	9,001,240,115	—	70.45 *(Note 1)*
Zhang Meiying	The Company	Beneficial owner	100,000,000	—	0.78 *(Note 2)*
Zhu Jun	The Company	Beneficial owner	1,443,000	—	0.01

Report of the Directors

Note:

1. Out of the 9,001,240,115 shares, 5,128,169,125 shares were beneficially held by He Fu International Limited, 2,223,726,708 shares were beneficially held by United Petroleum & Natural Gas Holdings Limited, and 1,649,344,282 shares were beneficially held by United Energy Holdings Limited. He Fu International Limited, United Petroleum & Natural Gas Holdings Limited and United Energy Holdings Limited are companies wholly-owned by Mr. Zhang Hongwei. Therefore, Mr. Zhang Hongwei is deemed to be interested in those 9,001,240,115 shares.

2. Share options which entitle Ms. Zhang Meiying to subscribe for an aggregate 100,000,000 shares were granted to Ms. Zhang Meiying on 4 December 2007 under the share option scheme adopted by the Company on 11 May 2006.

Save as disclosed above, none of the directors, nor their associates had any interests or short positions in any shares, underlying shares or debentures of the Company or any of its associated corporations as at 31 March 2008.

SUBSTANTIAL SHAREHOLDERS

As at 31 March 2008, the following persons or corporations, other than the Directors or chief executives of the Company as disclosed above, had interests or short positions in the shares and underlying shares of the Company as recorded in the register required to be kept by the Company pursuant to Section 336 of the SFO:

Name	Name of Company	Capacity and nature of interest	Number of Shares	Approximate % shareholding
He Fu International Limited *(Note)*	The Company	Beneficial owner	5,128,169,125	40.14
United Petroleum & Natural Gas Holdings Limited *(Note)*	The Company	Beneficial owner	2,223,726,708	17.40
United Energy Holdings Limited *(Note)*	The Company	Beneficial owner	1,649,344,282	12.91
Kowin Limited	The Company	Beneficial owner	654,037,267	5.12

Note: These companies are wholly-owned by Mr. Zhang Hongwei.

All the interests stated above represent long positions. As at 31 March 2008, no short position were recorded in the register kept by the Company under Section 336 of the SFO.

Report of the Directors

Save as disclosed above, the Company has not been notified by any persons or corporations, other than the Directors or chief executives of the Company, who had interests or short positions in the shares or underlying shares of the Company as recorded in the register required to be kept by the Company pursuant to Section 336 of the SFO as at 31 March 2008.

SHARE CAPITAL

Particulars of the Company's share capital are set out in note 29 to the financial statements.

ARRANGEMENTS TO PURCHASE SHARES OR DEBENTURES

At no time during the year was the Company, its subsidiary or holding company, a party to any arrangements to enable the directors of the Company to acquire benefits by means of acquisition of shares in, or debt securities (including debentures) of, the Company or any other body corporate.

DIRECTORS' INTERESTS IN CONTRACTS OF SIGNIFICANCE

No contracts of significance to which the Company, its subsidiaries or holding company was a party and in which a director of the Company had a material interest, whether directly or indirectly, subsisted at the end of the year of at any time during the year, except as announced.

EMOLUMENT POLICY

The emolument policy of the employees of the Group is set up by the board of directors on the basis of their merit, qualifications and competence.

The emoluments of the directors of the Company are decided by the board, having regard to the Company's operating results, individual performance and comparable market statistics.

PRE-EMPTIVE RIGHTS

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

Report of the Directors

APPOINTMENT OF INDEPENDENT NON-EXECUTIVE DIRECTORS

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

COMPLIANCE WITH THE MODEL CODE OF THE LISTING RULES

The Company has adopted the Model Code as set out in Appendix 10 of the Listing Rules. Having made specific enquiry with the Directors, all the Directors confirmed that they have complied with the required standard as set out in the Model Code throughout the year ended 31 March 2008.

The Company has also established written guidelines regarding securities transaction on no less exacting terms of the Model Code for senior management and specific individual who may have access to price sensitive information in relation to the securities of the Company.

CORPORATE GOVERNANCE

In the opinion of the Directors, the Company has complied throughout the year ended 31 March 2008 with the Code on Corporate Governance Practices, except for code provisions A.2.1 and A.4.1 as set out in the Code of Corporate Governance Practices contained in Appendix 14 to the Listing Rules. Please refer to the Corporate Governance Report on pages 9 to 14 for details.

Details of the audit committee and remuneration committee are set out in the Corporate Governance Report.

SUFFICIENCY OF PUBLIC FLOAT

The Company has maintained a sufficient public float throughout the year ended 31 March 2008.

PURCHASE, SALE OR REDEMPTION OF SHARES

As at 31st March 2008, the Company has not redeemed any of its shares nor any or its subsidiaries has purchased or sold any of the Company's shares during this year.

POST BALANCE SHEET EVENTS

Details of significant events occurring after the balance sheet date are set out in note 39 to the financial statement.

Report of the Directors

AUDITORS

A resolution will be submitted to the annual general meeting of the Company to re-appoint the auditors, Messrs. RSM Nelson Wheeler as auditors of the Company.

On behalf of the Board

Zhang Hongwei
Chairman

Hong Kong, 28 July 2008

Biography of Directors and Senior Management

EXECUTIVE DIRECTORS

Mr. Zhang Hongwei, aged 54, joined the Company on 27 February 1998. Mr. Zhang is the Chairman of the Group. Mr. Zhang is also the chairman and president of Orient Group Inc., Mr. Zhang is also the Deputy Chairman of China Minsheng Banking Corporation Ltd., a joint-stock bank listed on the Shanghai Exchange. He has over 20 years of experience in management in the PRC. As at the date of this report, Mr. Zhang is beneficially interested in 9,001,240,115 shares of the Company, representing approximately 70.45% of the existing issued share capital of the Company, and is the controlling shareholder of the Company. Mr. Zhang is the father of Ms. Zhang Meiying, an executive director appointed on 19 June 2006.

Mr. Zhu Jun, aged 44, joined the Company on 20 October 2005 as an executive Director. He is currently an executive director of China Infrastructure Holdings Limited, the shares of which are listed on The Singapore Exchange Securities Trading Limited. After graduation from the Peking University with a bachelor degree and a master degree in economics, Mr. Zhu Jun has had over 16 years of experience in corporate finance, investment and management. As at the date of this report, Mr. Zhu Jun directly holds 1,443,000 shares of the Company, representing approximately 0.01% of the existing issued share capital of the Company.

Ms. Zhang Meiying, aged 30, joined the Company on 19 June 2006 as an executive Director. Ms. Zhang previously worked in Citigroup Investment Banking Division (Hong Kong), China Minsheng Banking Corporation Limited and America Orient Group, Inc. and has 5 years of experience in banking and financial management. Ms. Zhang Meiying holds a BBA degree in Finance and International Business from the George Washington University, USA. Ms. Zhang has not held any directorship with other listed companies in the last 3 years. Ms. Zhang is the daughter of Mr. Zhang Hongwei, the Chairman, executive Director and controlling shareholder of the Company.

INDEPENDENT NON-EXECUTIVE DIRECTORS

Mr. San Fung, aged 45, joined the Company on 9 November 2004 as an independent non-executive Director. Mr. San Fung is a qualified accountant with China Construction Company Limited specialized in financial analysis in infrastructure project. He completed a course in Master of Business Administration from the International East-western University of the United States and has over 13 years of experience in accounting. Mr. San is currently the chairman of New Century Investment and Development Company.

Mr. Chau Siu Wai, aged 39, joined the Company on 9 November 2004 as an independent non-executive Director. Mr. Chau is a university graduate with a bachelor degree in law. He further obtained a master degree in business administration from Murdoch University in Australia. Mr. Chau has more than 10 years of experience in financial reporting and investment analysis and is now a duty president of an investment company.

Biography of Directors and Senior Management

Mr. Zhu Chengwu, aged 39, joined the Company on 5 December 2005 is an independent non-executive Director. He is currently the chief financial officer of the Shanghai head office of Everbright Securities Company Limited. After graduation from the Lanzhou Commercial College with a bachelor degree in finance, Mr. Zhu had held senior financial positions in several PRC companies including Shenzhen Techo Telecom Co., Ltd. ("Shenzhen Techo"), a PRC company whose shares are listed on the Shenzhen Stock Exchange. Mr. Zhu was the director and had assumed the role of the chief financial officer of Shenzhen Techo. Through his past experience, in particular, as the director of Shenzhen Techo, Mr. Zhu has gained much experience in (a) preparing and conducting review and internal audit of financial statements and reports; and (b) internal control and procedures for financial reporting in respect of public companies and possesses such knowledge, experience and expertise of an independent non-executive director as required under Rule 3.10(2) of the Listing Rules. Mr. Zhu Chengwu acquired the intermediate-level accountant certificate jointly issued by the Ministry of Finance and the Ministry of Personnel of the People's Republic of China on 30 May 2000. Mr. Zhu is considered to be an independent non-executive director under Rule 3.13 of the Listing Rules.

SENIOR MANAGEMENT

Mr. Jonathan Soon P. Yeap, is the Chief Executive Officer of United Energy Group Limited listed on the Hong Kong Stock Exchange. He spearheads corporate strategic planning and development and oversees overall financial operations management of the Group. Mr. Yeap has over 25 years of experience in energy and natural resources sector.

Mr. Yeap has led a number of US companies in the energy sector, including AES Corporation, Coastal Corporation and Enron Corporation, in the Asia Pacific region. Throughout his career in these companies, he successfully completed over US$10 billion worth of energy and natural resources projects.

When Mr. Yeap was CEO of Enron China and Managing Director of Asia Pacific region from 1997 to 2001, he led Enron's aggressive expansion into China and Asia Pacific. He managed the developments and acquisitions of energy and infrastructure projects in the upstream oil & gas exploration, and downstream power plants and natural gas distribution. He was involved in the development of the China West to East US$6 billion pipeline, which is capable of transporting 12 billion cubic meters of natural gas annually.

Mr. Yeap has a Bachelor's Degree in Electrical Engineering from University of Alberta.

Biography of Directors and Senior Management

Mr. Wang Chunpeng, aged 63, Chief Operation Officer of the Company. Prior to his current role, Mr. Wang joined the Company as Senior Advisor in 2006. Mr. Wang has worked at CNPC's Liaohe oilfield for over 30 years. Prior to joining the Company, Mr. Wang served as General Manager of CNPC Liaohe oilfield (2000-2005), Director General of Liaohe Petroleum Exploration Bureau (1999-2000), Vice Director of Liaohe Petroleum Exploration Bureau (1994-1999), Plant Manager of Liaohe oilfield Shenyang Extraction Plant and Huanxiling Extraction Plant, Unit Manager and Supervisor of Liaohe oilfield Xingyou Headquarter (1976-1981). Mr. Wang is an Executive Commissioner of the Political Consultation Committee of Liaoning Province and a member of the national committee of CPPCC.

Mr. Zhu Jiucheng, aged 39, Chief Technical Officer of the company. Prior to joining UEG, Mr. Zhu served as Vice President for technical support of UNIWE International Energy Service Limited (Asia) ("UNIWE") since February 2008. Mr. Zhu worked in the New Business Development Department of CNPC International Ltd as Director and Deputy Director from 2006 to 2008 and 2004 to 2006 respectively and in New Business Development Department of PetroChina International Ltd. as General Manager from 2003 to 2004. From 2002 to 2003, Mr. Zhu was Vice President of the PetroChina's subsidiary in Indonesia and General Manager of Jabung oil field in Indonesia, the major operating asset of CNPC/PetroChina in Indonesia. Mr. Zhu also served as Senior Reservoir Engineer in the Joint Operation Body between Shell and PetroChina as the Senior Reservoir Engineer and China National Oil and Gas Exploration and Development Co. ("CNODC") in the earlier years of his career. Mr. Zhu is a member of Society of Petroleum Engineers and Senior Researcher of China Energy Strategic Research Institute. Mr. Zhu has a PhD. in Petroleum Engineering from University of Petroleum.

Independent Auditor's Report

RSM Nelson Wheeler
中瑞岳華(香港)會計師事務所
Certified Public Accountants
(前稱羅申美會計師行)

TO THE SHAREHOLDERS OF
UNITED ENERGY GROUP LIMITED
(FORMERLY KNOWN AS ORIENT RESOURCES GROUP COMPANY LIMITED)
(Incorporated in the Cayman Islands and continued in Bermuda with limited liability)

We have audited the consolidated financial statements of United Energy Group Limited (the "Company") set out on pages 26 to 88, which comprise the consolidated balance sheet as at 31 March 2008, and the consolidated income statement, consolidated statement of changes in equity and consolidated cash flow statement for the year then ended, and a summary of significant accounting policies and other explanatory notes.

DIRECTORS' RESPONSIBILITY FOR THE FINANCIAL STATEMENTS

The directors of the Company are responsible for the preparation and the true and fair presentation of these financial statements 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. This responsibility includes designing, implementing and maintaining internal control relevant to the preparation and the true and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

AUDITOR'S RESPONSIBILITY

Our responsibility is to express an opinion on these financial statements based on our audit and to report our opinion solely to you, as a body, in accordance with section 90 of the Companies Act 1981 of Bermuda 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 as to whether the financial statements are free from material misstatement.

Independent Auditor's Report

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

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

OPINION

In our opinion the consolidated financial statements give a true and fair view of the state of affairs of the Group as at 31 March 2008 and of the Group's results and cash flows for the year then ended in accordance with Hong Kong Financial Reporting Standards and have been properly prepared in accordance with the disclosure requirements of the Hong Kong Companies Ordinance.

RSM Nelson Wheeler
Certified Public Accountants
Hong Kong

28 July 2008

Consolidated Income Statement

For the year ended 31 March 2008

	Note	2008 HK$'000	2007 HK$'000 (Restated)
Turnover	6	**4,893**	15,933
Cost of sales and service rendered		**(754)**	(5,314)
Gross profit		**4,139**	10,619
Other income	7	**55,573**	40,868
Oil exploitation expenses		**(76,875)**	(723)
Administrative expenses		**(97,776)**	(28,254)
(Loss)/profit from operations	9	**(114,939)**	22,510
Finance costs	10	**—**	(951)
Share of loss of an associate	17	**(758)**	—
Gain on deemed disposal of a subsidiary	33	**7,395**	—
(Loss)/profit before tax		**(108,302)**	21,559
Income tax credit/(expense)	11	**3,823**	(2,571)
(Loss)/profit for the year		**(104,479)**	18,988
Attributable to:			
Equity holders of the Company		**(101,497)**	16,820
Minority interests		**(2,982)**	2,168
		(104,479)	18,988
(Loss)/earnings per share			
Basic	13	**(0.84 cents)**	0.15 cents
Diluted	13	**N/A**	N/A

Consolidated Balance Sheet

At 31 March 2008

	Note	2008 HK$'000	2007 HK$'000 (Restated)
Non-current assets			
Property, plant and equipment	15	**36,703**	150,323
Investment properties	16	**177,600**	161,616
Investment in an associate	17	**86,403**	—
		300,706	311,939
Current assets			
Properties under development	18	**—**	367,480
Trade and other receivables	19	**716,350**	77,263
Deposits paid for prepaid land lease payments	20	**—**	13,398
Due from a director	21	**—**	5
Due from a corporate shareholder	22	**—**	133,724
Due from a related company	23	**—**	69
Due from an associate	17	**66,552**	—
Financial assets at fair value through profit or loss	24	**6,613**	6,109
Pledged bank deposits	25	**—**	128,043
Bank and cash balances	25	**2,113,460**	361,014
		2,902,975	1,087,105
Current liabilities			
Trade and other payables	26	**34,005**	22,533
Current tax liabilities		**4**	573
Due to directors	37(b)	**5,534**	3,930
Due to related companies	37(b)	**3,774**	13,216
Due to a minority equity holder	37(b)	**—**	31,402
Bank loans	27	**—**	303,030
		43,317	374,684
Net current assets		**2,859,658**	712,421
Total assets less current liabilities		**3,160,364**	1,024,360
Non-current liabilities			
Deferred tax liabilities	28	**27,209**	29,020
NET ASSETS		**3,133,155**	995,340

Consolidated Balance Sheet

At 31 March 2008

	Note	2008 HK$'000	2007 HK$'000 (Restated)
Capital and reserves			
Share capital	*29*	**127,771**	114,031
Reserves	*31(a)*	**2,813,966**	674,609
Equity attributable to equity holders of the Company		**2,941,737**	788,640
Minority interests		**191,418**	206,700
TOTAL EQUITY		**3,133,155**	995,340

Approved by the Board of Directors on 28 July 2008

Zhang Hongwei
Director

Zhu Jun
Director

Consolidated Statement of Changes in Equity

For the year ended 31 March 2008

	Attributable to equity holders of the Company											
	Share capital *(note 29)* HK$'000	Share premium account *(note 31(c))* HK$'000	Merger reserve *(note 31(c))* HK$'000	Capital reserve *(note 31(c))* HK$'000	Property revaluation reserve HK$'000	Foreign currency translation reserve HK$'000	Statutory reserve *(note 31(c))* HK$'000	Share-based payments reserve *(note 31(c))* HK$'000	Accumulated losses HK$'000	Total HK$'000	Minority interests HK$'000	Total HK$'000
At 1 April 2006, as previously reported	51,760	2,420,885	(2,286,000)	287,545	2,672	5,921	522	—	(163,311)	319,994	195,926	515,920
Effect on merger of equity interests in subsidiary *(note 3(b)(ii))*	45,271	8,284,608	(8,060,845)	—	—	—	—	—	—	269,034	—	269,034
At 1 April 2006, as restated	97,031	10,705,493	(10,346,845)	287,545	2,672	5,921	522	—	(163,311)	589,028	195,926	784,954
Share issue expenses paid	—	(1,716)	—	—	—	—	—	—	—	(1,716)	—	(1,716)
Exchange differences arising on translation of foreign operations	—	—	—	—	—	14,508	—	—	—	14,508	8,606	23,114
Net income and expenses recognised directly in equity	—	(1,716)	—	—	—	14,508	—	—	—	12,792	8,606	21,398
Profit for the year	—	—	—	—	—	—	—	—	16,820	16,820	2,168	18,988
Total recognised income and expense for the year	—	(1,716)	—	—	—	14,508	—	—	16,820	29,612	10,774	40,386
Issue of shares on placement	17,000	153,000	—	—	—	—	—	—	—	170,000	—	170,000
Realised on disposal of property	—	—	—	—	(2,672)	—	—	—	2,672	—	—	—
Transfer	—	—	—	—	—	—	307	—	(307)	—	—	—
	17,000	153,000	—	—	(2,672)	—	307	—	2,365	170,000	—	170,000
At 31 March 2007, as restated	114,031	10,856,777	(10,346,845)	287,545	—	20,429	829	—	(144,126)	788,640	206,700	995,340
At 1 April 2007, as previously reported	68,760	2,572,169	(2,286,000)	287,545	—	20,429	829	—	(142,438)	521,294	206,700	727,994
Effect on merger of equity interests in subsidiary *(note 3(b)(ii))*	45,271	8,284,608	(8,060,845)	—	—	—	—	—	(1,688)	267,346	—	267,346
At 1 April 2007, as restated	114,031	10,856,777	(10,346,845)	287,545	—	20,429	829	—	(144,126)	788,640	206,700	995,340
Share issue expenses paid	—	(27,851)	—	—	—	—	—	—	—	(27,851)	—	(27,851)
Exchange differences arising on translation of foreign operations	—	—	—	—	—	35,111	—	—	—	35,111	19,649	54,760
Net income and expenses recognised directly in equity	—	(27,851)	—	—	—	35,111	—	—	—	7,260	19,649	26,909
Loss for the year	—	—	—	—	—	—	—	—	(101,497)	(101,497)	(2,982)	(104,479)
Total recognised income and expense for the year	—	(27,851)	—	—	—	35,111	—	—	(101,497)	(94,237)	16,667	(77,570)
Deemed disposal of a subsidiary	—	—	—	—	—	—	—	—	—	—	(31,949)	(31,949)
Issue of shares on placement	13,740	2,198,400	—	—	—	—	—	—	—	2,212,140	—	2,212,140
Recognition of share-based payments	—	—	—	—	—	—	—	35,194	—	35,194	—	35,194
Transfer	—	—	—	—	—	—	(327)	—	327	—	—	—
	13,740	2,198,400	—	—	—	—	(327)	35,194	327	2,247,334	(31,949)	2,215,385
At 31 March 2008	127,771	13,027,326	(10,346,845)	287,545	—	55,540	502	35,194	(245,296)	2,941,737	191,418	3,133,155

Consolidated Cash Flow Statement

For the year ended 31 March 2008

	Note	2008 HK$'000	2007 HK$'000 (Restated)
CASH FLOWS FROM OPERATING ACTIVITIES			
(Loss)/profit before tax		**(108,302)**	21,559
Adjustments for:			
Depreciation		**7,978**	664
Share of loss of an associate		**758**	—
Interest income		**(38,807)**	(14,330)
Interest expenses		**—**	951
Equity-settled share-based payments		**35,194**	—
Fair value gain on investment properties		**—**	(2,020)
Gain on disposal of property, plant and equipment		**(4)**	—
Gain on deemed disposal of a subsidiary		**(7,395)**	—
Net gain on disposals of financial assets at fair value through profit or loss		**(11,521)**	(8,896)
Gain on disposals of property and investment properties		**—**	(12,788)
Operating loss before working capital changes		**(122,099)**	(14,860)
Additions to properties under development		**(162,053)**	(21,312)
Increase in trade and other receivables		**(50,809)**	(2,217)
Decrease/(increase) in amount due from a director		**5**	(5)
Decrease/(increase) in amount due from a related company		**69**	(69)
Increase in trade and other payables		**80,738**	8,804
Increase/(decrease) in amounts due to directors		**1,604**	(8,524)
Increase/(decrease) in amounts due to related companies		**3,189**	(10,603)
Increase in amount due to a minority equity holder		**176,503**	31,402
Cash used in operations		**(72,853)**	(17,384)
Interest paid		**—**	(951)
Income taxes paid		**(1,898)**	(1,314)
Net cash used in operating activities		**(74,751)**	(19,649)

Consolidated Cash Flow Statement

For the year ended 31 March 2008

	Note	2008 HK$'000	2007 HK$'000 (Restated)
CASH FLOWS FROM INVESTING ACTIVITIES			
Decrease/(increase) in pledged bank deposits		**128,043**	(128,043)
Loan receivables granted to unrelated companies		**(650,000)**	(73,000)
Repayments of loan receivables from unrelated companies		**75,368**	—
Deemed disposal of a subsidiary	33	**(57,426)**	—
Net proceeds from disposal of property and investment properties		**—**	32,771
Purchases of financial assets at fair value through profit or loss		**(168,768)**	(72,386)
Sales of financial assets at fair value through profit or loss		**179,785**	75,173
Purchases of property, plant and equipment		**(46,395)**	(8,314)
Proceeds from disposal of property, plant and equipment		**24**	—
Advance from a corporate shareholder		**133,724**	135,310
Interest received		**22,412**	13,050
Net cash used in investing activities		**(383,233)**	(25,439)
CASH FLOWS FROM FINANCING ACTIVITIES			
Proceeds from issue of shares		**2,212,140**	170,000
Share issue expenses paid		**(27,851)**	(1,716)
Repayments of bank loans		**—**	(14,706)
Net cash generated from financing activities		**2,184,289**	153,578
NET INCREASE IN CASH AND CASH EQUIVALENTS		**1,726,305**	108,490
Effect of foreign exchange rate changes		**26,141**	10,312
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR		**361,014**	242,212
CASH AND CASH EQUIVALENTS AT END OF YEAR		**2,113,460**	361,014
ANALYSIS OF CASH AND CASH EQUIVALENTS			
Bank and cash balances		**2,113,460**	361,014

Notes to the Financial Statements

For the year ended 31 March 2008

1. GENERAL INFORMATION

The Company was incorporated in the Cayman Islands and redomiciled to Bermuda as an exempted company with limited liability under the Companies Act of Bermuda. The address of its registered office is Clarendon House, 2 Church Street, Hamilton HM11, Bermuda. The address of its principal place of business is Unit 2112, 21/F, Two Pacific Place, 88 Queensway, Hong Kong. The Company's shares are listed on the Main Board of The Stock Exchange of Hong Kong Limited (the "Stock Exchange").

During the year, the Company is primarily involved in investment holding. The principal activities of its subsidiaries are set out in note 38 to the financial statements.

In the opinion of the directors of the Company, as at 31 March 2008, He Fu International Limited ("He Fu"), a company incorporated in the British Virgin Islands, is the immediate and ultimate parent and Mr. Zhang Hongwei is the ultimate controlling party of the Company.

2. ADOPTION OF NEW AND REVISED HKFRSs

In the current year, the Group has adopted all the new and revised Hong Kong Financial Reporting Standards ("HKFRSs") issued by the Hong Kong Institute of Certified Public Accountants (the "HKICPA") that are relevant to its operations and effective for its accounting year beginning on 1 April 2007. HKFRSs comprise Hong Kong Financial Reporting Standards; Hong Kong Accounting Standards; and Interpretations. The adoption of these new and revised HKFRSs did not result in substantial changes to the Group's accounting polices and amounts reported for the current year and prior years.

The Group has not applied the new HKFRSs that have been issued but are not yet effective. The Group has already commenced an assessment of the impact of these new HKFRSs but is not yet in a position to state whether these new HKFRSs would have a material impact on its results of operations and financial position.

Notes to the Financial Statements

For the year ended 31 March 2008

3. SIGNIFICANT ACCOUNTING POLICIES

These financial statements have been prepared in accordance with HKFRSs, accounting principles generally accepted in Hong Kong and the applicable disclosures required by the Rules Governing the Listing of Securities on the Stock Exchange (the "Listing Rules") and by the Hong Kong Companies Ordinance.

These financial statements have been prepared under the historical cost convention, as modified by the revaluation of investment properties and financial assets at fair value through profit or loss which are carried at their fair values.

The preparation of financial statements in conformity with HKFRSs requires the use of certain key assumptions and estimates. It also requires the directors to exercise its judgements in the process of applying the accounting policies. The areas involving critical judgements and areas where assumptions and estimates are significant to these financial statements, are disclosed in note 4 to the financial statements.

The significant accounting policies applied in the preparation of these financial statements are set out below.

(a) Consolidation

The consolidated financial statements include the financial statements of the Company and its subsidiaries made up to 31 March. Subsidiaries are entities over which the Group has control. Control is the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities. The existence and effect of potential voting rights that are currently exercisable or convertible are considered when assessing whether the Group has control.

Subsidiaries are fully consolidated from the date on which control is transferred to the Group. They are de-consolidated from the date the control ceases.

The gain or loss on the disposal of a subsidiary represents the difference between the proceeds of the sale and the Group's share of its net assets together with any goodwill relating to the subsidiary which was not previously charged or recognised in the consolidated income statement and also any related accumulated foreign currency translation reserve.

Inter-company transactions, balances and unrealised profits on transactions between Group companies are eliminated. Unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the asset transferred. Accounting policies of subsidiaries have been changed where necessary to ensure consistency with the policies adopted by the Group.

Notes to the Financial Statements

For the year ended 31 March 2008

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(a) Consolidation *(Continued)*

Minority interests represent the interests of minority shareholders in the operating results and net assets of subsidiaries. Minority interests are presented in the consolidated balance sheet and consolidated statement of changes in equity within equity. Minority interests are presented in the consolidated income statement as an allocation of profit or loss for the year between minority and shareholders of the Company. Losses applicable to the minority in excess of the minority's interests in the subsidiary's equity are allocated against the interests of the Group except to the extent that the minority has a binding obligation and is able to make an additional investment to cover the losses. If the subsidiary subsequently reports profits, such profits are allocated to the interests of the Group until the minority's share of losses previously absorbed by the Group has been recovered.

(b) Merger accounting for common control combinations

(i) Pursuant to the sale and purchase agreement dated 22 September 2005, the Company issued 5,080,000,000 shares at par value of HK$0.01 each as consideration to acquire Grand Hope Group Limited ("Grand Hope") and its subsidiaries ("Grand Hope Group") from He Fu (the "First Acquisition"). The First Acquisition was a very substantial acquisition pursuant to the Listing Rules. Details of the First Acquisition were set out in the Company's circular dated 31 March 2006. The First Acquisition was completed on 6 June 2006.

Grand Hope Group is principally engaged in the investment holding, property development and investment and wholesale of household building materials.

As the Company and Grand Hope Group were both ultimately controlled by He Fu before and after the First Acquisition, the First Acquisition was accounted for as a business combination of entities under common control. The financial statements of the Group for the year ended 31 March 2007 were prepared based on the principles of merger accounting in accordance with the Accounting Guideline 5 "Merger Accounting for Common Control Combinations" (the "AG 5") issued by the HKICPA, as if the First Acquisition had occurred from the date when the combining entities first came under the control of He Fu.

Notes to the Financial Statements

For the year ended 31 March 2008

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(b) Merger accounting for common control combinations *(Continued)*

(ii) Pursuant to the sale and purchase agreement dated 8 August 2007, the Company issued 4,360,248,448 shares at par value of HK$0.01 each as consideration to acquire 51%, 34% and 15% equity interest in United Petroleum & Natural Gas Investments Limited ("United Petroleum") from United Energy Holdings Limited ("United Energy"), United Petroleum & Natural Gas Holdings Limited ("United Petroleum Holdings") and Kowin Limited respectively (the "Second Acquisition"). In addition, the Company issued 166,859,809 shares at par value of HK$0.01 each to United Energy for acquiring the loan of HK$268,644,000 due to United Energy by United Petroleum before the completion of the Second Acquisition. United Energy and United Petroleum Holdings were wholly owned by Mr. Zhang Hongwei. Details of the Second Acquisition were set out in the Company's circular dated 17 September 2007. The Second Acquisition was completed on 16 October 2007.

United Petroleum is principally engaged in production of crude oil in the People's Republic of China ("PRC").

As the Company and United Petroleum were both ultimately controlled by Mr. Zhang Hongwei before and after the Second Acquisition, the Second Acquisition was accounted for as a business combination of entities under common control. The financial statements of the Group for the year ended 31 March 2008 were prepared based on the principles of merger accounting in accordance with the AG 5, as if the Second Acquisition had occurred from the date when the combining entities first came under the control of Mr. Zhang Hongwei. Comparative figures have been restated accordingly.

(iii) The consolidated financial statements incorporate the financial statements of the combining entities as if they had been combined from the date when they first came under the control of the controlling party.

The consolidated income statement and consolidated cash flow statement include the results and cash flows of the combining entities from the earliest date presented or since the date when the combining entities first came under the common control, where this is a shorter period, regardless of the date of the common control combination.

Notes to the Financial Statements

For the year ended 31 March 2008

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(b) Merger accounting for common control combinations *(Continued)*

(iii) *(Continued)*

The consolidated balance sheet has been prepared to present the assets and liabilities of the combining entities as if the Group structure as at 31 March 2008 had been in existence at each balance sheet date. The net assets of the combining entities are combined using the existing book values from the controlling party's perspective. No amount is recognised in respect of goodwill or excess of acquirers' interest in the net fair value of acquiree's identifiable assets, liabilities and contingent liabilities over the cost at the time of common control combination, to the extent of the continuation of the controlling party's interest.

There was no adjustment made to the net assets nor the net profit or loss of any combining entities in order to achieve consistency of the Group's accounting policies.

(c) Associates

Associates are entities over which the Group has significant influence. Significant influence is the power to participate in the financial and operating policies of an entity but is not control or joint control over those policies. The existence and effect of potential voting rights that are currently exercisable or convertible are considered when assessing whether the Group has significant influence.

Investment in an associate is accounted for in the consolidated financial statements by the equity method of accounting and is initially recognised at cost. Identifiable assets, liabilities and contingent liabilities of the associate in an acquisition are measured at their fair values at the acquisition date. The excess of the cost of acquisition over the Group's share of the net fair value of the associate's identifiable assets, liabilities and contingent liabilities is recorded as goodwill. The goodwill is included within the carrying amount of the investment and is assessed for impairment as part of the investment. Any excess of the Group's share of the net fair value of the identifiable assets, liabilities and contingent liabilities over the cost of acquisition is recognised in the consolidated income statement.

Notes to the Financial Statements

For the year ended 31 March 2008

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(c) Associates *(Continued)*

The Group's share of an associate's post-acquisition profits or losses is recognised in the consolidated income statement, and its share of the post-acquisition movements in reserves is recognised in the consolidated reserves. The cumulative post-acquisition movements are adjusted against the carrying amount of the investment. When the Group's share of losses in an associate equals or exceeds its interest in the associate, including any other unsecured receivables, the Group does not recognise further losses, unless it has incurred obligations or made payments on behalf of the associate. If the associate subsequently reports profits, the Group resumes recognising its share of those profits only after its share of the profits equals the share of losses not recognised.

The gain or loss on the disposal of an associate represents the difference between the proceeds of the sale and the Group's share of its net assets together with any goodwill relating to the associate which was not previously charged or recognised in the consolidated income statement and also any related accumulated foreign currency translation reserve.

Unrealised profits on transactions between the Group and its associates are eliminated to the extent of the Group's interests in the associates. Unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the asset transferred. Accounting policies of associates have been changed where necessary to ensure consistency with the policies adopted by the Group.

(d) Joint venture

A joint venture is a contractual arrangement whereby the Group and other parties undertake an economic activity that is subject to joint control. Joint control is the contractually agreed sharing of control over the economic activity when the strategic financial and operating decisions relating to the activity require the unanimous consent of the parties sharing control.

In respect of interests in jointly controlled operations, the Group recognises in its financial statements, the assets that it controls and the liabilities that it incurs; and the expenses that it incurs and its share of the income that it earns from the sale of goods or services by the joint venture.

Notes to the Financial Statements

For the year ended 31 March 2008

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(e) Foreign currency translation

(i) Functional and presentation currency

Items included in the financial statements of each of the Group's entities are measured using the currency of the primary economic environment in which the entity operates (the "functional currency"). The consolidated financial statements are presented in Hong Kong dollars, which is the Company's functional and presentation currency.

(ii) Transactions and balances in each entity's financial statements

Transactions in foreign currencies are translated into the functional currency using the exchange rates prevailing on the transaction dates. Monetary assets and liabilities in foreign currencies are translated at the rates ruling on the balance sheet date. Profits and losses resulting from this translation policy are included in the consolidated income statement.

Translation differences on non-monetary items, such as equity instruments classified as financial assets at fair value through profit or loss, are reported as part of the fair value gain or loss. Translation differences on non-monetary items, such as equity instruments classified as available-for-sale financial assets, are included in the investment revaluation reserve in equity.

(iii) Translation on consolidation

The results and financial position of all the Group entities that have a functional currency different from the Company's presentation currency are translated into the Company's presentation currency as follows:

— Assets and liabilities for each balance sheet presented are translated at the closing rate at the date of that balance sheet;

— Income and expenses for each income statement are translated at average exchange rates (unless this average is not a reasonable approximation of the cumulative effect of the rates prevailing on the transaction dates, in which case income and expenses are translated at the exchange rates on the transaction dates); and

— All resulting exchange differences are recognised in the foreign currency translation reserve.

Notes to the Financial Statements

For the year ended 31 March 2008

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(e) Foreign currency translation *(Continued)*

(iii) Translation on consolidation *(Continued)*

On consolidation, exchange differences arising from the translation of the net investment in foreign entities and of borrowings are recognised in the foreign currency translation reserve. When a foreign operation is sold, such exchange differences are recognised in the consolidated income statement as part of the profit or loss on disposal.

(f) Investment properties

Investment properties are land and/or buildings held to earn rentals and/or for capital appreciation. An investment property is measured initially at its cost including all direct costs attributable to the property.

After initial recognition, the investment property is stated at its fair value based on valuation by an external independent valuer. Gains or losses arising from changes in fair value of the investment property are included in the consolidated income statement for the period in which they arise.

If an item of property, plant and equipment becomes an investment property because its use has changed, any difference resulting between the carrying amount and the fair value of this item at the date of transfer is recognised in equity as a revaluation of property, plant and equipment. However, if a fair value gain reverses a previous impairment loss, the gain is recognised in the consolidated income statement.

If an investment property becomes owner-occupied or a property held for sale, it is reclassified as property, plant and equipment or properties held for sale as appropriate, and its fair value at the date of reclassification becomes its cost for accounting purposes.

Property that is being constructed or developed for future use as investment property is classified as investment properties under construction in property, plant and equipment and stated at cost less impairment losses until construction or development is completed, at which time it is reclassified as an investment property at fair value. The difference between the fair value and the previous carrying amount is recognised in the consolidated income statement.

The gain or loss on disposal of an investment property is the difference between the net sales proceeds and the carrying amount of the property, and is recognised in the consolidated income statement.

Notes to the Financial Statements

For the year ended 31 March 2008

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(g) Property, plant and equipment

Property, plant and equipment are stated at cost less accumulated depreciation and impairment losses.

Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. All other repairs and maintenance are expensed in the consolidated income statement during the period in which they are incurred.

Depreciation of property, plant and equipment is calculated at rates sufficient to write off their cost less their residual values over the estimated useful lives on a straight-line basis. The principal residual values and annual depreciation rates are as follows:

	Residual values	**Annual depreciation rate**
Land and buildings	—	5%
Leasehold improvements	—	5%-33.3%
Motor vehicles	0%-3%	12.5%-25%
Furniture, fixtures and equipment	3%-10%	20%
Plant and machinery	—	20%

The residual values, useful lives and depreciation method are reviewed and adjusted, if appropriate, at each balance sheet date.

Investment properties under construction represents properties being constructed or developed for future use as investment properties, and is stated at cost less impairment losses.

The gain or loss on disposal of property, plant and equipment is the difference between the net sales proceeds and the carrying amount of the relevant asset, and is recognised in the consolidated income statement.

Notes to the Financial Statements

For the year ended 31 March 2008

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(h) Properties for sale under development

Properties for sale under development are stated at the lower of cost and net realisable value. Costs include acquisition costs, prepaid land lease payments, construction costs, borrowing costs capitalised and other direct costs attributable to such properties. Net realisable value is determined by reference to sale proceeds received after the balance sheet date less selling expenses, or by estimates based on prevailing market condition. On completion, the properties are reclassified to properties held for sale at the then carrying amount.

(i) Leases

Leases in which a significant portion of the risks and rewards of ownership are retained by the lessor are classified as operating leases.

(i) The Group as lessee

Lease payments (net of any incentives received from the lessor) are expensed in the consolidated income statement on a straight-line basis over the lease term.

(ii) The Group as lessor

Rental income from operating leases is recognised in the consolidated income statement on a straight-line basis over the term of the relevant lease. Initial direct costs incurred in negotiating and arranging an operating lease are added to the carrying amount of the leased asset and recognised as an expense on a straight-line basis over the lease term.

(j) Recognition and derecognition of financial instruments

Financial assets and financial liabilities are recognised in the consolidated balance sheet when the Group becomes a party to the contractual provisions of the instruments.

Financial assets are derecognised when the contractual rights to receive cash flows from the assets expire; the Group transfers substantially all the risks and rewards of ownership of the assets; or the Group neither transfers nor retains substantially all the risks and rewards of ownership of the assets but has not retained control on the assets. On derecognition of a financial asset, 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 directly in equity is recognised in the consolidated income statement.

Notes to the Financial Statements

For the year ended 31 March 2008

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(j) Recognition and derecognition of financial instruments *(Continued)*

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

(k) Investments

Investments are recognised and derecognised on a trade date basis where the purchase or sale of an investment is under a contract whose terms require delivery of the investment within the timeframe established by the market concerned, and are initially measured at fair value, plus directly attributable transaction costs except in the case of financial assets at fair value through profit or loss.

Financial assets at fair value through profit or loss are either investments held for trading or designated as at fair value through profit or loss upon initial recognition. These investments are subsequently measured at fair value. Gains or losses arising from changes in fair value of these investments are recognised in the consolidated income statement.

(l) Trade and other receivables

Trade and other receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market and are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method, less allowance for impairment. An allowance for impairment of trade and other receivables is established when there is objective evidence that the Group will not be able to collect all amounts due according to the original terms of receivables. The amount of the allowance is the difference between the receivables' carrying amount and the present value of estimated future cash flows, discounted at the effective interest rate computed at initial recognition. The amount of the allowance is recognised in the consolidated income statement.

Impairment losses are reversed in subsequent periods and recognised in the consolidated income statement when an increase in the receivables' recoverable amount can be related objectively to an event occurring after the impairment was recognised, subject to the restriction that the carrying amount of the receivables at the date the impairment is reversed shall not exceed what the amortised cost would have been had the impairment not been recognised.

Notes to the Financial Statements

For the year ended 31 March 2008

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(m) Cash and cash equivalents

For the purpose of the cash flow statement, cash and cash equivalents represent cash at bank and on hand, demand deposits with banks and other financial institutions, and short-term highly liquid investments which are readily convertible into known amounts of cash and subject to an insignificant risk of change in value. Bank overdrafts which are repayable on demand and form an integral part of the Group's cash management are also included as a component of cash and cash equivalents.

(n) Financial liabilities and equity instruments

Financial liabilities and equity instruments are classified according to the substance of the contractual arrangements entered into and the definitions of a financial liability and an equity instrument under HKFRSs. An equity instrument is any contract that evidences a residual interest in the assets of the Group after deducting all of its liabilities. The accounting policies adopted for specific financial liabilities and equity instruments are set out below.

(o) Borrowings

Borrowings are recognised initially at fair value, net of transaction costs incurred, and subsequently measured at amortised cost using the effective interest method.

Borrowings are classified as current liabilities unless the Group has an unconditional right to defer settlement of the liability for at least 12 months after the balance sheet date.

(p) Trade and other payables

Trade and other payables are stated initially at their fair value and subsequently measured at amortised cost using the effective interest method unless the effect of discounting would be immaterial, in which case they are stated at cost.

(q) Equity instruments

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

Notes to the Financial Statements

For the year ended 31 March 2008

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(r) Revenue recognition

Revenue is measured at the fair value of the consideration received or receivable and is recognised when it is probable that the economic benefits will flow to the Group and the amount of revenue can be measured reliably.

Rental income is recognised on a straight-line basis over the lease term.

Property management service fee income is recognised when the services are rendered.

Revenues from the wholesale of household building materials are recognised on the transfer of significant risks and rewards of ownership, which generally coincides with the time when the goods are delivered and the title has passed to the customers.

Interest income is recognised on a time-proportion basis using the effective interest method.

(s) Employee benefits

(i) Employee leave entitlements

Employee entitlements to annual leave and long service leave are recognised when they accrue to employees. A provision is made for the estimated liability for annual leave and long service leave as a result of services rendered by employees up to the balance sheet date.

Employee entitlements to sick leave and maternity leave are not recognised until the time of leave.

(ii) Pension obligations

The Group contributes to defined contribution retirement schemes which are available to all employees. Contributions to the schemes by the Group and employees are calculated as a percentage of employees' basic salaries. The retirement benefit scheme cost charged to the consolidated income statement represents contributions payable by the Group to the funds.

Notes to the Financial Statements

For the year ended 31 March 2008

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(s) Employee benefits *(Continued)*

(iii) Termination benefits

Termination benefits are recognised when, and only when, the Group demonstrably commits itself to terminate employment or to provide benefits as a result of voluntary redundancy by having a detailed formal plan which is without realistic possibility of withdrawal.

(t) Share-based payments

The Group issues equity-settled share-based payments to certain directors and employees. Equity-settled share-based payments are measured at fair value (excluding the effect of non market-based vesting conditions) of the equity instruments at the date of grant. The fair value determined at the grant date of the equity-settled share-based payments is expensed on a straight-line basis over the vesting period, based on the Group's estimate of shares that will eventually vest and adjusted for the effect of non market-based vesting conditions.

(u) Research and development expenditure

Expenditure on research activities is recognised as an expense in the period in which it is incurred.

(v) 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 sales, are capitalised as part of 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 specified borrowings pending their expenditure on qualifying assets is deducted from the borrowing costs eligible for capitalisation.

To the extent that funds are borrowed generally and used for the purpose of obtaining a qualifying asset, the amount of borrowing costs eligible for capitalisation is determined by applying a capitalisation rate to the expenditures on that asset. The capitalisation rate is the weighted average of the borrowing costs applicable to the borrowings of the Group that are outstanding during the period, other than borrowings made specifically for the purpose of obtaining a qualifying asset.

All other borrowing costs are recognised in the consolidated income statement in the period in which they are incurred.

Notes to the Financial Statements

For the year ended 31 March 2008

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(w) Taxation

Income tax represents the sum of the current tax and deferred tax.

The tax currently payable is based on taxable profit for the year. Taxable profit differs from profit as reported in the consolidated income statement 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 balance sheet date.

Deferred tax is recognised on differences between the carrying amounts of assets and liabilities in the financial statements and the corresponding tax bases used in the computation of taxable profit, and is accounted for using the balance sheet liability method. Deferred tax liabilities are generally recognised for all taxable temporary differences and deferred tax assets are recognised to the extent that it is probable that taxable profits will be available against which deductible temporary differences, unused tax losses or unused tax credits 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 associates, and interests in joint ventures, except where the Group is able to control the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future.

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

Deferred tax is calculated at the tax rates that are expected to apply in the period when the liability is settled or the asset is realised, based on tax rates that have been enacted or substantively enacted by the balance sheet date. Deferred tax is charged or credited to the consolidated income statement, except when it relates to items charged or credited directly to equity, in which case the deferred tax is also dealt with in equity.

Deferred tax assets and liabilities are offset when there is a legally enforceable right to set off current tax assets against current tax liabilities and when they relate to income taxes levied by the same taxation authority and the Group intends to settle its current tax assets and liabilities on a net basis.

Notes to the Financial Statements

For the year ended 31 March 2008

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(x) Related parties

A party is related to the Group if:

(i) directly or indirectly through one or more intermediaries, the party controls, is controlled by, or is under common control with, the Group; has an interest in the Group that gives it significant influence over the Group; or has joint control over the Group;

(ii) the party is an associate;

(iii) the party is a joint venture;

(iv) the party is a member of the key management personnel of the Company or its parent;

(v) the party is a close member of the family of any individual referred to in (i) or (iv);

(vi) the party is an entity that is controlled, jointly controlled or significantly influenced by or for which significant voting power in such entity resides with, directly or indirectly, any individual referred to in (iv) or (v); or

(vii) the party is a post-employment benefit plan for the benefit of employees of the Group, or of any entity that is a related party of the Group.

(y) Segment reporting

A segment is a distinguishable component of the Group that is engaged either in providing products and services (business segment), or in providing products or services within a particular economic environment (geographical segment), which is subject to risks and rewards that are different from those of other segments.

In accordance with the Group's internal financial reporting, the Group has determined that business segments be presented as the primary reporting format and geographical segments as the secondary reporting format.

Segment revenue, expenses, assets and liabilities include items directly attributable to a segment as well as those that can be allocated on a reasonable basis to the segment. Unallocated costs mainly represent corporate expenses. Segment assets consist primarily of property, plant and equipment, investment properties, trade and other receivables and bank and cash balances. Segment liabilities comprise operating liabilities and exclude items such as tax liabilities and corporate borrowings.

Notes to the Financial Statements

For the year ended 31 March 2008

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(y) Segment reporting *(Continued)*

Segment revenue, expenses, assets and liabilities are determined before intra-group balances and intra-group transactions are eliminated as part of the consolidation process, except to the extent that such intra-group balances and transactions are between Group enterprises within a single segment. Inter-segment pricing is based on terms mutually agreed between the segments.

Segment capital expenditure is the total cost incurred during the period to acquire segment assets (both tangible and intangible) that are expected to be used for more than one period.

(z) Impairment of assets

At each balance sheet date, the Group reviews the carrying amounts of its tangible and intangible assets except investment properties, receivables and investments 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 assets is estimated in order to determine the extent of the impairment loss. Where 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.

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.

If the recoverable amount of an asset or cash-generating unit is estimated to be less than its carrying amount, the carrying amount of the asset or cash-generating unit is reduced to its recoverable amount. An impairment loss is recognised immediately in the consolidated income statement, unless the relevant asset is carried at a revalued amount, in which case the impairment loss is treated as a revaluation decrease.

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 (net of amortisation or depreciation) had no impairment loss been recognised for the asset or cash-generating unit in prior years. A reversal of an impairment loss is recognised immediately in the consolidated income statement, unless the relevant asset is carried at a revalued amount, in which case the reversal of the impairment loss is treated as a revaluation increase.

Notes to the Financial Statements

For the year ended 31 March 2008

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(aa) Provisions and contingent liabilities

Provisions are recognised for liabilities of uncertain timing or amount when the Group has a present legal or constructive obligation arising as a result of a past event, it is probable that an outflow of economic benefits will be required to settle the obligation and a reliable estimate can be made. Where the time value of money is material, provisions are stated at the present value of the expenditures expected to settle the obligation.

Where it is not probable that an outflow of economic benefits will be required, or the amount cannot be estimated reliably, the obligation is disclosed as a contingent liability, unless the probability of outflow is remote. Possible obligations, whose existence will only be confirmed by the occurrence or non-occurrence of one or more future events are also disclosed as contingent liabilities unless the probability of outflow is remote.

(bb) Events after the balance sheet date

Events after the balance sheet date that provide additional information about the Group's position at the balance sheet date or those that indicate the going concern assumption is not appropriate are adjusting events and are reflected in the financial statements. Events after the balance sheet date that are not adjusting events are disclosed in the notes to the financial statements when material.

4. CRITICAL JUDGEMENT AND KEY ESTIMATES

Critical judgements in applying accounting policies

In the process of applying the accounting policies, the directors have made the following judgements that have the most significant effect on the amounts recognised in the financial statements (apart from those involving estimation, which are dealt with below).

(a) Split of land and buildings elements

The Group determines that the lease payments cannot be allocated reliably between the land and buildings elements. Accordingly the entire lease of land and buildings is classified as a finance lease and included under property, plant and equipment.

Notes to the Financial Statements

For the year ended 31 March 2008

4. CRITICAL JUDGEMENT AND KEY ESTIMATES *(Continued)*

Critical judgements in applying accounting policies *(Continued)*

(b) Legal titles of land and buildings and investment properties

As stated in notes 15 and 16 to the financial statements, the titles of land and buildings and investment properties were not transferred to the Group as at 31 March 2008. Despite the fact that the Group has not obtained the relevant legal titles, the directors determine to recognise those land and buildings as property, plant and equipment and investment properties respectively, on the grounds that they expect the transfer of legal titles in future should have no major difficulties and the Group is in substance controlling those land and buildings.

Key sources of estimation uncertainty

The key assumptions concerning the future, and other key sources of estimation uncertainty at the balance sheet date, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year, are discussed below.

(a) Fair values of investment properties

The Group appointed an independent professional valuer to assess the fair values of the investment properties. In determining the fair values, the valuer has utilised a method of valuation which involves certain estimates. The directors have exercised their judgement and are satisfied that the method of valuation is reflective of the current market conditions.

(b) Income tax

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

Notes to the Financial Statements

For the year ended 31 March 2008

4. CRITICAL JUDGEMENT AND KEY ESTIMATES *(Continued)*

Key sources of estimation uncertainty *(Continued)*

(c) Share-based payments expenses

The fair value of the share options granted to the directors determined at the date of grant of the respective share options is expensed over the vesting period, with a corresponding adjustment to the Group's share-based payments reserve. In assessing the fair value of the share options, the Black-Scholes option pricing model (the "Black-Scholes Model") was used. The Black-Scholes Model is one of the generally accepted methodologies used to calculate the fair value of the share options. The Black-Scholes Model requires the input of subjective assumptions, including the expected volatility and expected life of options. Any changes in these assumptions can significantly affect the estimate of the fair value of the share options.

5. FINANCIAL RISK MANAGEMENT

The Group's activities expose it to a variety of financial risks: interest rate risk, liquidity risk, credit risk, price risk and foreign currency risk. The Group's overall risk management programme focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the Group's financial performance.

(a) Interest rate risk

The Group's exposure to interest-rate risk arises from its bank deposits and loan receivables.

The Group's certain bank deposits mainly bear interest at variable rates varied with the then prevailing market condition.

At 31 March 2008, if interest rates at that date had been 50 basis points lower/higher with all other variables held constant, consolidated loss after tax for the year would have been HK$9,127,000 higher/lower, arising mainly as a result of lower/higher interest income on the bank deposits bearing interest at variable rates.

At 31 March 2007, if interests rates at that date had been 50 basis points lower/higher, with all other variables held constant, consolidated profit after tax for the year would have been HK$792,000 lower/higher, arising mainly as a result of lower/higher interest income on the bank deposits bearing interest at variable rates.

The Group's certain bank deposits and loan receivables bear interests at fixed interest rates, and therefore are subject to fair value interest rate risks.

Notes to the Financial Statements

For the year ended 31 March 2008

5. FINANCIAL RISK MANAGEMENT *(Continued)*

(b) Liquidity risk

The Group's policy is to regularly monitor current and expected liquidity requirements to ensure that it maintains sufficient reserves of cash to meet its liquidity requirements in the short and long term.

The maturity of the Group's financial liabilities at the balance sheet date is less than one year.

(c) Credit risk

The carrying amount of the bank and cash balances, trade and other receivables, financial assets at fair value through profit or loss and amount due from an associate included in the consolidated balance sheet represents the Group's maximum exposure to credit risk in relation to the Group's financial assets.

The Group has no significant concentrations of credit risk.

The credit quality of the counterparties in respect of trade and other receivables is assessed by taking into account their financial position, credit history and other factors. Given the constant repayment history, the directors are of the opinion that the risk of default by these counterparties is low.

The credit risk on bank and cash balances is limited because the counterparties are banks with high credit-ratings assigned by international credit-rating agencies and PRC large state-controlled banks.

(d) Price risk

The Group's financial assets at fair value through profit or loss are measured at fair value at each balance sheet date. Therefore, the Group is exposed to equity security price risk. The directors manage this exposure by maintaining a portfolio of investments with difference risk profiles.

At 31 March 2008, if the share prices of the equity investments had increased/decreased by 10 per cent, consolidated loss after tax for the year would have been HK$690,000 lower/higher.

At 31 March 2007, if the share prices of the equity investments had increased/decreased by 10 per cent, consolidated profit after tax for the year would have been HK$611,000 higher/lower.

Notes to the Financial Statements

For the year ended 31 March 2008

5. FINANCIAL RISK MANAGEMENT *(Continued)*

(e) Foreign currency risk

The Group has minimal exposure to foreign currency risk as most of its business transactions, assets and liabilities are principally denominated in Hong Kong dollars ("HK$"), United States dollars ("US$") and Renminbi ("RMB") and the functional currencies of the principal operating Group entities are HK$ and RMB. The Group currently does not have a foreign currency hedging policy in respect of foreign currency transactions, assets and liabilities. The Group will monitor its foreign currency exposure closely and will consider hedging significant foreign currency exposure should the need arise.

At 31 March 2008, if the US$ had weakened/strengthened 1 per cent against the HK$ with all other variables held constant, consolidated loss after tax for the year would have been HK$1,901,000 higher/lower, arising mainly as a result of the foreign exchange loss/gain on bank and cash balances denominated in US$.

At 31 March 2007, if the US$ had weakened/strengthened 1 per cent against the HK$ with all other variables held constant, consolidated profit after tax for the year would have been HK$1,284,000 lower/higher, arising mainly as a result of the foreign exchange loss/gain on bank and cash balances denominated in US$.

(f) Fair value

The carrying amounts of the Group's financial assets and financial liabilities as reflected in the consolidated balance sheet approximate their respective fair values.

6. TURNOVER

The Group's turnover which represents rental income, property management service fee income and wholesale of household building materials are as follows:

	2008	2007
	HK$'000	*HK$'000*
Rental income	**3,114**	9,491
Property management service fee income	**1,779**	3,359
Wholesale of household building materials	**—**	3,083
	4,893	15,933

Notes to the Financial Statements

For the year ended 31 March 2008

7. OTHER INCOME

	2008 HK$'000	2007 HK$'000 (Restated)
Fair value gain on investment properties	—	2,020
Gain on disposals of property and investment properties	—	12,788
Net gain on disposals of financial assets at fair value through profit or loss	11,521	8,896
Interest income	38,807	14,330
Gain on disposal of property, plant and equipment	4	—
Net foreign exchange gains	3,777	—
Others	1,464	2,834
	55,573	40,868

8. SEGMENT INFORMATION

(a) Primary reporting format — business segments

The Group is organised into four main business segments:

Property development — The property development segment engages in development of commercial properties for sales;

Property investment — The property investment segment invests in commercial properties for their rental income, property management service fee income and value appreciation potential;

Wholesale of household building materials — The wholesale of household building materials segment engages in trading of household building materials on indent basis;

Oil exploitation — The oil exploitation segment engages in activities relating to the production of crude oil.

(b) Secondary reporting format — geographical segments

More than 90% of the Group's turnover and operating profit is earned within the PRC and all major operating assets of the Group are located in the PRC. Therefore, no geographical segment is presented.

Notes to the Financial Statements

For the year ended 31 March 2008

8. SEGMENT INFORMATION *(Continued)*

Primary reporting format — business segments:

	Property development HK$'000	Property investment HK$'000	Wholesale of household building materials HK$'000	Oil exploitation HK$'000	Consolidated HK$'000
Year ended 31 March 2008					
Total revenue	—	4,893	—	—	4,893
Segment results before fair value gain on investment properties and gain on disposals of property and investment properties	(16,201)	154	(125)	(95,502)	(111,674)
Gain on disposals of property and investment properties	—	—	—	—	—
Fair value gain on investment properties	—	—	—	—	—
Segment results	(16,201)	154	(125)	(95,502)	(111,674)
Other income					55,573
Unallocated expenses					(58,838)
Loss from operations					(114,939)
Finance costs					—
Gain on deemed disposal of a subsidiary	7,395				7,395
Share of loss of an associate	(758)				(758)
Loss before tax					(108,302)
At 31 March 2008					
Segment assets	66,551	203,841	270,256	244,086	784,734
Investment in an associate	86,403	—	—	—	86,403
Unallocated assets					2,332,544
Total assets					3,203,681
Segment liabilities	—	18,897	119	12,701	31,717
Unallocated liabilities					38,809
Total liabilities					70,526
Other segment information:					
Capital expenditure	5,184	—	—	41,211	46,395
Depreciation	166	31	3	7,778	7,978
Equity-settled share-based payments	—	—	—	—	35,194

Notes to the Financial Statements

For the year ended 31 March 2008

8. SEGMENT INFORMATION *(Continued)*

Primary reporting format — business segments: *(Continued)*

	Property development HK$'000	Property investment HK$'000	Wholesale of household building materials HK$'000	Oil exploitation HK$'000 (Restated)	Consolidated HK$'000 (Restated)
Year ended 31 March 2007					
Total revenue	—	12,850	3,083	—	15,933
Segment results before fair value gain on investment properties and gain on disposals of property and investment properties	(5,568)	7,131	(365)	(9,219)	(8,021)
Gain on disposals of property and investment properties	—	12,788	—	—	12,788
Fair value gain on investment properties	—	2,020	—	—	2,020
Segment results	(5,568)	21,939	(365)	(9,219)	6,787
Other income					26,060
Unallocated expenses					(10,337)
Profit from operations					22,510
Finance costs					(951)
Profit before tax					21,559
At 31 March 2007					
Segment assets	544,537	189,744	245,916	134,925	1,115,122
Unallocated assets					283,922
Total assets					1,399,044
Segment liabilities	18,196	1,202	107	878	20,383
Unallocated liabilities					383,321
Total liabilities					403,704
Other segment information:					
Capital expenditure	5,755	1,943	—	616	8,314
Depreciation	76	582	3	3	664

Notes to the Financial Statements

For the year ended 31 March 2008

9. (LOSS)/PROFIT FROM OPERATIONS

(Loss)/profit from operations is arrived at after charging the following:

	2008 *HK$'000*	2007 *HK$'000* (Restated)
Auditor's remuneration		
— Current	**753**	915
— Under-provision in prior year	**61**	214
	814	1,129
Depreciation	**7,978**	664
Directors' emoluments *(note 12)*	**16,448**	2,934
Operating lease rentals paid in respect of rented premises *(note)*	**3,159**	1,786
Research and development expenditures	**12,726**	723
Staff costs including directors' emoluments		
Salaries, bonuses and allowances *(note)*	**11,109**	7,560
Retirement benefits scheme contributions	**426**	285
Equity-settled share-based payments	**35,194**	—
	46,729	7,845
Direct operating expenses of investment properties that generate rental income	**3,987**	2,264

Note: The amount includes the accommodation benefits provided to a director amounting to HK$228,000 (2007: HK$206,000) included in the directors' emoluments.

10. FINANCE COSTS

	2008 *HK$'000*	2007 *HK$'000*
Interest on bank loans	**17,105**	19,147
Amount capitalised	**(17,105)**	(18,196)
	—	951

Borrowing costs on funds borrowed generally are capitalised at a rate of 5.3% per annum (2007: 6%).

Notes to the Financial Statements

For the year ended 31 March 2008

11. INCOME TAX (CREDIT)/EXPENSE

	2008 HK$'000	2007 HK$'000
Current tax — PRC enterprise income tax		
Provision for the year	**680**	1,306
Under/(over)-provision in prior years	**10**	(28)
	690	1,278
Deferred tax *(note 28)*	**(4,513)**	1,293
	(3,823)	2,571

No provision for profits tax in the Bermuda, the British Virgin Islands or Hong Kong is required as the Group has no assessable profit arising in or derived from these jurisdictions for the year ended 31 March 2008 (2007: Nil).

PRC enterprise income tax is calculated at the applicable rates based on estimated taxable income earned by the companies with certain tax preference, based on existing legislation, interpretation and practices in respect thereof.

The new PRC enterprise income tax law passed by the Tenth National People's Congress on 16 March 2007 introduces various changes which include the unification of the enterprise income tax rate for domestic and foreign enterprises at 25%. The new tax law became effective from 1 January 2008. As a result, the tax rate for the PRC subsidiaries had been reduced from 33% to 25%.

Notes to the Financial Statements

For the year ended 31 March 2008

11. INCOME TAX (CREDIT)/EXPENSE *(Continued)*

The reconciliation between the income tax (credit)/expense and the product of profit before tax multiplied by the PRC enterprise income tax rate is as follows:

	2008 HK$'000	2007 HK$'000 (Restated)
(Loss)/profit before tax (excluding share of loss of an associate)	**(107,544)**	21,559
Tax at the statutory PRC enterprise income tax rate of 25% (2007: 33%)	**(26,886)**	7,114
Tax effect of income that is not taxable	**(5,093)**	(6,068)
Tax effect of expenses that are not deductible	**10,265**	5,385
Tax effect of tax losses not recognised	**24,851**	631
Tax effect of utilisation of tax losses not previously recognised	**(2,986)**	(883)
Tax effect of temporary differences not recognised	**1,449**	—
Tax effect of change in tax rate in PRC	**(1,607)**	—
Tax effect on decrease in tax rate for opening deferred tax balances	**(4,513)**	—
Under/(over)-provision in prior years	**10**	(28)
Effect of different tax rates of subsidiaries	**687**	(3,391)
Tax effect of tax preferential period	**—**	(189)
Income tax (credit)/expense	**(3,823)**	2,571

Notes to the Financial Statements

For the year ended 31 March 2008

12. DIRECTORS' AND EMPLOYEES' EMOLUMENTS

The emoluments of each director were as follows:

	Fees	Salaries and other benefits	Share-based payments	Retirement benefits scheme contributions	Total
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
Year ended 31 March 2008					
Executive directors:					
Mr. Zhang Hongwei	1,000	—	—	—	1,000
Mr. Zhu Jun	540	—	—	—	540
Ms. Zhang Meiying	1,080	658	12,798	12	14,548
	2,620	658	12,798	12	16,088
Independent non-executive directors:					
Mr. Chau Siuwai	120	—	—	—	120
Mr. San Fung	120	—	—	—	120
Mr. Zhu Chengwu	120	—	—	—	120
	360	—	—	—	360
	2,980	658	12,798	12	16,448

Notes to the Financial Statements

For the year ended 31 March 2008

12. DIRECTORS' AND EMPLOYEES' EMOLUMENTS *(Continued)*

	Fees	Salaries and other benefits	Retirement benefits scheme contributions	Total
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
Year ended 31 March 2007				
Executive directors:				
Mr. Zhang Hongwei	1,000	—	—	1,000
Mr. Guan Guoliang *(note c)*	—	—	—	—
Mr. Wong Wingming *(note b)*	—	—	—	—
Mr. Zhu Jun	540	—	—	540
Ms. Zhang Meiying *(note a)*	768	257	9	1,034
	2,308	257	9	2,574
Independent non-executive directors:				
Mr. Chau Siuwai	120	—	—	120
Mr. San Fung	120	—	—	120
Mr. Zhu Chengwu	120	—	—	120
	360	—	—	360
	2,668	257	9	2,934

Notes:

a. Appointed on 19 June 2006

b. Resigned on 30 June 2006

c. Resigned on 18 August 2006

There was no arrangement under which a director waived or agreed to waive any emoluments during the years ended 31 March 2008 and 2007.

Notes to the Financial Statements

For the year ended 31 March 2008

12. DIRECTORS' AND EMPLOYEES' EMOLUMENTS *(Continued)*

The five highest paid individuals in the Group during the year included 3 (2007: 3) directors whose emoluments are reflected in the analysis presented above. The emoluments of the remaining 2 (2007: 2) individuals are set out below:

	2008	2007
	HK$'000	*HK$'000*
		(Restated)
Salaries and other benefits	**2,394**	1,737
Retirement benefits scheme contributions	**12**	9
	2,406	1,746

The emoluments fell within the following band:

	Number of individuals	
	2008	2007
	HK$'000	*HK$'000*
		(Restated)
Nil to HK$1,000,000	**1**	1
HK$1,000,001 to HK$1,500,000	**—**	1
HK$1,500,001 to HK$2,000,000	**1**	—
	2	2

During the years ended 31 March 2008 and 2007, no emoluments were paid by the Group to any of the directors or the highest paid individuals as an inducement to join or upon joining the Group or as compensation for loss of office.

Notes to the Financial Statements

For the year ended 31 March 2008

13. (LOSS)/EARNINGS PER SHARE

Basic (loss)/earnings per share is calculated based on (loss)/earnings attributable to equity holders of the Company during the year divided by the weighted average number of ordinary shares in issue. The calculation of the basic earnings per share is based on the following:

	2008 *HK$'000*	2007 *HK$'000* (Restated)
(Loss)/earnings		
(Loss)/earnings for the purpose of calculating basic (loss)/ earnings per share	**(101,497)**	16,820

	2008	2007 (Restated)
Number of shares		
Weighted average number of ordinary shares for the purpose of calculating basic (loss)/earnings per share	**12,033,780,157**	11,095,694,733

In determining the weighted average number of ordinary shares in issue, the 5,080,000,000 ordinary shares as consideration of the First Acquisition (note 3 (b)(i)) and the 4,527,108,257 ordinary shares as consideration of the Second Acquisition (note 3 (b)(ii)) were deemed to be in issue since 1 April 2006.

No diluted earnings per share are presented as the Company did not have any dilutive potential ordinary sharing during the two years ended 31 March 2008.

14. DIVIDEND

No dividend has been paid or declared by the Company during the year (2007: Nil).

Notes to the Financial Statements

For the year ended 31 March 2008

15. PROPERTY, PLANT AND EQUIPMENT

	Land and buildings	Leasehold improvements	Motor vehicles	Furniture, fixtures and equipment	Investment properties under construction	Plant and machinery	Total
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
Cost							
At 1 April 2006	450	—	—	299	136,527	—	137,276
Additions	—	1,441	701	770	5,402	—	8,314
Disposals	(450)	—	—	—	—	—	(450)
Exchange differences	—	—	—	13	5,930	—	5,943
At 31 March 2007, as restated	—	1,441	701	1,082	147,859	—	151,083
Additions	3,466	4,582	1,644	946	4,710	31,047	46,395
Deemed disposal of a subsidiary	—	—	(376)	(720)	(163,684)	—	(164,780)
Disposals	—	—	—	(25)	—	—	(25)
Exchange differences	129	154	121	85	11,115	1,158	12,762
At 31 March 2008	3,595	6,177	2,090	1,368	—	32,205	45,435
Accumulated depreciation							
At 1 April 2006	37	—	—	92	—	—	129
Charge for the year	—	480	15	169	—	—	664
Disposals	(37)	—	—	—	—	—	(37)
Exchange differences	—	—	—	4	—	—	4
At 31 March 2007, as restated	—	480	15	265	—	—	760
Charge for the year	101	751	546	371	—	6,209	7,978
Deemed disposal of a subsidiary	—	—	(60)	(228)	—	—	(288)
Disposals	—	—	—	(5)	—	—	(5)
Exchange differences	3	5	22	25	—	232	287
At 31 March 2008	104	1,236	523	428	—	6,441	8,732
Carrying amount							
At 31 March 2008	3,491	4,941	1,567	940	—	25,764	36,703
At 31 March 2007, as restated	—	961	686	817	147,859	—	150,323

Notes to the Financial Statements

For the year ended 31 March 2008

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

At 31 March 2008, the Group was in the process of applying for the title certificates of its land and buildings with an aggregate carrying amount of approximately HK$3,491,000 (2007: Nil). The Directors are of the view that the Group is entitled to lawfully and validly occupy and use the above-mentioned land and buildings. The Directors are also of the opinion that the aforesaid matter does not have any significant impact on the Group's financial position as at 31 March 2008.

At 31 March 2007, the carrying amount of property, plant and equipment pledged as security for the Group's bank loans amounted to approximately HK$102,101,000.

At 31 March 2007, the carrying amount of prepaid land lease payments included in investment properties under construction which amounted to approximately HK$131,937,000 represents payments for land use rights outside Hong Kong under medium term leases.

16. INVESTMENT PROPERTIES

	2008	2007
	HK$'000	*HK$'000*
At beginning of year	**161,616**	172,523
Disposal	**—**	(19,570)
Fair value gain	**—**	2,020
Exchange differences	**15,984**	6,643
At end of year	**177,600**	161,616

The fair value of the Group's investment properties as at 31 March 2008 has been arrived at on the basis of a valuation carried out on that date by BMI Appraisals Limited, independent qualified professional valuer not connected with the Group. BMI Appraisals Limited is a member of The Hong Kong Institute of Surveyors, and has appropriate qualifications and recent experiences in the valuation of similar properties in the relevant locations. The valuation prepared in accordance with the HKIS Valuation Standards on Properties (First Edition 2005) published by The Hong Kong Institute of Surveyors was arrived at by reference to market evidence of transaction prices for similar properties.

Notes to the Financial Statements

For the year ended 31 March 2008

16. INVESTMENT PROPERTIES *(Continued)*

The Group's investment properties at their carrying amounts are analysed as follows:

	2008	2007
	HK$'000	*HK$'000*
Investment properties held under		
Medium-term leases in the PRC	**177,600**	161,616

At 31 March 2008, the Group was in the process of applying for the building ownership certificate of the above investment properties. The Directors are of the view that the Group is entitled to lawfully and validly occupy and use the above-mentioned investment properties. The Directors are also of the opinion that the aforesaid matter does not have any significant impact on the Group's financial position as at 31 March 2008.

At 31 March 2007, the carrying amount of investment properties pledged as security for the Group's bank loans amounted to HK$161,616,000.

The Group's investment properties held as at 31 March 2008 are rented to an independent third party for periods up to 20 years. At 31 March 2008, the Group's total future minimum lease payments under non-cancellable operating leases are receivable as follows:

	2008	2007
	HK$'000	*HK$'000*
Within one year	**6,227**	5,878
In the second to fifth years inclusive	**25,947**	24,198
After five years	**81,270**	82,887
	113,444	112,963

Notes to the Financial Statements

For the year ended 31 March 2008

17. INVESTMENT IN AN ASSOCIATE

	2008 **HK$'000**	2007 HK$'000
Unlisted investments in the PRC:		
Share of net assets	**86,403**	—

Details of the Group's associate at 31 March 2008 are as follows:

Name of entity	Place of registration and operation	Issued and paid up capital	Percentage of ownership interest/ voting power/ profit sharing	Principal activity
Shenyang Dadongfang Property Development Company Limited ("Dadongfang")	PRC	Registered capital of US$35,925,700	30%	Property development

The amount due from an associate is unsecured, interest-free and has no fixed repayment terms.

Summarised financial information in respect of the Group's associate is set out below:

	2008 **HK$'000**	2007 HK$'000
At 31 March		
Total assets	**804,413**	—
Total liabilities	**(516,402)**	—
Net assets	**288,011**	—
Group's share of associate's net assets	**86,403**	—
Year ended 31 March 2008		
Total revenue	**1,200**	—
Total loss for the year	**(17,425)**	—
Group's share of associate's loss for the year	**(758)**	—

Notes to the Financial Statements

For the year ended 31 March 2008

18. PROPERTIES UNDER DEVELOPMENT

	2008 HK$'000	2007 HK$'000
At beginning of year	**367,480**	328,854
Additions	**162,053**	21,312
Transfer from deposits paid for prepaid land lease payments	**—**	3,030
Deemed disposal of a subsidiary	**(558,330)**	—
Exchange differences	**28,797**	14,284
At end of year	**—**	367,480

The Group's properties under development at their carrying amounts are analysed as follows:

	2008 HK$'000	2007 HK$'000
Prepaid land lease payments	**—**	265,766
Construction costs and capitalised expenditures	**—**	66,133
Interests capitalised	**—**	35,581
	—	367,480

The Group's prepaid land lease payments represent payments for land use rights outside Hong Kong under medium term leases.

At 31 March 2007, the carrying amount of prepaid land lease payments pledged as security for the Group's bank loans amounted to approximately HK$227,594,000.

Notes to the Financial Statements

For the year ended 31 March 2008

19. TRADE AND OTHER RECEIVABLES

	2008 *HK$'000*	2007 *HK$'000* (Restated)
Trade receivables *(note a)*	—	32
Loan receivables *(note b)*	666,395	74,280
Receivables arising from dealing in listed securities	48,638	—
Deposits and prepayments	1,267	1,564
Others	50	1,387
Total trade and other receivables	716,350	77,263

(a) The Group's trading terms with customers are mainly on credit. The Group allows an average credit period of 30 days to its trade customers. The Group seeks to maintain strict control over its outstanding receivables. Overdue balances are reviewed regularly by the directors.

The following is an aged analysis of trade receivables, based on invoice dates:

	2008 *HK$'000*	2007 *HK$'000*
Within 60 days	—	29
61 to 90 days	—	3
	—	32

(b) The loan receivables represent advances to an independent third party. The balance is secured by the borrower's investment in 70% equity interests of a sino-foreign equity joint venture established in the PRC which principally engaged in operation of hotel and related business, carrying interest at 8% per annum and repayable on or before 31 December 2008. Approximately HK$513,000,000 out of the balance has been repaid after the balance sheet date.

The loan receivables were arranged at a fixed interest rate, thus exposing the Group to fair value interest rate risk.

Notes to the Financial Statements

For the year ended 31 March 2008

20. DEPOSITS PAID FOR PREPAID LAND LEASE PAYMENTS

	2008 HK$'000	2007 HK$'000
At beginning of year	13,398	15,745
Transfer to properties under development	—	(3,030)
Deemed disposal of a subsidiary	(14,401)	—
Exchange differences	1,003	683
At end of year	—	13,398

The amounts represent deposits paid for acquisition of land parcels, of which land use right certificates have not been obtained. However, as advised by the PRC legal adviser, Saverbj Law Firm ("北京市中高盛律師事務所"), the Group can apply for a refund if the vendor is unable to procure land use right certificates in accordance with the relevant contracts.

21. DUE FROM A DIRECTOR

Amount due from a director disclosed pursuant to section 161B of the Hong Kong Companies Ordinance is as follows:

Name	Terms of loan	Balance at 31 March 2008 HK$'000	Balance at 1 April 2007 HK$'000	Maximum amount outstanding during the year HK$'000
Ms. Zhang Meiying	Unsecured, repayable on demand and interest-free	—	5	5

22. DUE FROM A CORPORATE SHAREHOLDER

As disclosed in note 3(b)(ii) and 29(d) to the financial statements, the Company issued 166,859,809 shares at par value of HK$0.01 each to United Energy for acquiring the loan of HK$268,644,000 due to United Energy by United Petroleum before the completion of the Second Acquisition. The 2007 amount represented the loan to be advanced to United Petroleum by United Energy after 31 March 2007 and prior to the completion of the Second Acquisition.

Notes to the Financial Statements

For the year ended 31 March 2008

23. DUE FROM A RELATED COMPANY

Amount due from a related company disclosed pursuant to section 161B of the Hong Kong Companies Ordinance is as follows:

Name	Name of director having beneficial interest	Balance at 31 March 2008	Balance at 1 April 2007	Maximum amount outstanding during the year
		HK$'000	*HK$'000*	*HK$'000*
Oriental Harbour Holding Limited	Mr. Zhang Hongwei	**—**	69	69

The above advance is unsecured, interest-free and has no fixed repayment terms.

24. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

	2008	2007
	HK$'000	*HK$'000*
Equity securities, at market value		
Listed in Hong Kong and held for trading	**6,613**	6,109

The investments represent investments in listed equity securities that offer the Group the opportunity for return through dividend income and fair value gains. They have no fixed maturity or coupon rate. The fair values of the listed securities are based on current bid prices. In order to minimise credit risk, the directors have delegated a team to be responsible for formulated a credit policy governing the control of credit risk. In this regard, the Directors consider that the credit risk is significantly reduced.

Notes to the Financial Statements

For the year ended 31 March 2008

25. PLEDGED BANK DEPOSITS AND BANK AND CASH BALANCES

At 31 March 2008, the bank and cash balances of the Group denominated in RMB amounted to approximately HK$313,100,000 (2007 (restated): HK$268,873,000). Conversion of RMB into foreign currencies is subject to the PRC's Foreign Exchange Control Regulations and Administration of Settlement, Sale and Payment of Foreign Exchange Regulations.

At 31 March 2007, the Group's cash at bank of approximately HK$128,043,000 was pledged to a bank for the issue of a performance bond relating to a production of crude oil contract. The pledged bank deposits were in US$ and at fixed interest rate of 5% per annum. At 31 March 2007, the pledged bank deposits in US$ of approximately HK$128,043,000 was therefore subject to foreign currency risk and fair value interest rate risk.

26. TRADE AND OTHER PAYABLES

	2008	2007
	HK$'000	*HK$'000*
		(Restated)
Trade payables *(note)*	**—**	7,664
Receipts in advance	**16,175**	10,101
Accrual for operating expenses	**15,939**	3,180
Salary and welfare payables	**95**	543
Deposits received	**1,119**	152
Other tax payables	**652**	252
Others	**25**	641
Total trade and other payables	**34,005**	22,533

Note: The following is an aged analysis of trade payables at the balance sheet dates:

	2008	2007
	HK$'000	*HK$'000*
Within 60 days	**—**	638
Over 365 days	**—**	7,026
	—	7,664

Notes to the Financial Statements

For the year ended 31 March 2008

27. BANK LOANS

The bank loans are repayable as follows:

	2008	2007
	HK$'000	*HK$'000*
On demand or within one year	—	303,030

The carrying amount of the Group's bank loans are denominated in the following currency:

	2008	2007
	HK$'000	*HK$'000*
RMB	—	303,030

The effective interest rate as at 31 March 2007 is 6.27%.

Bank loans are arranged at floating rates, thus exposing the Group to cash flow interest rate risk.

At 31 March 2007, bank loan of HK$303,030,000 is secured by a charge over the Group's property, plant and equipment of HK$102,101,000, investment properties of HK$161,616,000 and properties under development of HK$227,594,000 as disclosed in note 15, 16 and 18 to the financial statements respectively.

Notes to the Financial Statements

For the year ended 31 March 2008

28. DEFERRED TAX LIABILITIES

The following are the major deferred tax liabilities recognised by the Group.

	Investment properties
	HK$'000
At 1 April 2006	26,572
Charge to income statement for the year *(note 11)*	1,293
Exchange differences	1,155
At 31 March 2007	29,020
Credit to income statement for the year *(note 11)*	(4,513)
Exchange differences	2,702
At 31 March 2008	27,209

At the balance sheet date the Group has unused tax losses and other deductible temporary differences of approximately HK$86,785,000 and HK$885,000 respectively (2007 (restated): HK$17,653,000 and HK$970,000 respectively) that are available for offsetting against future taxable profits. No deferred tax assets have been recognised due to unpredictability of future profit streams. The unrecognised tax losses and other deductible temporary differences may be carried forward indefinitely.

Notes to the Financial Statements

For the year ended 31 March 2008

29. SHARE CAPITAL

	Note	Number of shares	Amount
			HK$'000
Authorised:			
Ordinary shares of HK$0.01 each			
At 1 April 2006		6,497,447,875	64,975
Increase in authorised share capital	(a)	13,502,552,125	135,025
At 31 March 2007 and 1 April 2007		20,000,000,000	200,000
Increase in authorised share capital	(b)	40,000,000,000	400,000
At 31 March 2008		60,000,000,000	600,000
Issued and fully paid:			
Ordinary shares of HK$0.01 each			
At 1 April 2006, as previously reported		95,985,375	960
New shares issued in connection with the acquisition of Grand Hope Group	(c)	5,080,000,000	50,800
New shares issued in connection with the acquisition of United Petroleum	(d)	4,527,108,257	45,271
At 1 April 2006, as restated		9,703,093,632	97,031
Issue of shares on placement	(e)	1,699,998,000	17,000
At 31 March 2007, as restated		11,403,091,632	114,031
At 1 April 2007, as previously reported		6,875,983,375	68,760
New shares issued in connection with the acquisition of United Petroleum	(d)	4,527,108,257	45,271
At 1 April 2007, as restated		11,403,091,632	114,031
Issue of shares on placement	(f)	1,374,000,000	13,740
At 31 March 2008		12,777,091,632	127,771

Notes to the Financial Statements

For the year ended 31 March 2008

29. SHARE CAPITAL *(Continued)*

(a) Pursuant to special resolutions passed on 11 May 2006, the authorised share capital of the Company was increased from HK$64,974,479 to HK$200,000,000 by the creation of 13,502,552,125 additional shares of HK$0.01 each, ranking pari passu in all respects with the existing share capital of the Company.

(b) Pursuant to special resolutions passed on 3 December 2007, the authorised share capital of the Company was increased from HK$200,000,000 to HK$600,000,000 by the creation of 40,000,000,000 additional shares of HK$0.01 each, ranking pari passu in all respects with the existing share capital of the Company.

(c) As disclosed in note 3(b)(i) to the financial statements, the Company issued and allotted 5,080,000,000 new shares at HK$0.01 each to He Fu and credited as fully paid in consideration for acquisition of the entire interest in Grand Hope Group on 6 June 2006. The share capital issued for the First Acquisition is deemed to have been in issue throughout the accounting periods presented in these financial statements.

(d) As disclosed in note 3(b)(ii) to the financial statements, the Company issued and allotted 4,360,248,448 new shares at HK$0.01 each to United Energy, United Petroleum Holdings and Kowin Limited and credited as fully paid in consideration for acquisition of the entire interest in United Petroleum on 16 October 2007. In addition, the Company issued and allotted 166,859,809 new shares at HK$0.01 each to United Energy and credited as fully paid in consideration for acquisition of the loan of HK$268,644,000 due to United Energy by United Petroleum on the same date. The share capital issued for the Second Acquisition is deemed to have been in issue throughout the accounting periods presented in these financial statements.

(e) On 6 June 2006, the Company issued and allotted 1,699,998,000 ordinary shares of HK$0.01 each through a placing of the Company's shares at a consideration of HK$0.10 per share. The Company received net proceeds of approximately HK$168,284,000 from this share issue.

(f) On 16 October 2007, the Company issued and allotted 1,374,000,000 ordinary shares of HK$0.01 each through a placing of the Company's shares at a consideration of HK$1.61 per share. The Company received net proceeds of approximately HK$2,184,289,000 from this share issue.

The Group's objectives when managing capital are to safeguard the Group's ability to continue as a going concern and to maximise the return to the shareholders through the optimisation of the debt and equity balance.

The Group monitors capital by maintaining a net cash position throughout the year. The Group manages the capital structure and makes adjustments to it in the light of changes in economic conditions and the risk characteristics of the underlying assets. In order to maintain the capital structure, the Group may adjust the payment of dividends, new share issues and raise new debts.

The Group's strategy is to maintain a solid base to support the operations and develop of its business in the long term. No changes were made in the objectives, policies or processes during the years ended 31 March 2007 and 31 March 2008.

The only externally imposed capital requirement is that for the Group to maintain its listing on the Stock Exchange it has to have a public float of at least 25% of the shares. The Group receives a report from the share registrars periodically on substantial share interests showing the non-public float and it demonstrates continuing compliance with the 25% limit throughout the year. As at 31 March 2008, 43% (2007: 25%) of the shares were in public hands.

Notes to the Financial Statements

For the year ended 31 March 2008

30. BALANCE SHEET OF THE COMPANY

	Note	2008 HK$'000	2007 HK$'000
Investments in subsidiaries		**8,450,616**	2,286,010
Trade and other receivables		**715,828**	75,079
Financial assets at fair value through profit or loss		**6,613**	6,109
Due from a director		**—**	5
Due from a related company		**—**	69
Due from a subsidiary		**313,597**	16,219
Bank and cash balances		**1,606,368**	68,936
Trade and other payables		**(2,206)**	(2,124)
Due to directors		**(5,534)**	(3,930)
Due to a subsidiary		**(1,456)**	—
NET ASSETS		**11,083,826**	2,446,373
Capital and reserves			
Share capital		**127,771**	68,760
Reserves	31(b)	**10,956,055**	2,377,613
TOTAL EQUITY		**11,083,826**	2,446,373

31. RESERVES

(a) Group

The amounts of Group's reserves and the movements therein are presented in the consolidated statement of changes in equity.

Notes to the Financial Statements

For the year ended 31 March 2008

31. RESERVES *(Continued)*

(b) Company

	Share premium	Share-based payments reserve	Accumulated losses	Total
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
At 1 April 2006	185,685	—	(204,382)	(18,697)
Share issue expenses paid	(1,716)	—	—	(1,716)
Issue of shares on acquisition of subsidiaries	2,235,200	—	—	2,235,200
Issue of shares on placement	153,000	—	—	153,000
Profit for the year	—	—	9,826	9,826
At 31 March 2007	2,572,169	—	(194,556)	2,377,613
At 1 April 2007	2,572,169	—	(194,556)	2,377,613
Issue of shares on acquisition of a subsidiary	8,284,608	—	—	8,284,608
Issue of shares on placement	2,198,400	—	—	2,198,400
Share issue expenses paid	(27,851)	—	—	(27,851)
Recognition of share-based payments	—	35,194	—	35,194
Loss for the year	—	—	(1,911,909)	(1,911,909)
At 31 March 2008	13,027,326	35,194	(2,106,465)	10,956,055

Notes to the Financial Statements

For the year ended 31 March 2008

31. RESERVES *(Continued)*

(c) Nature and purpose of reserves

(i) Share premium account

Share premium represents premium arising from the issue of shares at a price in excess of their par value per share and is not distributable but may be applied in paying up unissued shares of the Company to be issued to the shareholders of the Company as fully paid bonus shares or in providing for the premiums payable on repurchase of shares.

(ii) Merger reserve

Merger reserve represents the difference between the nominal value of the shares of subsidiaries acquired and the market value of the shares issued by the Company as consideration for the acquisition.

(iii) Capital reserve

Capital reserve represents the aggregate of:

— the Group's share of an additional equity contribution made from minority shareholder of a subsidiary, Shenyang Shengtaiyuan Logistic Company Limited, on 19 April 2005; and

— the loan wavier made by the ultimate holding company, He Fu International Limited, to a subsidiary, Grand Hope Group Limited.

(iv) Statutory reserve

Statutory reserve, which is non-distributable, is appropriated from the profit after taxation of the Company's PRC subsidiaries under the applicable laws and regulations in the PRC.

(v) Share-based payments reserve

The share-based payments reserve represents the fair value of the actual or estimated number of unexercised share options granted to directors and employees of the Group recognised in accordance with the accounting policy adopted for equity-settled share-based payments in note 3(t) to the financial statements.

Notes to the Financial Statements

For the year ended 31 March 2008

32. SHARE-BASED PAYMENTS

Equity-settled share option scheme

The Company's share option scheme (the "Scheme") was adopted pursuant to the shareholders' resolution passed on 11 May 2006 for the primary purpose of providing opportunity to directors and employees to acquire proprietary interests of the Group and will expire on 10 May 2016. Under the Scheme, the Board of Directors of the Company may grant options to eligible person (including all directors, employees of the Group, consultants, advisors, agents, customers, service providers, contractors and business partners of any members of the Group).

The total number of shares in respect of which options may be granted under the Scheme is not permitted to exceed 30% of the shares of the Company in issue from time to time. The number of shares issued and to be issued in respect of which options granted and may be granted to any individual is not permitted to exceed 10% of the shares of the Company in issue from time to time.

The exercise price is determined by the directors of the Company, and will not be less than the higher of (i) the closing price of the Company's shares on the date of grant; (ii) the average closing price of the share for the five business dates immediately preceding the date of grant; and (iii) the nominal value of the Company's shares.

Share options granted to any director, chief executive or substantial shareholder, or to any of their associates, are subject to approval in advance by the independent non-executive directors. In addition, any share options granted to substantial shareholders or an independent non-executive director of the Company, or to any of their associates, in excess of 0.1% of the shares of the Company in issue at any time or with an aggregate value (based on the price of the Company's shares at the date of grant) in excess of HK$5 million, within 12 month period, are subject to shareholders' approval in advance in general meeting.

The offer of a grant of share options may be accepted within 30 days from the date of offer, upon payment of a nominal consideration of HK$1 in total by the grantee.

Notes to the Financial Statements

For the year ended 31 March 2008

32. SHARE-BASED PAYMENTS *(Continued)*

Equity-settled share option scheme *(Continued)*

Details of the specific categories of options are as follows:

Grantee	Date of grant	Vesting period	Exercise period	Exercise price	Number of share options
				HK$	
Directors and employees	04.12.2007	04.12.2007 to 03.12.2008	04.12.2008 to 03.12.2009	1.56	82,500,000
	04.12.2007	04.12.2007 to 03.12.2009	04.12.2009 to 03.12.2010	1.56	55,000,000
	04.12.2007	04.12.2007 to 03.12.2010	04.12.2010 to 03.12.2011	1.56	55,000,000
	04.12.2007	04.12.2007 to 03.12.2011	04.12.2011 to 03.12.2012	1.56	82,500,000
					275,000,000

If the options remain unexercised after a period of 5 years from the date of grant, the options expire. Options are forfeited if the employee leaves the Group before the options vest.

Details of the share options outstanding during the year are as follows:

	2008	
	Number of share options	Weighted average exercise price
		HK$
Granted during the year and outstanding at the end of the year	**275,000,000**	**1.56**
Exercisable at the end of the year	—	

The options outstanding at the end of the year have a weighted average remaining contractual life of 4.68 years and the exercise prices is HK$1.56. The estimated fair value of the options granted on 4 December 2007 is HK$231,400,077.

Notes to the Financial Statements

For the year ended 31 March 2008

32. SHARE-BASED PAYMENTS *(Continued)*

Equity-settled share option scheme *(Continued)*

These fair values were calculated using the Black-Scholes Model. The inputs into the model were as follows:

	2008
Grant date share price	**HK$1.49**
Exercise price	**HK$1.56**
Expected volatility	**105.04%**
Risk free rate	**1.160% — 2.403%**
Expected life	**1-4 years**

Expected volatility was based on the historical volatility of the Company's share price over the previous 1 year. The expected life used in the model has been adjusted based on the Group's best estimate, for the effects of non transferability, exercise restrictions and behavioral considerations.

33. DEEMED DISPOSAL OF A SUBSIDIARY

Dadongfang was accounted for as indirectly held subsidiary as at 31 March 2007. In January 2008, another equity holder of Dadongfang increased its share of equity interest in Dadonfang by contributing additional US$20,745,800 (equivalent to HK$161,817,240) to the registered capital of Dadongfang. As a result, the Group's effective equity interests in Dadongfong was diluted from 71% to 30% and Dadongfang ceased to be a subsidiary and became an associate of the Group thereafter.

Notes to the Financial Statements

For the year ended 31 March 2008

33. DEEMED DISPOSAL OF A SUBSIDIARY *(Continued)*

The details of the net assets of Dadongfang as at date of deemed disposal were as follows:

	HK$'000
Property, plant and equipment	164,492
Properties under development	558,330
Deposits paid for prepaid land lease payments	14,401
Trade and other receivables	3,518
Bank and cash balances	57,426
Trade and other payables	(72,166)
Due to a related company	(13,750)
Due to a minority equity holder	(211,637)
Due to a fellow subsidiary	(65,099)
Bank loan	(325,733)
Minority interests	(31,949)
	77,833
Gain on deemed disposal	7,395
Satisfied by:	
Transfer to investment in an associate	85,228
An analysis of the net outflow of cash and cash equivalents in respect of the deemed disposal of subsidiary is as follows:	
Cash and cash equivalents disposed of	(57,426)

Notes to the Financial Statements

For the year ended 31 March 2008

34. CAPITAL COMMITMENTS

The Group's capital commitments at the balance sheet dates are as follows:

	2008 HK$'000	2007 HK$'000 (Restated)
Contracted but not provided for:		
Construction costs	—	185,409
Prepaid land lease payments	—	353,298
Acquisition of property, plant and equipment	180	3,101
Research and development expenditures	3,754	128,436
	3,934	670,244

35. OPERATING LEASE COMMITMENTS

At the balance sheet dates the total future minimum lease payments under non-cancellable operating leases are payable as follows:

	2008 HK$'000	2007 HK$'000 (Restated)
Within one year	1,319	3,133
In the second to fifth years inclusive	6	1,333
	1,325	4,466

Operating lease payments represent rental payable by the Group for certain of its offices and director's quarters. Leases are negotiated for an average term of 2 years and rentals are fixed over the lease terms and do not include contingent rentals.

Notes to the Financial Statements

For the year ended 31 March 2008

36. RETIREMENT BENEFITS SCHEME

Hong Kong

The Group participates in the Mandatory provident fund scheme (the "MPF Scheme") established under the MPF Scheme Ordinance. The assets of the MPF Scheme are held separately from those of the Group in funds under the control of an independent trustee. Under the rules of the MPF Scheme, the employer and its employees are each required to make contributions to the scheme at rates specified in the rules. The only obligation of the Group with respect to the MPF Scheme is to make the required contributions under the scheme. No forfeited contributions are available to reduce contributions payable in future years.

The Group's contribution under the MPF Scheme for the year amounted to HK$84,000 (2007 (restated): HK$70,000).

PRC

According to the relevant laws and regulations in the PRC, the Group's subsidiaries in the PRC are required to contribute a specified percentage of the payroll of their employees to the retirement benefits schemes to fund the retirement benefits of their employees. The only obligation of the Group with respect to the retirement benefits schemes is to make the required contributions under the respective schemes.

The Group's contribution under the respective schemes for the year amounted to HK$342,000 (2007 (restated): HK$215,000).

Notes to the Financial Statements

For the year ended 31 March 2008

37. RELATED PARTY TRANSACTIONS

In addition to the transactions and balances detailed elsewhere in these financial statements, the Group had the following transactions with its related parties during the year:

(a) Transactions with related parties:

	2008 **HK$'000**	2007 HK$'000 (Restated)
東方集團能源投資控股有限公司		
— Research and development expenses paid	**3,852**	—
— Operating lease rental received	**139**	88

A director of the Company, Mr. Zhang Hongwei, has significant influence over the above related company.

(b) Balances with related parties:

The amounts due to related companies, directors and a minority equity holder are unsecured, interest-free and repayable on demand.

Notes to the Financial Statements

For the year ended 31 March 2008

38. SUBSIDIARIES

Particulars of the subsidiaries as at 31 March 2008 are as follows:

Name of subsidiary	Place of incorporation/ registration	Issued and fully paid share capital/ registration capital	Proportion of ownership interest			Principal activities
			Group's effective interest	Held by the Company	Held by subsidiaries	
Fine Profit Corporation Limited	Hong Kong	HK$10,000	100%	100%	—	Provision of administrative services
Grand Hope Group Limited	British Virgin Islands	US$1	100%	100%	—	Investment holding
Shenyang Shengtaicheng Property Development Company Limited ("Shengtaicheng")	PRC	US$13,021,800	71%	—	71%	Property investment
Shenyang Shengtaiyuan Logistics Company Limited ("Shengtaiyuan")	PRC	RMB60,000,000	56.8%	—	80%	Wholesale of household building materials
United Petroleum	British Virgin Islands	US$50,000	100%	100%	—	Production of crude oil in the PRC

Shengtaicheng is a sino-foreign equity joint venture and Shengtaiyuan is a domestic enterprise established in the PRC.

Notes to the Financial Statements

For the year ended 31 March 2008

39. EVENTS AFTER BALANCE SHEET DATE

(a) On 11 June 2008 (the "Agreement Date"), the Company and Transmeridian Exploration Incorporated entered into an investment agreement (the "Agreement") whereby the Company will invest an aggregate consideration of approximately US$188.2 million (equivalent to approximately HK$1,468 million) in Transmeridian.

The investment will include a cash injection of US$75 million (equivalent to approximately HK$585 million) in Transmeridian, the acquisition of 100% of the 15% senior redeemable convertible preferred stocks issued by Transmeridian outstanding as of the Agreement Date for a consideration of US$45.1 million (equivalent to approximately HK$352 million) and the acquisition of 100% of the 20% junior redeemable convertible preferred stocks issued by Transmeridian outstanding as of the Agreement Date for a consideration of US$68.1 million (equivalent to approximately HK$531 million).

Details of the transaction are set out in the Company's announcement dated 20 June 2008.

(b) On 20 May 2008, the board of directors approved to grant 330,000,000 share options to the employees of the Group. Each option gives the holders the right to subscribe for one ordinary share of the Company. The terms and conditions of the options granted are as follows:

Grantee	Date of grant	Vesting period	Exercise period	Exercise price	Number of share options
				HK$	
Employees	20.05.2008	20.05.2008 to 19.12.2009	20.05.2009 to 19.12.2010	0.902	99,000,000
	20.05.2008	20.05.2008 to 19.12.2010	20.05.2010 to 19.12.2011	0.902	66,000,000
	20.05.2008	20.05.2008 to 19.12.2011	20.05.2011 to 19.12.2012	0.902	66,000,000
	20.05.2008	20.05.2008 to 19.12.2012	20.05.2012 to 19.12.2013	0.902	99,000,000
					330,000,000

The Group is in the process of assessing the fair value of the above share options at the grant date.

40. APPROVAL OF FINANCIAL STATEMENTS

The financial statements were approved and authorised for issue by the Board of Directors on 28 July 2008.

Particulars of Properties

Details of the Group's properties held for investment purposes and under medium-term leases as at 31 March 2008 are as follows:

Address	Usage
Levels 2 and 3 of a commercial building located at No. 388-1 Shen Liao Road, Shenyang Economic and Technology Development Region, Shenyang City, Liaoning Province, the PRC.	Commercial

Financial Summary

RESULTS

	Year ended 31 March,				
	2008	2007	2006	2005	2004
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
	(note iii)	*(note ii)*		(restated) *(note i)*	
Turnover	**4,893**	15,933	3,700	3,884	4,720
Profit/(loss) before tax	**(108,302)**	23,247	(5,252)	(30,267)	(29,713)
Income tax credit/(expense)	**3,823**	(2,571)	—	—	—
Profit/(loss) for the year	**(104,479)**	20,676	(5,252)	(30,267)	(29,713)
Attributable to:					
Equity holders of the Company	**(101,497)**	18,508	(5,252)	(30,267)	(21,108)
Minority interests	**(2,982)**	2,168	—	—	(8,605)
	(104,479)	20,676	(5,252)	(30,267)	(29,713)

Assets and Liabilities

	As at 31 March,				
	2008	2007	2006	2005	2004
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
	(note iii)	*(note ii)*		(restated) *(note i)*	
Total assets	**3,203,681**	1,130,395	25,400	19,224	39,071
Total liabilities	**(70,526)**	(402,401)	(41,639)	(30,211)	(19,773)
Net assets/(liabilities)	**3,133,155**	727,994	(16,239)	(10,987)	19,298
Equity attributable to equity holders of the Company	**2,941,737**	521,294	(16,239)	(10,987)	19,298
Minority interests	**191,418**	206,700	—	—	—
Total equity	**3,133,155**	727,994	(16,239)	(10,987)	19,298

Note:

(i) Figures for year 2005 have been adjusted to reflect the changes in accounting policies in relation to the first adoption of HKAS 40 "Investment property" and HKAS 16 "Property, Plant and Equipment".

(ii) Figures for years 2007 have been prepared based on the principles of merger accounting resulted from the Acquisition of Grand Hope Group Limited as describe in note 3(b)(i) to the financial statements.

(iii) Figures for years 2008 have been prepared based on the principles of merger accounting resulted from the Acquisition of United Petroleum & Natural Gas Investments Limited as describe in note 3(b)(ii) to the financial statements.