PetroAsian Energy Holdings Limited
中亞能源控股有限公司

(Incorporated in the Cayman Islands with limited liability)
(Stock Code: 850 & Warrant Code: 344)

ANNOUNCEMENT OF ANNUAL RESULTS FOR THE YEAR ENDED 31 MARCH 2011

The board of directors (the "Board") of PetroAsian Energy Holdings Limited (the "Company") announces that the audited consolidated results for the year ended 31 March 2011 of the Company and its subsidiaries (the "Group") together with the restated comparative figures of the consolidated income statement and consolidated statement of comprehensive income for the year ended 31 March 2010 and the consolidated statement of financial position as at 31 March 2010 and 1 April 2009 are as follows:

CONSOLIDATED INCOME STATEMENT
For the year ended 31 March 2011

	Notes	**2011** ***HK$'000***	2010 *HK$'000* (Restated)
Revenue	*4*	**282,398**	307,982
Cost of sales		**(275,898)**	(291,963)
Gross profit		**6,500**	16,019
Other income	*5*	**6,886**	5,129
Other gains and losses	*6*	**(108,687)**	(153,110)
Selling and distribution costs		**(4,347)**	(12,770)
Administrative expenses		**(187,462)**	(112,252)
Share of results of associates		**(21,284)**	(1,075)
Finance costs	*7*	**(2,214)**	(2,625)

	Notes	**2011** **HK$'000**	2010 HK$'000 (Restated)
Loss before income tax		**(310,608)**	(260,684)
Income tax expense	*8*	**(163)**	(1,739)
Loss for the year	*9*	**(310,771)**	(262,423)
Loss for the year attributable to:			
Owners of the Company		**(305,507)**	(262,280)
Non-controlling interests		**(5,264)**	(143)
		(310,771)	(262,423)
Loss per share	*11*		
Basic		**HK(7.89) cents**	HK(9.64) cents

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the year ended 31 March 2011

	2011	2010
	HK$'000	*HK$'000*
		(Restated)
Loss for the year	**(310,771)**	(262,423)
Exchange differences arising on translation of foreign operations	**20,307**	3,286
Change in fair value of available-for-sale investments	**(388)**	–
Disposal of subsidiaries	**–**	(6,920)
Other comprehensive income (expense)	**19,919**	(3,634)
Total comprehensive expense for the year	**(290,852)**	(266,057)
Total comprehensive expense attributable to:		
Owners of the Company	**(286,550)**	(266,405)
Non-controlling interests	**(4,302)**	348
	(290,852)	(266,057)

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31 March 2011

	Notes	**31.3.2011**	31.3.2010	1.4.2009
		HK$'000	*HK$'000*	*HK$'000*
			(Restated)	(Restated)
Non-current assets				
Property, plant and equipment		**145,677**	99,901	216,351
Prepaid lease payments		**3,180**	2,748	34,551
Investment properties		**38,391**	38,415	14
Goodwill		**–**	–	–
Other intangible assets		**217,743**	219,785	220,314
Interests in associates		**91,951**	71,846	–
Deposits paid for a jointly controlled operation		**979**	53,515	–
Deposits paid for long-term assets		**84,274**	4,966	10,000
Available-for-sale investments		**23,414**	–	–
Other receivables		**–**	–	9,409
		605,609	491,176	490,639
Current assets				
Inventories		**13,912**	21,033	32,625
Prepaid lease payments		**110**	652	1,123
Trade and other receivables	*12*	**187,616**	117,147	112,950
Held-for-trading investments		**35,299**	33,334	17,720
Derivative financial assets		**1,391**	1,318	30,385
Tax recoverable		**11,263**	8,038	6,257
Bank balances and cash		**165,566**	393,225	30,585
		415,157	574,747	231,645
Current liabilities				
Trade and other payables	*13*	**88,727**	90,767	88,758
Derivative financial liabilities		**15,314**	70,416	94,295
Tax liabilities		**2,513**	2,379	863
Bank borrowings		**24,529**	24,615	16,567
		131,083	188,177	200,483
Net current assets		**284,074**	386,570	31,162
Total assets less current liabilities		**889,683**	877,746	521,801

	31.3.2011	31.3.2010	1.4.2009
	HK$'000	*HK$'000*	*HK$'000*
		(Restated)	(Restated)
Capital and reserves			
Share capital	**41,299**	36,261	19,857
Reserves	**799,302**	768,124	396,091
Equity attributable to owners of the Company	**840,601**	804,385	415,948
Non-controlling interests	**4,384**	4,137	49,860
Total equity	**844,985**	808,522	465,808
Non-current liabilities			
Bank borrowings	**44,225**	68,754	55,523
Deferred tax liabilities	**473**	470	470
	44,698	69,224	55,993
	889,683	877,746	521,801

1. General information

The Company is a limited company incorporated in the Cayman Islands and its shares are listed on The Stock Exchange of Hong Kong Limited ("Stock Exchange"). The addresses of the registered office and principal place of business of the Company are disclosed in the introduction to the annual report.

The Company's functional currency is Renminbi ("RMB"). The consolidated financial statements are presented in Hong Kong dollars ("HK$") as the directors consider that HK$ is the appropriate presentation currency as the management of the Company controls and monitors the performance and financial position of the Group by using HK$.

The principal activities of the Group are manufacture and sale of paints, blended solvents and plastic colorants and trading of chemical materials, provision of painting services, exploitation and sale of crude oil and lease of investment properties and the sale of properties held for trading.

2. Prior year restatements

As detailed in the consolidated financial statements of the Group in previous years, the Group acquired two oil exploitation rights in the People's Republic of China (the "PRC") during each of the years ended 31 March 2008 and 31 March 2009 and recognised them as other intangible assets. They were recorded in the consolidated statement of financial position at their fair value as at the dates of acquisition and at recognised amount at the dates of acquisition less accumulated amortisation and impairment at subsequent reporting dates. The valuations were performed by an independent valuer based on a valuation model that incorporated discounted cash flow analysis, reserves extracted from technical reports and assumptions as to the Group's ability to exploit the crude oil. During the year ended 31 March 2010, the directors appointed an independent valuer to perform valuations for these two oil exploitation rights in the PRC to estimate their recoverable amounts for impairment assessment purposes as at 31 March 2010. The valuations were arrived at using discounted cash flow analysis and similar valuation methodology and assumptions as those carried out as at the dates of acquisition.

The Company's joint auditors were unable to assess the appropriateness of the valuations for financial reporting purposes as there was insufficient information available to them concerning certain assumptions with respect to the underlying technical information or the feasibility of the business plan and oil extraction method which underpin the valuation calculations. The joint auditors' opinion on the consolidated financial statements for the year ended 31 March 2010 was disclaimed accordingly.

During the year ended 31 March 2011, the directors appointed another independent valuer to reassess the reserve quantities and prepare updated technical reports for these exploitation rights. Based on the updated technical reports, the valuer applied various assumptions to assist the directors in estimating the fair values of the oil exploitation rights at the relevant dates of acquisition, 1 April 2009, 31 March 2010 and 31 March 2011, respectively, using discounted cash flow model.

The directors have completed their own analysis of the fair values of the oil exploitation rights for financial reporting purposes, taking into account the underlying technical information (i.e., the proved reserve quantities) from the updated technical reports, estimated future annual production and development costs and oil prices, estimated weighted average cost of capital and other risk and volatility factors and considered that the fair values of the oil exploitation rights at the dates of acquisition were not significantly different from the purchase considerations, which reflected the market value, paid by the Group.

Accordingly, the prior year figures in the consolidated financial statements in relation to other intangible assets, exchange reserve, other reserve and non-controlling interests have been restated. In addition, the amortisations of other intangible assets and their corresponding impacts to the non-controlling interests previously recognised have also been restated.

The above restatements have resulted in a decrease in the Group's total comprehensive expenses for the year and loss for the year ended 31March 2010 attributable to the owners of the Company by HK$771,000 and HK$68,000 respectively.

The effect of the restatements described above on the consolidated income statement for the year ended 31 March 2010 by line items is as follows:

	Year ended 31 March 2010 *HK$'000* (Originally stated)	Restatements *HK$'000*	Year ended 31 March 2010 *HK$'000* (Restated)
Revenue	307,982	–	307,982
Cost of sales	(292,077)	114	(291,963)
Gross profit	15,905	114	16,019
Other income	5,129	–	5,129
Other gains and losses	(153,110)	–	(153,110)
Selling and distribution costs	(12,770)	–	(12,770)
Administrative expenses	(112,252)	–	(112,252)
Share of results of associates	(1,075)	–	(1,075)
Finance costs	(2,625)	–	(2,625)
Loss before income tax	(260,798)	114	(260,684)
Income tax expense	(1,739)	–	(1,739)
Loss for the year	(262,537)	114	(262,423)
Loss for the year attributable to:			
Owners of the Company	(262,348)	68	(262,280)
Non-controlling interests	(189)	46	(143)
	(262,537)	114	(262,423)
Loss per share			
Basic	HK(9.65) cents	HK0.01 cents	HK(9.64) cents

The effect of the restatements described above on the consolidated statement of comprehensive income for the year ended 31 March 2010 by line items is as follows:

	Year ended 31 March 2010 *HK$'000* (Originally stated)	Restatements *HK$'000*	Year ended 31 March 2010 *HK$'000* (Restated)
Loss for the year	(262,537)	114	(262,423)
Exchange difference arising on translation of foreign operations	2,585	701	3,286
Disposal of subsidiaries	(6,920)	–	(6,920)
Other comprehensive expense	(4,335)	701	(3,634)
Total comprehensive expense for the year	(266,872)	815	(266,057)
Total comprehensive expense attributable to:			
Owners of the Company	(267,176)	771	(266,405)
Non-controlling interests	304	44	348
	(266,872)	815	(266,057)

The effects of the restatements described above on the consolidated statement of financial position as at 1 April 2009 and 31 March 2010 by line items are as follows:

	1 April 2009 *HK$'000* (Originally stated)	Restatements *HK$'000*	1 April 2009 *HK$'000* (Restated)	31 March 2010 *HK$'000* (Originally stated)	Restatements *HK$'000*	31 March 2010 *HK$'000* (Restated)
Non-current assets						
Property, plant and equipment	216,351	–	216,351	99,901	–	99,901
Prepaid lease payments	34,551	–	34,551	2,748	–	2,748
Investment properties	14	–	14	38,415	–	38,415
Goodwill	–	–	–	–	–	–
Other intangible assets	2,044,741	(1,824,427)	220,314	2,043,397	(1,823,612)	219,785
Interests in associates	–	–	–	71,846	–	71,846
Deposits paid for a jointly controlled operation	–	–	–	53,515	–	53,515
Deposits paid for long-term assets	10,000	–	10,000	4,966	–	4,966
Other receivables	9,409	–	9,409	–	–	–
	2,315,066	(1,824,427)	490,639	2,314,788	(1,823,612)	491,176

	1 April 2009 HK$'000 (Originally stated)	Restatements HK$'000	1 April 2009 HK$'000 (Restated)	31 March 2010 HK$'000 (Originally stated)	Restatements HK$'000	31 March 2010 HK$'000 (Restated)
Current assets						
Inventories	32,625	–	32,625	21,033	–	21,033
Prepaid lease payments	1,123	–	1,123	652	–	652
Trade and other receivables	112,950	–	112,950	117,147	–	117,147
Held-for-trading investments	17,720	–	17,720	33,334	–	33,334
Derivative financial assets	30,385	–	30,385	1,318	–	1,318
Tax recoverable	6,257	–	6,257	8,038	–	8,038
Bank balances and cash	30,585	–	30,585	393,225	–	393,225
	231,645	–	231,645	574,747	–	574,747
Current liabilities						
Trade and other payables	88,758	–	88,758	90,767	–	90,767
Derivative financial liabilities	94,295	–	94,295	70,416	–	70,416
Tax liabilities	863	–	863	2,379	–	2,379
Bank borrowings	16,567	–	16,567	24,615	–	24,615
	200,483	–	200,483	188,177	–	188,177
Net current assets	31,162	–	31,162	386,570	–	386,570
Total assets less current liabilities	2,346,228	(1.824,427)	521,801	2,701,358	(1,823,612)	877,746
Capital and reserves						
Share capital	19,857	–	19,857	36,261	–	36,261
Reserves	1,449,924	(1,053,833)	396,091	2,591,736	(1,823,612)	768,124
Equity attributable to owners of the Company	1,469,781	(1,053,833)	415,948	2,627,997	(1,823,612)	804,385
Non-controlling interests	820,454	(770,594)	49,860	4,137	–	4,137
Total Equity	2,290,235	(1,824,427)	465,808	2,632,134	(1,823,612)	808,522
Non-current liabilities						
Bank borrowings	55,523	–	55,523	68,754	–	68,754
Deferred tax liabilities	470	–	470	470	–	470
	55,993	–	55,993	69,224	–	69,224
	2,346,228	(1,824,427)	521,801	2,701,358	(1,823,612)	877,746

The effects of the restatements described above to the Group's equity on 1 April 2009 and 31 March 2010 by line items are as follows:

	1 April 2009 HK$'000 (Originally stated)	Restatements HK$'000	1 April 2009 HK$'000 (Restated)	31 March 2010 HK$'000 (Originally stated)	Restatements HK$'000	31 March 2010 HK$'000 (Restated)
Share capital	19,857	–	19,857	36,261	–	36,261
Share premium	627,660	–	627,660	1,485,836	–	1,485,836
Merger reserve	3,248	–	3,248	3,248	–	3,248
Statutory reserve	236	–	236	236	–	236
Other reserve	(120)	–	(120)	552,012	(770,550)	(218,538)
Share option reserve	41,171	–	41,171	9,409	–	9,409
Warrant reserve	1,768	–	1,768	2,407	–	2,407
Exchange reserve	17,598	512	18,110	12,770	1,215	13,985
Investment revaluation reserve	–	–	–	–	–	–
Retained profits (Accumulated losses)	758,363	(1,054,345)	(295,982)	525,818	(1,054,277)	(528,459)
Non-controlling interests	820,454	(770,594)	49,860	4,137	–	4,137
Total	2,290,235	(1,824,427)	465,808	2,632,134	(1,823,612)	808,522

3. Application of new and revised Hong Kong financial reporting standards/changes in accounting policies

In the current year, the Group has applied the following new and revised standards, amendments and interpretations ("new and revised HKFRSs") issued by HKICPA.

HKFRS 2 (Amendments)	Group Cash-settled Share-based Payment Transactions
HKAS 32 (Amendments)	Classification of Rights Issues
HKAS 39 (Amendments)	Eligible Hedged Items
HKFRSs (Amendments)	Improvements to HKFRSs issued in 2009
HKFRSs (Amendments)	Amendments to HKFRS 5 as part of Improvements to HKFRSs issued in 2008
HK(IFRIC)-Int 17	Distributions of Non-cash Assets to Owners
HK-Int 5	Presentation of Financial Statements-Classification by the Borrower of a Term Loan that Contains a Repayment on Demand Clause

The application of the new and revised HKFRSs in the current year has had no material effect on the amounts reported in these consolidated financial statements and/or disclosures set out in those consolidated financial statements.

New and revised Standards and Interpretations issued but not yet effective

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

HKFRSs (Amendments)	Improvements to HKFRSs issued in 2010[1]
HKFRS 1 (Amendments)	Limited Exemption from Comparative HKFRS 7 Disclosures for First-time Adopters[7]
HKFRS 1 (Amendments)	Severe Hyperinflation and Removal of Fixed Dates for First-time Adopters[7]
HKFRS 7 (Amendments)	Disclosures-Transfers of Financial Assets[2]
HKFRS 9	Financial Instruments[3]
HKFRS 10	Consolidated Financial Statements[3]
HKFRS 11	Joint Arrangements[3]
HKFRS 12	Disclosure of Interests in Other Entities[3]
HKFRS 13	Fair value Measurement[3]
HKAS 12 (Amendments)	Deferred Tax: Recovery of Underlying Assets[4]
HKAS 24 (as revised in 2009)	Related Party Disclosures[5]
HKAS 32 (Amendments)	Classification of Rights Issues[6]
HK(IFRIC)-Int 14 (Amendments)	Prepayments of a Minimum Funding Requirement[5]
HK(IFRIC)-Int 19	Extinguishing Financial Liabilities with Equity Instruments[7]

1 Effective for annual periods beginning on or after 1 July 2010 or 1 January 2011, as appropriate.
2 Effective for annual periods beginning on or after 1 July 2011.
3 Effective for annual periods beginning on or after 1 January 2013.
4 Effective for annual periods beginning on or after 1 January 2012.
5 Effective for annual periods beginning on or after 1 January 2011.
6 Effective for annual periods beginning on or after 1 February 2010.
7 Effective for annual periods beginning on or after 1 July 2010.

HKFRS 9 "Financial Instruments" (as issued in November 2009) introduces new requirements for the classification and measurement of financial assets. HKFRS 9 "Financial Instruments" (as revised in November 2010) adds requirements for financial liabilities and for derecognition. Under HKFRS 9, all recognised financial assets that are within the scope of HKAS 39 "Financial Instruments: Recognition and Measurement" are subsequently measured at either amortised cost or fair value. Specifically, debt investments that are held within a business model whose objective is to collect the contractual cash flows, and that have contractual cash flows that are solely payments of principal and interest on the principal outstanding are generally measured at amortised cost at the end of subsequent accounting periods. All other debt investments and equity investments are measured at their fair values at the end of subsequent accounting periods.

HKFRS 9 is effective for annual periods beginning on or after 1 January 2013, with earlier application permitted.

The directors anticipate that HKFRS 9 that will be adopted in the Group's consolidated financial statements for financial year ending 31 March 2014 and they are in the process of assessing the impact from the application of this new standard on the results and financial position of the Group.

The directors anticipate that the application of other new and revised standards, amendments or interpretations will have no material impact on the results and the financial position of the Group, except for HKFRS 10 "Consolidated Financial Statements", HKFRS 11 "Joint Arrangements", HKFRS 12 "Disclosure of Interests in Other Entities" and HKFRS 13 "Fair Value Measurement" in which the Group has commenced considering the potential impact but not yet in a position to determine whether they would have significant impact on the results and financial position of the Group.

4. **Revenue and segment information**

Information reported to the managing director of the Company, being the chief operating decision maker, for the purposes of resource allocation and assessment of segment performance focuses on types of goods or services delivered or provided.

Specifically, the Group's reportable and operating segments under HKFRS 8 are as follows:

- manufacture and sale of paints, blended solvents and plastic colorants and trading of chemical materials ("paints, blended solvents, chemical materials and plastic colorants");
- provision of painting services ("service contract");
- exploitation and sale of crude oil ("crude oil"); and
- lease of investment properties and the sale of properties held for trading ("property investment").

(a) Segment revenue and results

The following is an analysis of the Group's revenue and results by reportable and operating segments.

For the year ended 31 March 2011

	Paints, blended solvents, chemical materials and plastic colorants	**Service contract**	**Crude oil**	**Property investment**	**Others**	**Segment total**	**Elimination**	**Consolidated**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
Segment revenue								
External sales	**239,728**	**23,049**	**6,595**	**9,830**	**3,196**	**282,398**	**–**	**282,398**
Inter-segment sales	**11,622**	**–**	**–**	**–**	**–**	**11,622**	**(11,622)**	**–**
Total	**251,350**	**23,049**	**6,595**	**9,830**	**3,196**	**294,020**	**(11,622)**	**282,398**
Segment result								
Segment (loss) profit	**(85,747)**	**745**	**(185,541)**	**(878)**	**(1,088)**	**(272,509)**	**–**	**(272,509)**
Unallocated other income								**43,605**
Unallocated expenses								**(58,206)**
Share of results of associates								**(21,284)**
Finance costs								**(2,214)**
Loss before income tax								**(310,608)**

For the year ended 31 March 2010

	Paints, blended solvents, chemical materials and plastic colorants	Service contract	Crude oil	Property investment	Segment total	Elimination	Consolidated
	HK$'000	*HK$'000*	*HK$'000* (Restated)	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000* (Restated)
Segment revenue							
External sales	271,811	20,500	6,461	9,210	307,982	–	307,982
Inter-segment sales	25,764	4,418	–	–	30,182	(30,182)	–
Total	297,575	24,918	6,461	9,210	338,164	(30,182)	307,982
Segment result							
Segment (loss) profit	(122,631)	1,436	(25,822)	2,058	(144,959)	–	(144,959)
Unallocated other income							401
Unallocated expenses							(112,426)
Share of results of associates							(1,075)
Finance costs							(2,625)
Loss before income tax							(260,684)

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

Inter-segment sales are charged at prevailing market rates.

(b) Segment assets

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

	31.3.2011	31.3.2010	1.4.2009
	HK$'000	*HK$'000*	*HK$'000*
		(Restated)	(Restated)
Segment assets			
Paints, blended solvents, chemical materials and plastic colorants	**198,864**	138,337	324,087
Service contract	**19,484**	14,403	22,075
Crude oil	**404,953**	296,260	273,685
Property investment	**44,262**	46,197	16,596
Others	**24,319**	–	–
Total segment assets	**691,882**	495,197	636,443
Unallocated	**328,884**	570,726	85,841
Consolidated assets	**1,020,766**	1,065,923	722,284

For the purposes of monitoring segment performances and allocating resources between segments, all assets are allocated to operating segments other than interests in associates, available-for-sale investments, held-for-trading investments, derivative financial assets, tax recoverable, bank balances and cash and other corporate assets.

The chief operating decision maker mainly reviews the segment assets for the purposes of resource allocation and performance assessment, an analysis of the Group's liability is not regularly reviewed by the chief operating decision maker and hence, the relevant information is not presented accordingly.

(c) Other segment information

For the year ended 31 March 2011

	Paints, blended solvents, chemical materials and plastic colorants *HK$'000*	**Service contract** *HK$'000*	**Crude oil** *HK$'000*	**Property investment** *HK$'000*	**Total** *HK$'000*
Amount included in the measure of segment profit or loss or segment assets:					
Additions to non-current assets*	**7,509**	**27**	**165,015**	**22**	**172,573**
Depreciation and amortisation	**(7,480)**	**(103)**	**(11,799)**	**(1,187)**	**(20,569)**
Property, plant and equipment written off	**(5,215)**	**–**	**(116,932)**	**–**	**(122,147)**
Reversal of impairment loss recognised in investment properties	**–**	**–**	**–**	**1,163**	**1,163**
Impairment loss on trade and other receivables	**(3,016)**	**(767)**	**(4,120)**	**–**	**(7,903)**
Loss on disposal of property, plant and equipment	**(271)**	**–**	**–**		**(271)**

For the year ended 31 March 2010

	Paints, blended solvents, chemical materials and plastic colorants *HK$'000*	Service contract *HK$'000*	Crude oil *HK$'000* (Restated)	Property investment *HK$'000*	Total *HK$'000* (Restated)
Amount included in the measure of segment profit or loss or segment assets:					
Additions to non-current assets*	6,058	82	18,866	126	25,132
Depreciation and amortisation	(14,360)	(105)	(1,251)	(1,159)	(16,875)
Property, plant and equipment written off	(45,786)	–	–	–	(45,786)
Impairment loss recognised on investment properties	–	–	–	(14,393)	(14,393)
Impairment loss on trade and other receivables	(13,725)	(1,433)	(6,936)	–	(22,094)
Loss on disposal of property, plant and equipment	(122)	–	(21)	–	(143)
Allowance of write-down of inventories	(185)	–	–	–	(185)

* Capital additions include additions to property, plant and equipment and other intangible assets.

(d) Revenue from major products and services

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

	2011	2010
	HK$'000	*HK$'000*
Paints	**122,259**	61,181
Blended solvents	**116,866**	207,806
Plastic colorants	**603**	1,009
Other chemical materials	**–**	1,815
Service contract	**23,049**	20,500
Crude oil	**6,595**	6,461
Property investment	**9,830**	9,210
Others	**3,196**	–
	282,398	307,982

(e) Geographical information

The Group's operations are located in the PRC, Hong Kong and others. The Group's revenue from external customers is based on the location of their operations and information about its non-current assets by geographical location of the assets are detailed below:

	Revenue from external customers Year ended		**Non-current assets Year ended**	
	31.3.2011	31.3.2010	**31.3.2011**	31.3.2010
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*
				(Restated)
PRC	**158,558**	195,188	**377,503**	342,064
Hong Kong	**123,840**	112,794	**165,435**	79,124
Others	**–**	–	**39,257**	69,988
	282,398	307,982	**582,195**	491,176

The Group's non-current assets excluding financial instruments and deferred tax asset, if any.

(f) Revenue from 2 (2010: 1) customers in relation to paints, blended solvents, other chemical materials and plastic colorants segment amount to approximately HK$101,746,000 (2010: HK$68,000,000), which individually represents more than 10% of the Group's total revenue.

5. Other income

	2011	2010
	HK$'000	*HK$'000*
Other income comprises:		
Rental income	**4,399**	4,579
Bank interest income	**765**	325
Other interest income	**808**	131
Other income	**914**	94
	6,886	5,129

6. Other gains and losses

	2011	2010
	HK$'000	*HK$'000*
Exchange loss, net	**(1,487)**	(139)
Impairment loss recognised on trade and other receivables	**(7,903)**	(22,094)
Reversal (recognition) of impairment loss on investment properties	**1,163**	(14,393)
Impairment loss recognised on other intangible assets	**(1,733)**	–
Property, plant and equipment written off	**(122,147)**	(45,786)
Loss on disposal of subsidiaries	**(15,350)**	(24,695)
Gain on deemed partial disposal of an associate	**3,364**	–
Loss on disposal of associates	**–**	(4,467)
Loss on disposal of property, plant and equipment	**(271)**	(143)
Gain (loss) from changes in fair value of derivative financial instruments	**39,426**	(61,943)
(Loss) gain from change in fair value of held-for-trading investments	**(4,238)**	19,322
Others	**489**	1,228
	(108,687)	(153,110)

7. Finance costs

	2011	2010
	HK$'000	*HK$'000*
Interest on:		
Bank loans and overdrafts wholly repayable within 5 years	**2,214**	2,625

8. Income tax expense

	2011	2010
	HK$'000	*HK$'000*
PRC Enterprise Income Tax		
– Current year	**(160)**	(196)
– Underprovision in prior years	**–**	(1,543)
	(160)	(1,739)
Deferred tax		
Current year charge	**(3)**	–
Income tax expense for the year	**(163)**	(1,739)

Hong Kong Profits Tax is calculated at 16.5% on the estimated assessable profit for both years. No provision for Hong Kong Profits Tax has been made in the consolidated financial statements for both years.

Under the Law of the PRC on Enterprise Income Tax (the "EIT Law") and Implementation Regulations of the EIT Law, the tax rate of the Group's subsidiaries in the PRC is 25% from 1 January 2008 onwards. For those subsidiaries enjoying privilege rate of 15%, the new tax rate was progressively increasing over five years to 25% in 2012 as grandfathering provision.

Taxation on PRC profits has been calculated on the estimated assessable profit for both years at the rates of taxation prevailing in the PRC in which the Group operates.

9. Loss for the year

	2011	2010
	HK$'000	*HK$'000*
		(Restated)
Loss for the year has been arrived at after charging:		
Cost of inventories recognised as expenses	**262,702**	272,126
Release of prepaid lease payment	**110**	652
Depreciation		
– Owned property, plant and equipment	**7,473**	13,813
– Oil properties	**140**	21
– Investment properties	**1,187**	1,159
	8,800	14,993
Amortisation of the other intangible asset	**11,659**	1,230
Allowance for write-down of inventories (included in cost of sales)	**–**	185

10. Dividend

No dividend was paid or proposed during 2011 and 2010, nor has any dividend been proposed since the end of the reporting period.

11. Loss per share

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

	2011	2010
	HK$'000	*HK$'000*
		(Restated)
Loss		
Loss for the purpose of calculating basic loss per share	**(305,507)**	(262,280)

	2011	2010
	'000	*'000*
Number of shares		
Weighted average number of ordinary shares for the purposes of calculating basic loss per share	**3,871,640**	2,719,395

No diluted losses per share have been presented for both years because the share options and warrants outstanding had an anti-dilutive effect in the calculation of diluted loss per share as the Group incurred losses in both years.

12. Trade and other receivables

The following is an analysis of trade and other receivables at the end of the reporting period:

	31.3.2011	31.3.2010	1.4.2009
	HK$'000	*HK$'000*	*HK$'000*
Trade receivables	**85,445**	64,269	75,744
Less: allowance for trade receivables	**(7,344)**	(6,132)	(7,176)
	78,101	58,137	68,568
Bills receivables	**2,709**	2,326	6,172
Other receivables	**79,131**	63,852	45,550
Less: allowance for other receivables	**(23,711)**	(16,300)	(5,266)
	55,420	47,552	40,284
Deposits and prepayments	**51,386**	9,132	7,335
	187,616	117,147	122,359
Less: non-current other receivables	**–**	–	(9,409)
	187,616	117,147	112,950

Before accepting any new customer, the Group uses an internal credit assessment system to assess the potential customer's credit quality and defines credit limits by custom and considers adequate allowance has been made at the end of the reporting period. Balances which are neither past due nor impaired are all with good historical repayment records and good credit quality.

Trade receivables and bills receivables are due within 30 to 90 days (2010: 30 to 90 days) from the date of invoicing or billing. The following is an aged analysis of trade receivables and bills receivable net of impairment presented based on the invoice date and date of the bills at the end of the reporting period:

Aged analysis of trade receivables based on invoice date net of impairment

	31.3.2011	31.3.2010	1.4.2009
	HK$'000	*HK$'000*	*HK$'000*
Less than 1 month	**36,965**	23,355	25,866
1 month to 3 months	**27,401**	15,782	16,471
More than 3 months but less than 1 year	**11,952**	15,821	20,550
Over 1 year	**1,783**	3,179	5,681
	78,101	58,137	68,568

Movement of the allowance for trade receivables

	31.3.2011	31.3.2010	1.4.2009
	HK$'000	*HK$'000*	*HK$'000*
At the beginning of the year	**6,132**	7,176	7,290
Impairment losses recognised	**945**	8,391	6,058
Amount written off as uncollectible	**–**	–	(6,058)
Elimination on disposal of subsidiaries	**–**	(9,445)	–
Impairment loss reversed	**–**	–	(273)
Exchange realignment	**267**	10	159
At the end of the year	**7,344**	6,132	7,176

As at 31 March 2011, the Group's trade receivables and other receivables of HK$7,344,000 and HK$23,711,000 (2010: HK$6,132,000 and HK$16,300,000) respectively were fully impaired. These fully impaired receivables related to customers that were in financial difficulties and the management assessed that the receivables are not expected to be recovered.

Aged analysis of trade receivables based on due date which are past due but not impaired

	31.3.2011	31.3.2010	1.4.2009
	HK$'000	*HK$'000*	*HK$'000*
Less than 1 month	**11,491**	12,401	10,997
1 month to 3 months	**3,842**	3,140	16,552
More than 3 months but less than 1 year	**6,081**	1,626	8,748
Over 1 year	**12**	167	5,411
	21,426	17,334	41,708

Included in the Group's trade receivables balance are debtors with a carrying amount of HK$21,426,000 (2010: HK$17,334,000), which are past due at the end of the reporting period for which the Group has not provided for any impairment as there has not been a significant change in credit quality and the amounts are still considered recoverable. The Group does not hold any collateral over these balances.

As at 31 March 2011, the Group's trade receivables with an aggregate carrying value of HK$33,705,000 (2010: HK$34,482,000) were pledged to secure banking facilities granted to the Group.

Aged analysis of bills receivables

	31.3.2011	31.3.2010	1.4.2009
	HK$'000	*HK$'000*	*HK$'000*
Less than 1 month	**2,617**	2,326	1,453
1 month to 3 months	**92**	–	3,687
More than 3 months but less than 1 year	**–**	–	1,032
	2,709	2,326	6,172

13. Trade and other payables

The following is an analysis of trade and other payables at the end of the reporting date:

	31.3.2011	31.3.2010	1.4.2009
	HK$'000	*HK$'000*	*HK$'000*
Trade payables	**15,320**	12,710	11,968
Bills payables	**30,175**	33,744	39,164
Other payables and accruals	**43,232**	44,313	28,698
Amount due to a non-controlling shareholder of a subsidiary *(note)*	**–**	–	8,928
	88,727	90,767	88,758

Note: The amount due to a non-controlling shareholder of a subsidiary was unsecured, interest-free and had no fixed term of repayment. The amount was settled in the prior year.

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

Aged analysis of trade payables

	31.3.2011	31.3.2010	1.4.2009
	HK$'000	*HK$'000*	*HK$'000*
Less than 1 month	**8,938**	8,510	6,214
1 month to 3 months	**1,248**	998	2,994
More than 3 months but less than 1 year	**4,365**	549	2,760
Over 1 year	**769**	2,653	–
	15,320	12,710	11,968

Aged analysis of bills payables

	31.3.2011	31.3.2010	1.4.2009
	HK$'000	*HK$'000*	*HK$'000*
Less than 1 month	**13,561**	–	39,164
1 month to 3 months	**16,614**	33,744	–
	30,175	33,744	39,164

MANAGEMENT DISCUSSION AND ANALYSIS

MARKET REVIEW

During the fiscal year under review, the global economy had experienced an unprecedented development at two different speeds. On the one hand, major developed countries like the United States, Japan and countries in Europe have experienced a difficult pace of recovery. On the other hand, developing countries like China as well as some other countries in the emerging markets have witnessed a strong growth thus attracting capital inflows and triggering inflation. Taking China as an example, her annual economic growth during the years 2010 and 2011 are in the region of 10% and 8.5% respectively which is far ahead of other advanced countries. In view of the different pace of recovery in the wake of the financial tsunami, different countries adopt different fiscal and monetary policies to tackle with their own economic issues.

During the year under review, the stock market has demonstrated a steady growth trend. The Dow Jones Industrial Average has started from a level of 10,927 points at the beginning of April 2010 to reach a high of 12,377 points at the beginning of April 2011 recording an increase of some 13%. The Hang Seng Index has started from a level of 21,500 points at the beginning of April 2010 to reach a high of 23,900 points at the beginning of April 2011 with an increase of some 11%.

The commodity market has continued to rebound in early 2010 and into 2011 as the global recovery intensified. Increased demand from China, significant production cuts, and some weather-related factors contributed to higher prices. The price of light crude oil, for instance, on the New York Merchantile Exchange ("NYMEX"), the world's largest physical commodity futures exchange, started from a level of US$85 per barrel at the beginning of April 2010 and once again reached a high of US$110 per barrel at the beginning of April 2011 with an increase of some 29%. This price is a record high after the financial tsunami reflecting the ever-increasing importance of oil in the global economy. In June 2011, the International Energy Agency has released a total of 60 million barrels of oil from its crude oil reserve to the market causing a drop in crude oil price. As at the date of this announcement, light crude oil price was down to a low of some USD93 per barrel on the NYMEX. Management believes that the above measure which was done to boost the economy will not change the imbalance in the market, where demand is greater than supply, in the long term.

Elsewhere in the world, including in particular giant industrial nations such as Japan and Germany, there are situations arising up to the date of this announcement which may have an impact on their policies and strategies on the usage of energy going forward.

In Japan, an earthquake with a magnitude of 9.0 followed by gigantic tsunami took place on 11 March 2011 in the eastern coast of the country somewhere near Tohoku, causing loss of life, destruction of infrastructure, as well as nuclear accidents at reactors in the Fukushima nuclear power plant. The Bank of Japan has plans to unleash massive liquidity into the market as an economic rescue measure. The Japanese government also has plans for a major fiscal package to tackle with the incident. In view of the above measures and the Kobe earthquake precedent, some analysts are predicting that the effects of the Tohoku earthquake on Japan's economy will be minor and mostly transitory. We hope this will prove to be the case. However, based on limited information we have to date, we think there is a certain risk the

Japanese economy will be hit harder and take longer to adjust. It is therefore still premature to estimate the likely impacts of the incident on the economic, financial and energy usage of the country, particularly when the situation in the damaged nuclear plants still remains unresolved.

In Germany, the world's fourth largest economy and Europe's biggest, the government had on 30 May 2011 announced plans to abandon nuclear energy over the next 11 years by shutting down all 17 nuclear power plants by 2022, outlining an ambitious strategy in the wake of Japan's Fukushima disaster to replace atomic power with traditional as well as alternative sources of energy.

BUSINESS REVIEW

Business Overview

In the financial year of 2010/2011, the Group recorded a consolidated revenue of approximately HK$282,398,000 (2010: HK$307,982,000), representing a decrease of 8.3%. Loss for the year attributable to owners of the Company was approximately HK$305,507,000 (2010: HK$262,280,000). The loss was attributable to a number of factors as follows: (1) property, plant and equipment written off, (2) loss on disposal of subsidiaries, (3) impairment loss recognised on trade and other receivables and (4) recognition of fair value of the share-based payments to eligible directors and employees of the Group.

Tunisia Operations

On 8 June 2009, the Group, as purchaser, entered into a sale and purchase agreement with both Petroceltic Ksar Hadada Limited (a wholly owned subsidiary of Petroceltic International plc) and Independent Resources (Ksar Hadada) Limited (a wholly owned subsidiary of Independent Resources plc), as vendors, regarding the sale and purchase of 51% participating interests and 52.96% paying interests in the Ksar Hadada Permit ("the Permit"), onshore Tunisia, North Africa. The Group's contractual commitments for the Tunisia exploration project involve the acquisition of 100 kilometers of 2D seismic data, followed with the drilling of two exploration wells (including the Oryx-1 exploration well and the Sidi Toui-4 exploration well) which had all been completed during 2010 with all contractual commitments finished in good order.

On 20 April 2010, the Group received from BGP International, a subsidiary of China National Petroleum Corporation, an independent seismic data interpretation and exploration target evaluation report for the Permit. Based on the report, the 5 prospects covered by the Permit have a total maximum STOIIP (Stock Tank Oil Initially In Place) of approximately 2.227 billion barrels of oil of which 374 million stock tank barrels are the average recoverable resources (with the largest prospect having a total average recoverable resource of approximately 150 million barrels).

On 21 June 2010, all the outstanding conditions of the sale and purchase agreement were fulfilled. On 28 June 2010, the completion had taken place.

The spudding of the Oryx-1 exploration well (which forms the first well of a two-well drilling program) commenced on 20 July 2010. The well was drilled into an Ordovician Bir Ben Tartar Formation possible oil target and was planned to reach a vertical target depth of a minimum of 1,165 metres. It was envisaged that the well would take approximately 19 days to drill at a cost of approximately US$4.35 million (HK$33.93 million). On 1 August 2010, the Oryx-1 exploration well had reached its total depth at 1,140 metres. Although oil shows were encountered in both the upper and lower Ordovician reservoir units, log analysis indicated that no significant oil saturation was present in these reservoirs at this location. Hence, saved from setting production casing and further well testings, the Oryx-1 exploration well had been drilled below budget and without a time losing incident. In the oil industry, encounter of dry wells without commercial value is quite common. The Oryx-1 exploration well was then plugged and abandoned and the rig was moved 22.5 km away to the site of Sidi Toui-4 exploration well (which forms the second well of a two-well drilling program).

The spudding of the Sidi Toui-4 exploration well commenced on 26 August 2010. This highly deviated well was drilled into an Ordovician Bir Ben Tartar Formation oil target and was planned to reach a true vertical target depth of a minimum of 1,095 metres and a measured depth of 1,626 metres. The well was prognosed to take approximately 29 days to drill at a cost of approximately US$6.14 million (HK$47.9 million). On 12 October 2010, the Sidi Toui-4 exploration well had reached its total depth at 1,600 metres. The well was successfully drilled as a deviated wellbore through the Upper Ordovician, penetrating 364 metres of the objective Bir Ben Formation at an average deviation angle of 77 degrees. Although oil shows were encountered in the Bir Ben Tartar reservoir unit, evaluation of the extensive logging suite acquired in the Ordovician section indicates that the oil saturation and reservoir fracturation is insufficient at the Sidi Toui-4 location to justify fracture stimulation and testing of this wellbore. The well was therefore plugged and abandoned, without testing, and the rig was subsequently demobilized.

A telefax confirmation in French (with English translation thereof) from Le Directeur General de l'Energie ("DGE", namely the "Tunisia Department of Energy") was received by the Group on 8 June 2011 whereby DGE had granted a favourable opinion for the second renewal of the Permit for a period of 3 years starting from 20 April 2011 till 19 April 2014. Formal gazetting of the renewal will be done by the relevant governmental authorities a few months later as per government protocol. Subsequent to the second renewal of the Permit, the previous operator of the Permit (namely Petroceltic Ksar Hadada Limited) had withdrawn therefrom and intends to assign its participating interests to the remaining members of the contracting group, including both PetroAsian Energy (Tunisia) Limited and Independent Resources (Ksar Hadada) Limited.

PetroAsian Energy (Tunisia) Limited, which is owned as to 92% by the Group, is desirous to acquire certain participating interest from Petroceltic Ksar Hadada Limited. However, no binding agreement as regards such acquisition has been entered into as at the date of this announcement. Further announcement in this regard will be made by the Group as and when appropriate.

Qiqihar Operations

In July 2010, the Company had started a multi-well drilling program in the Fu 710 and Fu 718 areas of the Fulaerjiqu oilfield in the Qiqihar City of the Heilongjiang Province, China. Significant progress had since been made. In November 2010, the program was successfully completed, with much better results than expected.

This is the first time the Company drilled horizontal wells in its Fulaerjiqu oilfield and the results are satisfactory. These wells were drilled with US Logging While Drilling ("LWD") technology and completed with laser-cut slit liner down-hole for maximum production flow. PetroChina Great Wall Drilling Downhole Operating Company was the contractor for this multi-well drilling program.

In the Fu 718 area, a total of 3 control wells and 3 horizontal wells were drilled. The horizontal wells (TH1, TH2 and TH3) encountered excellent results, achieving horizontal net oil pay from 117 meters to 182 meters with average net oil thickness of 5 to 6 meters.

Following the success in the Fu 718 area, 4 horizontal wells (DH1, DH2, DH3 and DH4) were drilled in the Fu 710 area with equally impressive results, achieving horizontal net oil pay from 260 to 311 meters with average oil thickness between 3 to 4.5 meters.

Subsequent to the completion of the drilling work, the construction work in respect of all surface production and storage facilities on site had also been satisfactorily completed, with no work time lost incident, and on schedule as planned. In late November 2010, the production of both the Fu 710 and Fu 718 areas had commenced in stages. Currently trees and shrubs are being planted to restore the natural state of the site.

Most wells have undergone 2 rounds of "huff and puff" steam injection. As these are horizontal wells with much longer oil pay sections, each steam cycle is about twice as long as that applicable to vertical wells (that is, about 10 days of steam injection and another 10 days for soaking). The amount of steam required also doubles. It usually takes at least 3 rounds of steam injection to "break in" before oil production begins to increase.

In order to enhance production, the Company's operations team has continuously evaluated, studied and adopted different techniques. One possible way to increase production, if technical aspects allow, is to introduce steam "Line-Drive" for the wells after 5 to 6 rounds of "huff and puff". This is where a well will be drilled and dedicated to continuous steam injection. This method can significantly improve sweep efficiency within the reservoir hence allowing a better recovery and continuous oil production from dedicated production wells.

The theme for the coming year is to improve production and to minimize expenses for best profitability. It is noteworthy that rental costs for the steam machine as well as the fuel expenses to generate steam account for a significant portion of the overall production costs. To counter these, the Company is planning to purchase its own new steam machine. These most up-to-date machine offers better efficiency and specifications to suit the needs of the long horizontal well sections. Production will be enhanced together with sizeable savings over the long run. But a more immediate and effective cost-saving step is to use natural gas rather than burning fuel oil for the steam machine. This move will be initiated in the coming months and may cut fuel costs (largest production expense item) by 30% to 50%.

Planning is underway for the next drilling program for the coming years. Timing of this program will be fine-tuned according to the production outcome of the current wells.

Coal Trading

Apart from the principal business of upstream oil exploration and production, we have been developing a new line of business, namely coal trading (covering both coking coal and thermal coal) since January 2011 in order to further expand the base of the Group's resource business. The Group's objective at the moment is to develop itself into a leading Mongolian coking and thermal coal supplier to the China market. With the continuing growth in demand for coal worldwide, especially in the PRC, management believes that coal trading business is profitable, and would be one of the most important areas in the development plan of the Group in the years to come.

During the fiscal year under examination, the coal trading team has performed a lot of pre-operation work in identifying, evaluating and containing the inherent business risks associated with this line of business, while at the same time developing the required logistics. The Group has acquired a company which possesses a coal trading license in the PRC. Management and operation centres have been set up in a number of strategic locations including Ulaanbaatar (the capital city of Mongolia), Gashuun Sukhait (the Sino-Mongolian border crossings in South Gobi of Mongolia), Gants Mod (the Sino-Mongolian border crossings in Inner Mongolia of the PRC), Baotou, Beijing and Shenzhen. All of them are being brought into operation in the current financial year. One of the key strategies is to enhance the throughput capacities of our stockpiles and strengthen our foothold in the coal supply chain by establishing presence in other strategic locations.

For the downstream side of the supply chain, we have strong relationship with a number of leading steel companies in the PRC. We have plans to enter into long-term strategic alliance agreements with these customers in order to provide different types of coal products in accordance with their specifications. It is expected that once the Group goes into full-scale operations in this new line of business, an exciting growth in turnover as well as profit are expected that will contribute positively to the Group's operating results in the coming quarters of the year. This business is also well placed to generate positive cashflow which can in turn support investments in upstream oil and gas as well as other lines of business. We are aiming for a balanced business portfolio in which business with positive cashflow will be given priority over other long-term investment projects.

Other Businesses

On 22 April 2010, the Group acquired a total of 177,785,861 shares, representing approximately 37.55% of the then entire issued share capital of Mobile Telecom Network (Holdings) Limited ("Mobile Telecom", stock code: 8266). Completion of the acquisition took place on 22 April 2010. On 4 April 2011, the board of directors of Mobile Telecom announced that it proposed to issue not less than 588,567,428 offer shares and not more than 592,147,428 offer shares at the subscription price of HK$0.1 per offer share under an open offer. On event date, the Group had given the undertaking in favour of Mobile Telecom and the underwriter under the underwriting agreement to procure the subscription of 177,785,861 offer shares for which the Group is entitled under the open offer. As at the date of this announcement, the Group is interested in a total of 355,571,722 shares in Mobile Telecom, representing approximately 30.21% of its entire issued share capital.

The Group has an effective 34.4% interest in a vanadium mineral project in the Xiaowujiang vanadium mining region, Yuqing County, Guizhou Province, PRC. Management of this business is being undertaken by the major shareholder. All prospecting work had already been completed. The project is in the final stage of exploitation licence application with all application documents already submitted to the relevant governmental authorities. It is expected that the necessary permits will soon be issued. During the year, the Chinese government pays particular attention to the ability of mining enterprises in complying with requirements on environmental protection as well as industrial safety in relation to mining projects. As a result of this, many rules and regulations have been promulgated to formalise the mining industry. Such tightening up of rules and regulations would upgrade the overall quality of the industry despite the fact that issue of the necessary licences would take a longer period of time. On the demand side, some studies show that demand for vanadium pentoxide ("V_2O_5") in the year 2014 will be double compared to existing demand. It is expected that the price of V_2O_5 will be pushed higher and that the project will be quite promising. The Group is optimistic of the future demand for V_2O_5 due to two reasons. Firstly, V_2O_5 is an essential element in the manufacture of high-quality steel especially "Level III steel" (which has a better quality than previous products). All new buildings in China are required to be constructed by use of this kind of steel in order to achieve international standards and to decrease damages in the case of an earthquake. Secondly, the "Twelve Five Planning" in China stresses that renewable energy would be given a positive support. The high-capacity and fast full-charging effect of vanadium battery is absolutely suitable for the manufacture of renewable energy reserve power equipment.

The construction paints business, which is based in Beijing, recorded a turnover of approximately HK$23,049,000 (2010: HK$20,500,000), representing an increase of 12.4%. Continuous development in the construction market in the PRC, coupled with a careful selection of customers with sound credibility, have contributed to the ongoing development of this line of business.

According to the Group's pre-determined business strategy, a small portion of its resources has been invested in property assets to tackle with the low interest rate environment. During the year under review, turnover generated from this line of business amounted to approximately HK$9,830,000 (2010: HK$9,210,000) and an operating loss of HK$878,000 (2010: operating profit of HK$2,058,000) was recorded. As property investment business is not the Group's core business, we have no intention of focus on it. It is expected that the business will provide a stable income for the Group in the foreseeable future.

Important events after the end of the financial year

1) On 8 June 2011, the Company has received a favorable opinion on the second renewal of the Ksar Hadada Permit in respect of the jointly controlled operation in Tunisia for a period of three years with effect from 20 April 2011 till 19 April 2014.

   Subsequent to the second renewal of the Ksar Hadada Permit, the previous operator (namely Petroceltic Ksar Hadada Limited) has withdrawn therefrom and intends to assign its participating interests to the remaining members of the contracting group, including both PetroAsian Energy (Tunisia) Limited, a subsidiary of the Company, and Independent Resources (Ksar Hadada) Limited.

2) On 19 April 2011, the Company entered into the subscription agreement with the Subscriber in connection with the subscription, pursuant to which the Subscriber agreed to subscribe for 200,000,000 warrants conferring rights to subscribe for 200,000,000 warrants shares at the exercise price of HK$0.45 per warrant share The warrants are to be subscribed at a subscription price of HK$0.01 per warrant.

   Mr. Poon Sum (the "Subscriber") is an executive Director and a substantial shareholder. As at 13 May 2011, the Subscriber is interested in 496,033,011 shares, representing approximately 12.01% of the entire issued share capital of the Company, and the 259,629,537 existing warrants which conferred rights to subscribe for 259,629,537 Shares.

BUSINESS OUTLOOK

During the second half of 2011 and beyond, it is expected that the economy of the world will in general continue its steady growth with fluctuations in individual economies due to various factors.

In Hong Kong, the improved economy, the increase in spending from visitors from China, the promising job market and the wealth effect as a result of the increase in property prices will all help to maintain a strong consumer market. On the financial front, with the continued inflow of funds as well as the rapid growth of money supply and credit, both the stock market and the gold market are being sought after by investors. Due to the rapid cooling demand from other advanced industrial countries, Hong Kong's export growth will inevitably slow down to a certain degree. In fact, Hong Kong's export growth has shown a downward trend since April 2010. According to the estimate of a major local bank, Hong Kong's real economic growth in 2011 will be down two percentage points during 2010 to 4.5%.

With the increase in the crude oil prices over the year as well as the ever-increasing global consumption of oil and other energy (especially coal), it is expected that global oil reserves will continue to decline, if not at an even quicker rate, which eventually would result in inadequate supplies and inflating prices. In view of this, the Group maintains the view that the long-term prospect of the oil industry is very optimistic.

The Group would continue to spend its best efforts and resources in identifying, evaluating and investing in attractive, prosperous and reasonably priced acquisition targets in order to integrate these opportunities into the Group to achieve long-term growth.

In view of the different phases of economic development in different countries around the world, the global economic outlook remains fragile and significant challenges stand in the way of a steady recovery. For prudence reasons, the Company will continue to exercise care in structuring and restructuring its direct investment portfolio as well as in managing its existing business and operations. With the current team of experienced management personnel with expertise in every aspects of business and operations, the Group is confident that it is in a good position to count on the foundations that it has built up over the years to achieve long-term growth in the future.

FINANCIAL REVIEW

Revenue and operating results

For the year ended 31 March 2011, the Group recorded a revenue of HK$282,398,000 (2010: HK$307,982,000). The Group recorded a loss for the year of approximately HK$310,771,000 (2010: HK$262,423,000) and loss for the year attributable to owners of the Company of approximately HK$305,507,000 (2010: HK$262,280,000). The decrement of revenue was mainly due to the disposal of Zhongshan manufacturing plant in the year of 2010.

The selling and distribution costs of the Group for the financial year amounted to approximately HK$4,347,000 (2010: HK$12,770,000), representing a decrease of approximately 66%. The administrative expenses of the Group for the financial year under review amounted to approximately HK$187,462,000 (2010: HK$112,252,000), representing an increase of approximately 67%. The increment was mainly due to the increment of professional charges, Tunisia operations and other one-off administrative charges on projects acquisition.

Liquidity and financial resources

During the financial year under review, the Group finances its operations with internally generated cash flow and banking facilities from banks. The Group had bank balances and cash of approximately HK$165,566,000 (2010: HK$393,225,000) and bank borrowings of approximately HK$68,754,000 (2010: HK$93,369,000). Current assets of the Group amounted to approximately HK$415,157,000 (2010: HK$574,747,000) whilst current liabilities were approximately HK$131,083,000 (2010: 188,177,000). The net current assets amounted to approximately HK$284,074,000 (2010: HK$386,570,000).

The gearing ratio, calculated by dividing the total bank borrowings by total assets, was equal to 6.74% as at 31 March 2011 (2010: 8.76%).

In addition, 69,700,000 number of share options were exercised by employees (including directors) over the year. The proceeds amount was approximately HK$27,795,000. The management is of the view that the Group's incoming cash flow from the financing activities and business operations together with the available banking facilities will provide sufficient funds for the Group to meet with the requirements of present operation and further business development in the foreseeable future.

Placing of existing shares and subscription of new shares

On 19 October 2010, the Company entered into the share placing agreement with Mr. Poon Sum (the "Vendor"), an executive director and substantial shareholder, and Cantor Fitzgerald (Hong Kong) Capital Markets Limited (the "Placing Agent") pursuant to which the Placing Agent agreed to place, on a best efforts basis, the placing shares comprising in aggregate up to 400,000,000 existing shares at the placing price of HK$0.55 per placing share on behalf of the Vendor to not fewer than six placees and the Vendor conditionally agreed to subscribe, or to procure (including procuring from Ever Source Enterprises Limited (the "Ever Source")) the subscription, for the subscription shares comprising up to 400,000,000 new shares, being the same number of the placing shares actually placed by the Placing Agent, at the placing price.

On the same date, the Vendor entered into a subscription agreement with the Company for the subscription of up to 400,000,000 new shares (the "subscription shares") at the above placing price. The placing was unconditional. The subscription was conditional upon (i) the Listing Committee of the Stock Exchange granting approval for the listing of, and permission to deal in, the subscription shares; and (ii) the completion of the placing.

The subscription was completed on 1 November 2010. The net proceeds of the subscription was approximately HK$203,892,000. The directors used the net proceeds for the expansion of oil extraction facilities in oilfield in Qiqihar, Heilongjiang Province, the PRC, and as general working capital of the Group and for any potential acquisition.

PLEDGE OF ASSETS

At the end of the reporting period, the Group pledged the following assets to secure the Group's bank borrowings granted by certain banks:

a. first legal charges over leasehold land and buildings held by the Group with a total carrying values of HK$2,385,000 (2010: HK$2,445,000);

b. first legal charges over trade receivables held by a wholly-owned subsidiary of the Group with a total carrying amount of HK$33,705,000 (2010: HK$34,482,000); and

c. a registered of all monies first share charge over the Group's 51% equity interest in Northeast Oil (China) Development Company Limited, a wholly owned subsidiary, as the pledge used to secure the Group's bank borrowings.

COMMITMENTS

As at the end of reporting period, the Group had capital expenditure commitments as followings:

	31.3.2011	31.3.2010
	HK$'000	HK$'000
Contracted but not provided for		
– property, plant and equipment	**38,825**	–
– construction in progress	**2,233**	–
– development expenditure of the Work Programme in Tunisia	**–**	46,500
	41,058	46,500
Authorised but not contracted for		
– acquisition of 52% participating interest of project Modamuji	**172,158**	–
– acquisition of a company engaged in oil technology consultancy service	**41,380**	41,380
	213,538	41,380

INFORMATION ON CRUDE OIL RESERVE AS OF 31 MARCH 2010 AND 2011

During the reporting period, the management appointed APEX Reservoir Services Inc. ("APEX") as independent professional technical valuer (the "Technical Valuer") to evaluate the estimated oil reserve and impairment value of Qiqihar oilfield.

The reserves evaluation was conducted in accordance with Petroleum Resources Management System (the "PRMS"), an internationally recognised reserve standards and guideline. The evaluation subject was petroleum assets (the "Asset") owned by the Company in Fulaerjiqu Oilfield, including block Fu 710, Fu 718 and Meilisi 723. The management of the Group has accepted this newly calculated reserve and a set of technical and economic parameters proposed by APEX (including discount rates, oil price and cost projections, and oilfield development plan) as the basis for impairment calculations. According to the PRMS definition, the oil reserves should be classified into Proved reserve ("P1"); Probable reserve ("P2") and Possible reserve ("P3") and the total 2P ("sum of P1 & P2") and 3P ("sum of P1, P2 & P3") reserve of Qiqihar oil field as of 31 March 2010 and 31 March 2011, are 3.563 million tonnes and 2.810 million tonnes respectively.

Report on crude oil reserve

	Proved reserve *('000 tonnes)*	**Probable reserve** *('000 tonnes)*	**Possible reserve** *('000 tonnes)*
Crude oil reserve			
As at 31 March 2010	196	1,795	1,572
Adjustment to previous estimation*	230	(850)	(131)
Production of the year	(2.3)	–	–
As at 31 March 2011	424	945	1,441

* In the drilling plan of 2011, the development plan has been changed to horizontal well exploitation, and accordingly the number of wells to be invested is reduced significantly. As there is no production data of horizontal well available from other comparable company in the Fulaerjiqu oilfield and the horizontal well exploitation of the Company has commenced just a moment, the oil producing data derived from the actual performance. Due to experience and technical reason, the currently production of horizontal well in the oilfield has not yet to achieve the optimum status.

As the result of the report, the 3P reserve decreased from 2010 to 2011 but the economic effectiveness does not declined, the best solution for exploitation on the oilfield is steam injection which will also facilitate the conversion to steam flooding in the future. The Company believes that after an appropriate technical transformation and enhancement of site production management, the production performance will have significantly improvement.

Valuation of intangible assets and basis of assumption

Based on the new reserve report and impairment assessment approach, the Technical Valuer estimates the economic valuation of oil exploitation right at the dates of acquisition, 31 March 2009, 31 March 2010 and 31 March 2011 as follows:

	Assessment results of Technical Valuer		
	Proved Reserve	**Probable Reserve**	**Possible Reserve**
	RMB'000	*RMB'000*	*RMB'000*
For the date of acquisition 6 March 2008			
Fu 710	–	828,350	408,776
Meilisi 723	–	94,274	95,390
Total	–	922,624	504,166
For the date of acquisition 15 July 2008			
Fu 718	–	191,631	26,460
Impairment assessment of 31 March 2009			
Fu 710	154,809	955,604	539,805
Meilisi 723	–	125,507	145,145
Fu 718	–	206,951	28,730
Total	154,809	1,288,062	713,680
Impairment assessment of 31 March 2010			
Fu 710	171,796	695,179	325,441
Meilisi 723	–	98,126	92,358
Fu 718	13,213	148,588	18,236
Total	185,009	941,893	436,035
Impairment assessment of 31 March 2011			
Fu 710	345,167	381,325	683,811
Meilisi 723	36,997	47,837	137,186
Fu 718	53,336	69,266	76,850
Total	435,500	498,428	897,847

The Technical Valuer has prepared an independent assessment on the basis of the assumptions in related to the future and the following are the major parameters used in the above valuation:

Oil price:	the market price of Daqing PetroChemical with forward factor
Inflation rate:	3% applied on development and operating cost
Discount rate:	10% applied on expected value under the weighted average approach of three probabilities estimation.

On the bases as set out above, the management of the Group considers the reserve report and valuation report reasonably represent the fair value of the Asset and can be used as the basis for the impairment testing.

In addition with a view to bringing the profile of the Group in line with the current market expectations, the directors (the "Directors") of the Company inclined to adopt the guidelines set out in Chapter 18 of the Listing Rules of the Hong Kong Stock Exchange in arriving at the respective fair values of these oil exploitation rights since their respective acquisition dates retrospectively notwithstanding such guidelines have only been promulgated on 3 June 2010.

The Directors further aware that the accounting treatment adopted in relation to the calculation of value of the Assets, i.e the inclusion or exclusion of the value in the proved, proven and probable reserve, have no unified industry standard and may vary to suit for different circumstances. Under the accounting treatment currently adopted by the Company in calculating the value of the Asset in the fiscal year under review, only the proved reserve had been considered. In our case, with reference to the independent technical valuation report and the definition of PRMS, no proved reserve of the Asset were recognized as at their respective acquisition dates. In this case, to ignore the value of the probable and possible reserve may under-estimate the total value of the Assets. In fact, the Group's operation team is now extracting good oil output in possible reserve area. Accordingly, the Directors, after their discussion with auditors for the relevant treatments, accepted a more conservative approach by using the respective purchase costs as the fair values at the dates of acquisition consider the same would be a fair treatment under such circumstances. As a result, the oil exploitation rights will be restated to the cost of acquisition and prior year adjustments will be incorporated in the financial statements for the financial year ended 31 March 2011.

Details please refer to note 2 to the consolidated financial statements.

Reserves Evaluation Criteria

Due to limited production history of the Fulaerjiqu, Qiqihar, Heilongjiang Province, the PRC Oilfield, volumetric estimate method was used to calculate hydrocarbon in place and then recovery efficiency using analog data from typical viscous oil field recovery using the huff and puff recovery method. APEX has used the deterministic method (as opposed to the Probabilistic method) to calculate the reserves estimates, in which three discrete scenarios were delineated to represent high, mid and low cases.

Reserves Category

Proved Reserve ("P1") – Reserves in proven area, which by analysis of geoscience and engineering data, can be estimated with high certainty to be commercially recoverable, from a given date forward, from known reservoirs and under defined economic conditions, operating methods, and government regulations. In this "high case" evaluation, APEX has used a drainage area of 200 m surrounding the development well paths as "proved" area technically judged as continuous with drilled proved area and commercially productive. The recovery efficiency applied to proved reserves is defined with a high degree of certainty supported by analog from fields with similar reservoir and fluid properties, and recovery mechanism. In this evaluation, 25% was used for P1.

Probable Reserve ("P2") – Reserves that are less certain than Proved Reserve but represent a middle case in which it is equally likely that actual remaining recoverable quantities would be greater than or less than the sum of the estimated P1 and P2. APEX's "mid case" evaluation includes reservoir areas delineated by net oil sand thickness of more than 4 m. Recovery efficiency of 25% was assumed as P2 recovery efficiency.

Possible Reserve ("P3") – Those additional reserves which are less certain to be recoverable than Probable Reserves. In this "low case" evaluation, the P3 includes areas of net oil sand thickness between 2 and 4 m. In addition to the 25% recovery efficiency factor used, incremental oil recoverable from an incremental oil recovery factor of 10%, arising from a notional development plan by steam flooding from P1, P2 and P3 areas is included. This recovery mechanism is deemed likely workable and economical (recompleting existing horizontal wells parallel to each other) but substantial technical feasibility and development planning work is required to firm up and hence included only in P3 and not in other reserve categories.

CONTINGENT LIABILITIES

(a) Contingencies on Hong Kong Profits Tax

The prior years' tax position of the Company is under tax investigation, and the Hong Kong Inland Revenue Department (the "IRD") had made certain enquiries on the taxability of profits of certain subsidiaries of the Company in respect of Hong Kong Profits Tax since the year of assessment 1996/97 (i.e. for the accounting year ended 31 March 1997). No conclusion nor settlement was reached by the IRD up to the approval date of the consolidated financial statements.

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

In the unlikely event that the profits of the Company and the relevant subsidiaries would be treated by the IRD as onshore and chargeable to Hong Kong Profits Tax, the maximum exposure of tax liabilities will be approximately HK$ 24 million (2010: HK$21 million), HK$ 11 million (2010: HK$11 million), out of which the potential liabilities prior to the listing of the Company in 2003 had been indemnified by Mr. Poon Sum, the director. At the end of the reporting period, the Group had purchased tax reserve certificate of approximately HK$15 million (2010: HK$12 million) at the IRD's request.

(b) Environmental contingencies

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

EXPOSURE TO FOREIGN EXCHANGE RISK AND INTEREST RATE RISK

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

EMPLOYEES AND REMUNERATION POLICIES

As at 31 March 2011, the Group had an aggregate of 183 (2010 : 136) employees of which about 158 (2010 : 114) were located in mainland China while the rest were based in Hong Kong and Macau. The employee's remuneration package includes salary, bonus and share options. Pursuant to the Group's remuneration policy, employees are rewarded on the basis of merit and market conditions and in accordance with the statutory requirements of the respective jurisdiction where the employees located.

DIVIDEND

The Board does not recommend the payment of a final dividend for the year ended 31 March 2011 (2010: Nil).

CLOSURE OF REGISTERS OF MEMBERS AND WARRANTHOLDERS

The registers of members and warrantholders of the Company will be closed from 25 August 2011 to 31 August 2011, both days inclusive, during which period no transfer of shares will be effected and no transfer or exercise of non-listed warrants and listed warrants will be effected. In order to determine the identity of members who are entitled to attend and vote at the annual general meeting, all transfers accompanied by the relevant share certificates and all completed subscription forms in relation to the exercise of the listed warrants accompanied by the appropriate subscription monies and the relevant warrant certificates must be lodged with the Company's branch share registrar in Hong Kong, Computershare Hong Kong Investor Services Limited at Shops 1712–16, 17th Floor, Hopewell Centre, 183 Queen's Road East, Hong Kong for registration not later than 4:30 p.m. on 24 August 2011. All completed subscription forms in relation to the exercise of the non-listed warrants accompanied by the appropriate subscription monies and the relevant warrant certificates must be lodged with the Company in accordance with the terms and conditions of the nonlisted warrants not later than 4:30 p.m. on 24 August 2011.

CORPORATE GOVERNANCE

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

Code Provision A.4.1 requires that non-executive directors should be appointed for a specific term, subject to re-election.

The independent non-executive directors of the Company are not appointed for specific terms but are subject to retirement by rotation and re-election at the annual general meeting of the Company in accordance with the Company's Articles of Association.

Code Provision A.5.4 requires that directors must comply with their obligations under the Model Code set out in Appendix 10 to the Listing Rules.

Reference is made to the announcements (the "Announcements") of the Company dated 30 July 2010 and 2 August 2010 respectively in relation to, among other matters, the acquisition of 51% and 19% of the issued share capital of Rich Luck Group Limited. Capitalised terms used in this section shall have the same meaning as those defined in the Announcements unless expressly provided otherwise.

Due to an unintentional and inadvertent oversight, Mr. Poon Sum, an executive director of the Company, who only wanted to follow the suit of the Company to settle the consideration for the Sale Shares by way of Shares, agreed to transfer the Shares held under his name to the Vendor as partial settlement for the consideration for the Sale Shares during the black-out period.

Mr. Poon Sum acknowledges that the agreement to transfer his Shares to the Vendor upon Completion constitutes a non-compliance with paragraph A.3.(a)(i) of Appendix 10 to the Listing Rules. In order to rectify the mistake, the supplemental agreement dated 2 August 2010 has been entered into among Easyrich, Mr. Poon Sum, the Vendor and the Warrantors that Mr. Poon Sum shall settle the consideration for the Second Sale Shares in cash upon Completion.

Save as disclosed above, to the best of the directors' knowledge and information, none of the past or existing directors has in breach of paragraph A.3.(a)(i) of Appendix 10 to the Listing Rules since the listing of the shares of the Company on the Stock Exchange and the inadvertent non-compliance will be duly disclosed in the annual report of the Company in compliance with the Listing Rules.

The Company would like to emphasize that it is an inadvertent and unintentional event and the Company has explained to all the directors the standard and requirements to be complied with in securities dealings to ensure no recurrence of such non-compliance.

PURCHASES, SALE OR REDEMPTION OF SECURITIES

Neither the Company, nor any of its subsidiaries, purchased, sold or redeemed any of its securities during the year.

REVIEW OF ACCOUNTS

The Group's final results for the year ended 31 March 2011 have been reviewed by the Company's Audit Committee which comprises three independent non-executive directors.

PUBLICATION OF ANNUAL RESULTS AND ANNUAL REPORT

The electronic version of this announcement is published on the website of the Hong Kong Stock Exchange (http://www.hkexnews.hk) and on the Company's website (http://www.petroasian.com). The annual report for the year ended 31 March 2011, containing all the information required by Appendix 16 to the Listing Rules, will be dispatched to shareholders of the Company and published on the Hong Kong Stock Exchange's website and the Company's website in due course.

By order of the Board
PetroAsian Energy Holdings Limited
Poon Sum
Chairman

Hong Kong, 30 June 2011

As at the date of this announcement, the Board comprises (i) three executive directors, namely Mr. Poon Sum, Mr. Wong Kwok Leung and Mr. Poon Wai Kong; and (ii) three independent non-executive directors, namely Mr. Chan Kam Ching, Paul, Mr. Chan Shu Kin and Mr. Cheung Kwan Hung.