Mirach Energy

GROWING WITH ENERGY

MIRACH ENERGY LIMITED

Annual Report 2008

Contents

Board of Directors
Chan Shut Li, William
(Executive Chairman and Chief Executive Officer)
Lui Che Kin, Gordon
(Executive Director and Chief Financial Officer)
Chen Wei Ching, Vincent
(Independent Director)
Lee Beng Cheng, Billy
(Independent Director)
Liu Mei Ling, Rhoda
(Independent Director)
Xing Heping
(Independent Director)

Audit Committee
Liu Mei Ling, Rhoda
(Chairman and Independent Director)
Chen Wei Ching, Vincent
(Independent Director)
Lee Beng Cheng, Billy
(Independent Director)

Remuneration Committee
Chen Wei Ching, Vincent
(Chairman and Independent Director)
Lee Beng Cheng, Billy
(Independent Director)
Liu Mei Ling, Rhoda
(Independent Director)

Nominating Committee
Lee Beng Cheng, Billy
(Chairman and Independent Director)
Chan Shut Li, William
(Executive Chairman & CEO)
Liu Mei Ling, Rhoda
(Independent Director)
Chen Wei Ching, Vincent
(Independent Director)

Company Secretaries
Lotus Isabella Lim Mei Hua (FCIS)
Lee Bee Fong (ACIS)

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Tel: (65) 6236 3333 Fax: (65) 6236 4399

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No: 183 Queen's Road Central
Hong Kong
Tel: (852) 2850 7437
Fax: (852) 2850 6369

Share Registrar
Tricor Barbinder Share Registration Services
(A division of Tricor Singapore Pte. Ltd.)
8 Cross Street #11-00 PWC Building,
Singapore 048424

Auditors
LTC LLP
Certified Public Accountants
1 Raffles Place
#20-02
OUB Centre
Singapore 048616

Partner-in-charge
Tsang Siu For Thomas
(appointed since financial year
ended 31 December 2007)

Bankers
Bank of Communications Xi'an Branch
Gao Xin Wu Lu Sub-branch
5 Gao Xin Road, Xi'an, PRC
The Hongkong and Shanghai Banking
Corporation Limited
21 Collyer Quay #08-01, HSBC Building
Singapore 049320

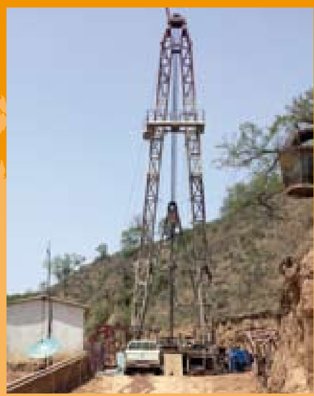
...Corporate Profile >>>

Mirach Energy Limited ("Mirach") is positioned to be an energy partner for oil and gas majors with focus in Asia, providing our customers with effective technical oilfield services and solutions for their oil extraction and production activities. The Group has established offices in Hong Kong, Beijing, Xi'an (China), Jakarta (Indonesia) and Phnom Penh (Cambodia) and is part of a consortium holding an oil concession in offshore Cambodia.

Mirach focuses on developing its exploration and production businesses via oil production contracts and concessions. We have the capabilities to provide a comprehensive range of oilfield services including technical oilfield and advisory services, enhanced oil recovery ("EOR") services and E & P project management services. Integral to the group's exploration and production business is our team of oil and gas specialists comprising geologists, oilfield services engineers and production engineers.

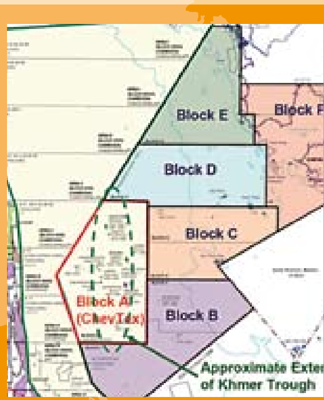
CHINA

Mirach Energy is engaged in oil extraction in Shaanbei, Shaanxi Province, via oil production contracts with a unit of Sinopec. In Beijing, the Group has a full fledged exploration and production team to support our regional E&P activities. If opportunities arise, the Group intends to further develop its business in China via production oil fields.



CAMBODIA

The Group owns a 48% interest in associate company CPHL Cambodia, which holds the concession for the Cambodia Offshore Oil Field Block D PSC, with 7 years exploration and 30 years production rights. Mirach Energy is the main operator of the oil block.



INDONESIA

The Group owns a 42% stake in a joint venture company, PT Kamundan Energy, that holds the concession in an oil and gas field in Kamundan, Indonesia. Our wholly-owned subsidiary, Petrotech Engineering Services Inc.(PEI), has completed a Joint-Study with Pertamina on the feasibility of deploying EOR methods in Kalimantan. We also participated in a trial program with Pertamina to optimize incremental oil production in South Sumatra.

We are constantly assessing other oil production opportunities for the Group to grow our business and enlarge our earnings base, after completing our divestments of the non-core businesses. We will focus on assessing the viability of each opportunity with a long term perspective in mind.

Dear Fellow Shareholders,

The year 2008 saw the global economy at the mercy of one of the greatest financial meltdowns in history, and few were spared in the carnage. In the oil and gas industry, we observed massive cancellation of projects and sudden change in management decisions given the rapid increase in oil price and its equally rapid decline due to the financial meltdown in the same year.

Review for FY2008

Noting the above, although the general economic climate did make things worse for us, Mirach had its own internal operations hurdle to cross. The Group experienced another year of loss in FY2008.

For the year under review, the Group recorded a net loss attributable to shareholders of RMB55.5 million, on revenue of RMB34.2 million.

The loss incurred in operations was significantly due to impairment loss in oil field equipment costs in Shaanbei, as the delivery price for oil was adjusted downwards by our customer with effect from 2009, to reflect the plunge in global crude oil price. In addition, although contributions from the Shaanbei Oil Production Contract were higher and trade receivables collection were healthy, oil production rates were not up to expectations, resulting in lower than expected contribution to revenue and an operating loss incurred in Shaanbei.

This was exacerbated by a provision for doubtful debt allowance for overdue receivables that relates to the disposal of Ba Zhou Zhong You Yang Guang Oil and Gas Technology Co., Ltd (“BZZY”). As part of our ongoing efforts to shed non-core businesses and to reallocate resources to our exploration and production business, the Group divested BZZY for a consideration of RMB8.7 million in the first half of 2008. BZZY was acquired in February 2006 for a consideration of RMB0.9 million. We made an allowance for doubtful debt of RMB 7.7 million as the receivables had been overdue.

On our operations in the Cambodia Offshore Oil Field Block D PSC (“Block D”), associated company CPHL Cambodia continues to seek potential partners to jointly develop the field. However, the sudden reversal in oil price in the second half of 2008 and the global credit crunch has slowed down the progress in this project. We also constantly fine tune our exploration drilling plan with new knowledge to minimize risks of exploration. In the meantime, there are ongoing preparations and discussions with service providers to prepare for the exploration phase of the project.

In Indonesia, progress has been slow for EOR business development activities due to the soft crude oil price, which may lead to lower motivation for EOR efforts. At the Kamundan gas field front, our associated company PT Kamundan Energy has obtained approval to conduct geological and geophysical study in the field to explore our options in the field.

Fund Raising Exercise

As the financial meltdown unfolds and continues to look ominous, the Company sees a need to raise funds to boost its cash position in order to better position itself to handle the challenges ahead.

On 29 December 2008, the Company proposed a renounceable non-underwritten 3-for-1 rights issue of up to 887,581,257 new ordinary shares in the capital of the Company, at an issue price of S$0.022 for each Rights Share in the capital of the Company.

The purpose of the fund raising is for investment in exploratory wells drilling program in relation to the Cambodia Offshore Oil Field Block D undertaken by its associated company, CPHL Cambodia Co. Ltd, and for working capital for the Company and its subsidiaries.

Prospects for FY2009

On the whole, 2009 is seen to be another difficult year for all businesses. The recessionary pressure in the global economy is still ongoing and crude oil prices are still fluctuating which are likely to keep many projects and investments at bay. Such climate has negatively impacted the Group's business.

As mentioned earlier, we have faced a downward adjustment of the oil delivery price for our oil field production contract in Shaanbei. As a result of the price reduction and declining production rate, revenue from Shaanbei oil production contracts is likely to decline this year.

Our earlier plan to acquire another production oil field in the north-eastern part of China is also being subjected to re-assessment due to the change in economic climate and oil price.

In the meantime, we are constantly assessing other oil production opportunities for the Group to grow our business and enlarge our earnings base, after completing our divestment of the non-core businesses. We will focus on assessing the viability of each opportunity with a long term perspective in mind.

In essence, Mirach Energy, with its new name and focus on the energy exploration and production business, is still committed to scout for opportunities and to grow itself into a meaningful energy partner for oil companies in Asia.

New Appointments

The Board of Directors is pleased to welcome our new independent director, Mr Xing Heping, to join the Board with effect from 1 April 2009. Mr Xing is an accomplished journalist and has worked as a correspondent for China Xinhua News Agency for both Singapore and Cambodia, and is a council member of the China Association of Southeast Asian Studies. His years of research and knowledge on Southeast Asian issues, particularly those in Cambodia, will be an asset for the Board to tap on. We hope Mr Xing will help to strengthen the Board's effectiveness further.

Acknowledgements

Last but not least, I sincerely thank our directors, management and staff for their invaluable contributions and support to the Group in such tough times. On behalf of the Board, I also thank all our fellow shareholders for your support, and we assure you of our continuous commitment, dedication and hard work to turn the Company around.

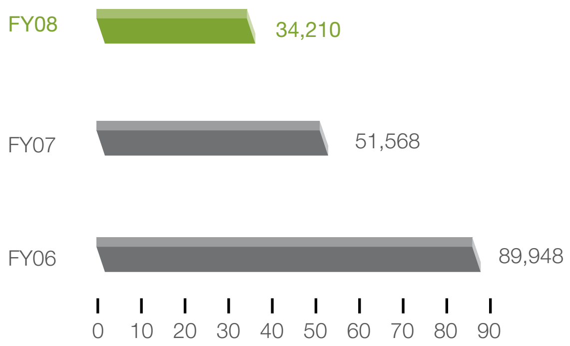
Thank you.

William Chan
Executive Chairman & Chief Executive Officer
1 April 2009

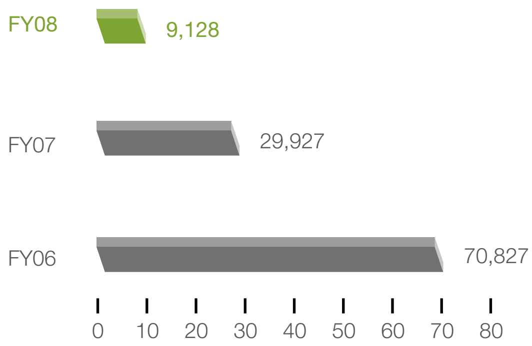
...Financial Highlights >>>

Group Income Statement (RMB '000)	2006	2007	2008
Revenue	89,948	51,568	34,210
Gross Profit	70,827	29,927	9,128
Profit/(Loss) from Operations	18,775	(51,336)	(54,244)
Profit/(Loss) Before Tax	20,801	(52,536)	(56,172)
Net Profit/(Loss) After Tax	20,411	(52,536)	(55,782)
Group Balance Sheet (RMB '000)	**2006**	**2007**	**2008**
Fixed Assets	4,751	70,117	34,780
Intangible Assets	156,315	1,241	-
Investments in Associates	-	49,510	46,597
Cash & Cash Equivalents	100,760	116,683	72,798
Other Current Assets	78,292	79,313	71,137
Total Assets	340,118	316,864	225,312
Shareholder's Equity	210,827	243,057	185,368
Minority Interests	51,049	6,657	-
Deferred Tax Liabilities	41,169	390	-
Other Current Liabilities	37,073	66,760	39,944
Total Equity & Liabilities	340,118	316,864	225,312
Per Share Data (RMB cents)	**2006**	**2007**	**2008**
Earning/(Loss) per share	10.7	(20.8)	(19.1)
Net Asset Value	86.2	83.5	63.7
Net Cash Holding	41.2	40.1	25.0
Financial Ratio (%)	**2006**	**2007**	**2008**
Gross Profit Margin	78.7	58.0	26.7
Operating Margin	20.9	-	-
Return on Average Assets	9.4	-	-
Return on Average Shareholder's Equity	11.2	-	-

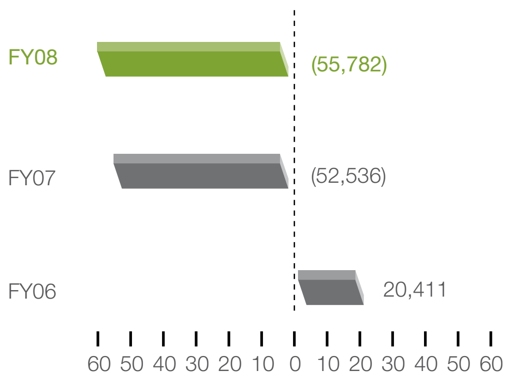
Revenue (RMB million)



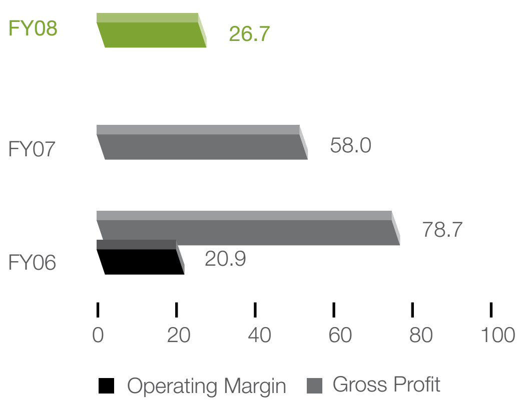
Gross Profit (RMB million)



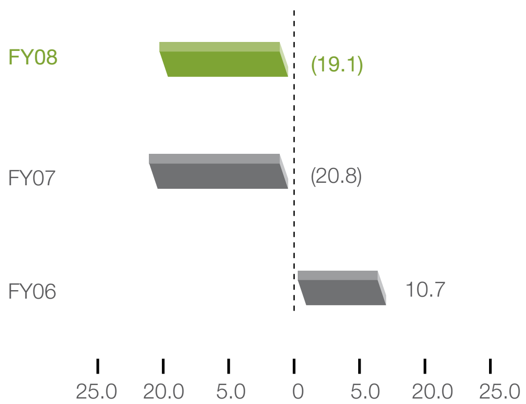
Net Profit (RMB million)



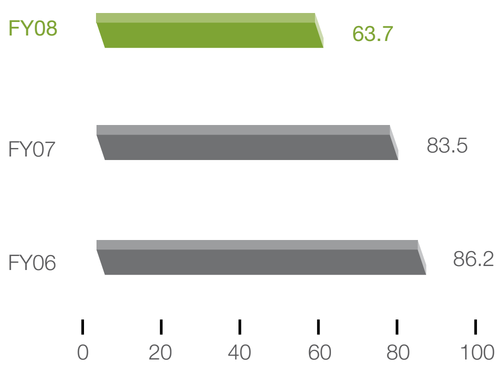
Gross Profit & Operating Margin (%)



Earnings Per Share (RMB cents)



Net Asset Value (RMB cents)



Operating Revenue, Profit and Earnings

In the financial year ended 31 December 2008, the Group recorded a 34% decrease in total revenue to RMB34.2 million, versus RMB51.6 million recorded in FY2007.

Gross profit decreased 69% to RMB9.1 million from RMB29.9 million in FY2007. This was due to lower revenue recorded for the year, as well as lower gross margins in oilfield services and oil production contracts, as compared to software sales.

Selling and distribution costs increased mainly due to higher costs incurred in business development, as well as one-off expenses for environmental and transportation cost for the Shaanbei oil fields. Administrative costs were lower at RMB15.6 million in FY08 as compared to the previous year of RMB22.1 million, as FY07 administrative costs included expenses of RMB3.2 million attributed to the employee share options scheme. The employee share options scheme expense was RMB0.5 million in FY08.

At the bottom line, the group recorded a net loss attributable to shareholders of RMB55.5 million, compared to a net loss attributable to shareholders of RMB55.0 million in FY2007.

The loss incurred FY2008 included an impairment loss of RMB 29.4 million that was related to oil field equipments in the Shaanbei oil production contracts and an allowance for doubtful other receivables from the disposal of its 60% owned Ba Zhou Zhong You Yang Guang Oil and Gas Technology Company of RMB7.7 million. It also included an impairment loss of inventories of RMB1.3 million which

related to Shaanbei oil production of RMB0.3 million, the Company of RMB0.78 million and others of RMB0.22 million. There was also a loss on disposal of a subsidiary of RMB1.0 million related to XCOIE.

Segmental Information

Oilfield services

Oilfield services recorded revenue of RMB11.5 million in FY2008, compared to RMB28.3 million in the previous year. This comprised mainly of revenue derived from technical services provided to associate CPHL Cambodia Company Ltd. The significantly lower in oilfield services revenue was also partly due to the divestment of Ba Zhou Zhong You Yang Guang Oil and Gas Technology Co., Ltd. ("BZZY") in the second quarter of FY2008, which had contributed 47% to oilfield services revenue in FY2007.

Oil Production Contracts

In FY2008, revenue from oil production contracts in the 33 km2 working area in Shaanbei, where the Group provides drilling and production services to a unit of Sinopec, Ganquan Daming Company, registered RMB20.6 million as compared to RMB12.0 million in FY2007. The performance in Shaanbei oil production contract was below the Company's expectation as production volume per well was far below initial expectation.

Software and related services

In December 2008, the Group has disposed of its wholly owned subsidiary Xi'an Cenozoic Oilfield Information Engineering Company Ltd ("XCOIE") which sells software products and solutions, as its on-going efforts to phase out its non-core businesses and to focus on its exploration and production and related oilfield services. For FY2008, total revenue recorded for this segment is RMB2.1 million.

Balance Sheet

Financial Position and Liquidity

Group cash balance was RMB72.8 million as at 31 December 2008, versus RMB116.7 million in 31 December 2007. In addition to operating loss, the decrease was also attributed to the settlement of trade and other payables of RMB12.4 million, a repayment of director loan of RMB7.0 million and the purchase of property, plant and equipment of RMB12.6 million.

Property, plant and equipment, which comprises mainly of development expenditures in the Shaanbei Oil Production Contract was significantly lower at RMB34.8 million versus RMB70.1 million at 31 December 2007. This is due to the provision for impairment loss for oil field equipments of RMB29.4 million as a result of the downward adjustment of oil delivery price with effect from 2009, by the Sinopec unit, Ganquan Daming.

Trade receivables and other receivables decreased from RMB14.7 million and RMB4.2 million at 31 December 2007 to RMB3.3 million and RMB1.2 million at 31 December 2008 respectively. Trade receivables were significantly lower due to the better collection from the customer, Ganquan Daming, and lower revenue recorded due to the phasing out of non-core businesses.

Trade and other payables decrease to RMB38.8 million from RMB57.0 million at 31 December 2007 as the Company paid off some of its payables related to expenditures in Shaanbei Oil Production.

Chan Shut Li, William

Executive Chairman and Chief Executive Officer

William is responsible for setting the strategic direction and leading the Mirach Energy Group of Companies into an energy partner for customers in the oil and gas sector in Asia. He is also responsible for the development of the group's business operations both within and outside China, where he is keenly engaged in business development activities and their successful implementation. William is also the Chairman of CPHL (Cambodia) Co. Ltd. He holds a Masters Degree in Business Administration from Murdoch University, Australia and is a Fellow Member of the UK Institute of Financial Accountants, as well as a Full Member of the Society of Registered Financial Planners of Hong Kong.

Lui Che Kin, Gordon

Executive Director and Chief Financial Officer

Gordon has more than 15 years of experience in corporate finance, taxation and accounting in various industries and was appointed as the Group Chief Financial Officer on 1 April 2007. He holds a Master Degree in Business Administration from University of Ballarat, Australia and is a Certified Public Accountant of Hong Kong Institute of Certified Public Accountants. Gordon is also an Associate Member of Association of Chartered Certified Accountants, UK, an Associate Member of the Institute of Chartered Secretaries and Administrators, UK and an Associate Member of The Hong Kong Institute of Company Secretaries.

Lee Beng Cheng, Billy

Independent Director

Billy was appointed as an Independent Director of our Company on 27 April 2004. He is currently the Executive Director of T.S Lee & Sons Pte Ltd, an investment holding company in Singapore. Mr. Lee has more than 25 years of experience in the marine and oil and gas industries. Between 1975 and 1978, Mr Lee was the Head of the offshore oil and gas, marine and aerospace industries at the Singapore Economic Development Board. Subsequently, he held various senior positions within the Promet group of companies between 1978 and 1987. He was the Director of group business development in Sembawang Holdings Pte Ltd from 1987 to 1992 and later as the Managing Director and President of Sembawang Maritime Group from 1992 to 2000. Mr. Lee is currently a Director of several listed companies in Singapore. He holds a Bachelor of Science (Engineering) (First Class Honours) and a Master of Science (Engineering) from the University of Leeds in the United Kingdom. Mr. Lee is a member of the Institute of Engineers, the Singapore Institute of Management and the Singapore Institute of Directors.

Chen Wei Ching, Vincent

Independent Director

Vincent was appointed as an Independent Director of our Company on 1 September 2004. Mr. Chen has 17 years of experience in the banking sector and has held senior positions in major banks such as Bank of America and Banque Francaise Du Commerce Exterieur. In 1988, Mr. Chen co-founded Sidi, Chen and Associates which provided financial consultancy services to companies in the region. Since 1993, he has been managing his personal and family investments. Mr. Chen is also a Director of Transpac Industrial Holdings Ltd. Mr. Chen holds a Bachelor of Science (Industrial Engineering) degree from Cornell University and a Master of Business Administration from the Wharton School, University of Pennsylvania. He is active in many civic and service organizations and is a member of the Singapore Institute of Directors.

Liu Mei Ling, Rhoda

Independent Director

Rhoda has 20 years of experience in accounting, auditing and financial advisory services in Hong Kong and Canada. She was appointed to the Board on 1 April 2007. Currently, Rhoda serves as a Senior Partner at Liu and Wong, CPA, where she is responsible for planning, supervision and business advisory services including taxation issues for clients. She had worked for Coopers & Lybrand (HK) and Ernst & Young (Canada) for several years, then worked for two local CPA firms in HK since 1992, and was promoted to partner in 1996. Rhoda holds a Bachelor of Arts Degree in Commercial Study from University of Western Ontario, Canada, where she majors in Economic and Finance, and a Master Degree in Business Administration from McMaster University, Canada. She also holds the Professional Degree in Chinese Law Program with Tsing Hwa University in China in 2008. She is a member of the Canadian Institute of Chartered Accountants, a fellow practicing member of the HK Institute of Certified Public Accountants and a fellow member of the HK Taxation Institute.

Xing Heping

Independent Director

Mr Xing Heping was appointed as an Independent Director of the Company with effect from 1 April 2009. He was Director of the Cambodian Language Department at China Radio International and was a correspondent for China Xinhua News Agency for Singapore and Cambodia. Mr Xing has conducted research on Southeast Asian issues, particularly on Cambodian issues and also authored several books about Cambodia. He is also a Council Member of the China Association of Southeast Asian Studies, Guest Research Fellow of the Southeast Asian Studies Center of Peking University, and a Guest Researcher of the Institute for Southeast Asian Studies of Guangxi Academy of Social Sciences. Mr Xing is also a special correspondent for the Hong Kong weekly magazine Yazhou Zhoukan (亚洲周刊) and a contributor for the leading Singapore Chinese newspaper Lianhe Zaobao's (联合早报) Opinion section. Mr Xing studied Cambodian Literature and History at the Royal University of Cambodia and the Royal University of Phnom Penh, where he was awarded his Bachelor's degree with honors.

Wang Jue

Head of E&P Team and CEO of CPHL Cambodia

Dr. Wang has garnered more than 20 years of operational and senior management experience in exploration and production activities in the oil and gas industry and has won herself numerous awards for her technical knowledge excellence. She worked in various departments in major petroleum companies in China for about 17 years and was the head of planning of the exploration and production departments. In her capabilities, Dr. Wang was also engaged as senior oilfield reservoir and production engineer, geologist in oilfield development, assistant head of the oilfield development department, etc. She also headed various departments including the development of oilfield reservoirs. Prior to joining us, Dr. Wang worked as a senior technical consultant at Core Laboratories, KJP. Dr. Wang graduated from Chengdu College of Geology in 1986, majoring in Oil and Gas Geology and achieved her Masters in Exploration Engineering of Oil and Gas and Doctorate in Structural Geology from China University of Geosciences.

Wang Lu Jiang

Manager, Indonesian Projects

Mr. Wang has amassed more than 25 years of experience in project management in the oil and gas industry. He was actively engaged in exploration and development projects as well as various technical assistance (KSO) projects in the exploration and production area. Before joining the Group, Mr. Wang was seconded to Indonesia to manage oil fields exploration and production activities by state-owned petroleum companies of China and was engaged in numerous overseas projects, including those in Kazakhstan, Mongolia, Oman, Iraq, Myanmar, Sudan, Canada, Peru, Venezuela and Indonesia. Mr. Wang graduated in 1982 from Jianghan Petroleum Institute (now merged as Hubei University), with major in Geology.

Li Xing Wei

General Manager, Oil Field Development

Mr. Li brings with him more than 21 years of domain expertise and experience in managing oil field development work as well as oil and gas production processes in China. He was engaged in a major China oil company as the head of production in the Henan Oil Field. In addition, Mr. Li was also formerly the Assistant Chief Engineer at a unit of state-owned Chinese petroleum firm. He also acted as the head of production engineering department at a major China petroleum company, heading a team of production engineers. Mr. Li graduated from Chengdu Geology Institute with major in Petroleum Geology.

Guo Ping Bo

General Manager, Oil Field Development

Dr. Guo joined the Group in December 2004 as the chief architect of our exploration software development subsidiary. He has since been transferred to head the management of oil field in our Shaanbei production contract. Previously, Dr. Guo was a researcher in Xian Aerospace Industry Co. and a lecturer in Northwest Polytechnic University. In the last 10 years, he has held senior positions including software engineer and software system architect in several major corporations and government agencies in U.S.A. and Canada. Prior to joining the Group, he was the Chief Technology Officer of a major listed software company based in Xian.

The Board of Directors ("the Board") is committed to ensuring that the highest standards of corporate governance are practised throughout Mirach Energy Limited and its subsidiaries ("the Group") as a fundamental part of discharging its responsibilities to protect and enhance shareholder value and the financial performance of the Group. The Board is pleased to confirm that it has adhered to the principles and guidelines of the new Code of Corporate Governance 2005 (the "Code") where it is applicable and practical. The Board has also established various self-regulatory and monitoring mechanisms, where applicable, to ensure that effective corporate governance is practised.

Set below are the policies and practices adopted and practised by the Group to comply with the principles and spirit of the Code. The Board confirmed that the Group has generally complied with the principles of the Code.

THE CODE

The Code is divided into four main sections, namely:

(A) Board Matters
(B) Remuneration Matters
(C) Accountability and Audit
(D) Communication with Shareholders

(A) BOARD MATTERS

Principle 1:
Every company should be headed by an effective Board to lead and control the company. The Board is collectively responsible for the success of the company. The Board works with Management to achieve this and the Management remains accountable to the Board.

The principal functions of the Board are:

1. reviewing and approving corporate strategies, annual budgets and financial plans and monitoring the organisational performance towards them;

2. reviewing the adequacy and integrity of the company's internal controls, risk management systems, and financial information reporting systems;

3. ensuring the Group's compliance to laws, regulations, policies, directives, guidelines and internal code of conduct;

4. approving the nominations to the Board of directors by the Nominating Committee, and endorsing the appointments of management team and/or external auditors;

5. reviewing and approving the remuneration packages recommended by the Remuneration Committee for the Board and key executives;

6. reviewing and approving share options granted under the Mirach Energy Employee Share Option Scheme; and

7. ensuring accurate, adequate and timely reporting to, and communication with shareholders.

Matters which are specifically reserved to the full Board for decision include those involving corporate plans and budgets, material acquisitions and disposals of assets, corporate or financial restructuring, share issuances, dividends, other returns to shareholders and interested person transactions.

The Board has delegated specific responsibilities to 3 subcommittees (Audit, Nominating and Remuneration Committees), the details of which are set out below. These committees have the authority to examine particular issues and report back to the Board with their recommendation. The ultimate responsibility for the final decision on all matters, however, lies with the entire Board.

The Board meets on a regular basis and as when necessary to address any specific significant matters that may arise. The Articles of Association allow a Board meeting to be conducted by way of a tele-conference and a video-conference. All Board members bring about an independent judgment and diversified knowledge and experiences to bear on the issues of strategy, performance, resources and standards of conduct. The matrix on the position, the frequency of meeting and the attendance of directors at these meetings, is shown on page 22.

Principle 2:
There should be a strong and independent element on the Board, which is able to exercise objective judgment on corporate affairs independently, in particular, from Management. No individual or small group of individuals should be allowed to dominate the Board's decision making.

The Board comprises 5 members, 2 of whom are executive directors and 3 are independent directors making up at least one-third of the Board, in accordance with the Code. Together, the directors bring about wide-ranging business and financial experiences relevant to the direction of the Group. A brief description of the background of each director is presented on "Board of Directors" section.

The Board considers the current board size as adequate for its present operations. As independent directors make up a majority of the Board, no individual or group is able to dominate the Board's decision-making process. There is also balance in the Board because of the presence of independent directors of the calibre necessary to carry sufficient weight in Board decisions. Although all the directors have an equal responsibility for the Group's operations, the role of these independent directors is particularly important in ensuring that the strategies proposed by the executive management are fully discussed and examined, and take into account the long term interests, not only of the shareholders, but also of employees, customers, suppliers, and the many communities in which the Group conducts business.

The investment of minority shareholders is fairly reflected through Board representation.

Principle 3:
There should be a clear division of responsibilities at the top of the company - the working of the Board and the executive responsibility of the company's business - which will ensure a balance of power and authority, such that no one individual represents a considerable concentration of power.

It is the view of the Board that it is in the best interests of the Group to adopt a single leadership structure i.e. where the CEO and the Executive Chairman of the Board is the same person, so as to ensure that the decision-making process of the Group would not be unnecessarily hindered.

The Executive Chairman ensures that the board meetings are held when necessary and sets the board meeting agenda. The Executive Chairman reviews the board papers prior to presenting them to the Board. The Executive Chairman ensures that Board members are provided with complete, adequate and timely information on a regular basis to enable them to be fully cognisant of the affairs of the Group. Major decisions made by the Executive Chairman and CEO are brought up by him for discussion and review at Board meetings. His performance and appointment to the Board are reviewed periodically by the Nominating Committee and his remuneration package is reviewed periodically by the Remuneration Committee. Both the Nominating Committee and the Remuneration Committee comprise a majority of independent directors of the Company. As such, the Board believes that there are adequate safeguards against an uneven concentration of power and authority in a single individual.

Principle 4:
There should be a formal and transparent process for the appointment of new directors to the Board.

NOMINATING COMMITTEE

The Nominating Committee comprises four members, a majority of whom are independent. The members of the Nominating Committee are:-

Mr Lee Beng Cheng, Billy	(Chairman and Independent Director)
Mr Chan Shut Li William	(Executive Chairman and Chief Executive Officer)
Ms Liu Mei Ling, Rhoda	(Independent Director)
Mr Chen Wei Ching, Vincent	(Independent Director)

In 2008 the Nominating Committee had 1 meeting. The matrix on the position, the frequency of meeting and the attendance of directors at this meeting is shown on page 22.

The terms of reference for the Nominating Committee are to:

- set a framework to identify and nominate to the Board, candidates for all directorships to be filled by shareholders or the Board; candidates for all executive management positions; and directors to fill the seats on Board committees;
- oversee the management development and succession planning of the Group, including appointing, training and mentoring senior management;
- determine the objective criteria on evaluating the Board's performance; and
- assess the effectiveness of the Board as a whole and the contribution by each director to the Board.

ELECTION AND RE-ELECTION

New directors are appointed by way of a board resolution, upon their nomination from Nominating Committee. In accordance with the Company's Articles of Association, these new directors who are appointed by the Board shall hold office only until the next Annual General Meeting and shall then be eligible for election, but shall not be taken into account in determining the number of Directors who are to retire by rotation at such meeting. The Articles also provide that at least one third of the remaining directors be subject to re-election by rotation at each Annual General Meeting.

Principle 5:
There should be a formal assessment of the effectiveness of the Board as a whole and the contribution by each director to the effectiveness of the Board.

The Nominating Committee assesses the effectiveness of the Board as a whole and the Committees of the Board on an annual basis. In this aspect, both quantitative and qualitative criteria were adopted. The criteria adopted include the effectiveness of the Board in its monitoring role and the attainment of the strategic and long-term objectives set by the Board. The Nominating Committee also considers the required mix of skills, experience and core competencies of the members should bring to the Board, during this assessment.

Principle 6:
In order to fulfill their responsibilities, Board members should be provided with complete, adequate and timely information prior to board meetings and on an on-going basis.

All directors review a Board report prior to the Board meeting. The Board report includes, among others, the following details:

- minutes of meetings of all Committees of the Board;
- performance report of the Group; and
- major operational and financial issues.

The directors have also been provided with the contact numbers and e-mail particulars of Group's executive management.

The directors, whether as a full Board or in their individual capacity, may take independent advice, where necessary, in the furtherance of their duties and at the Group's expense.

All directors have access to the advice and services of the Company Secretary. The Company Secretary attends the meetings of the Board, and ensures that board procedures are followed and that applicable rules and regulations are complied with. The Company Secretary also attends the meetings of the Audit Committee, Remuneration Committee and Nominating Committee.

(B) REMUNERATION MATTERS

Principle 7:
There should be a formal and transparent procedure for developing policy on executive remuneration and for fixing the remuneration packages of individual directors. No director should be involved in deciding his own remuneration.

REMUNERATION PROCEDURE

The Code endorses, as good practice, a formal framework for fixing the remuneration packages of individual, with a Remuneration Committee making recommendations to the Board.

The Company adopted the objective as recommended by the Code to determine the remuneration for a director so as to ensure that the Company attracts and retains the directors needed to run the Group successfully. The component parts of remuneration are structured so as to link rewards to corporate and individual performance in the case of executive directors.

REMUNERATION COMMITTEE

The Remuneration Committee comprises three members, all of whom are independent. The members of the Remuneration Committee are:-

Mr Chen Wei Ching, Vincent (Chairman and Independent Director)
Mr Lee Beng Cheng, Billy (Independent Director)
Ms Liu Mei Ling, Rhoda (Independent Director)

The principal responsibilities of Remuneration Committee are:

1. recommending a framework of executive remuneration for the Board and key executives;

2. determining specific remuneration packages for each executive director and key management personnel; and

3. administering the performance bonus scheme and the share option scheme for the employees of the Group.

In 2008 the Remuneration Committee had 1 meeting. The matrix on the position, the frequency of meeting and the attendance of directors at this meeting is shown on page 22.

Principle 8:
The level of remuneration should be appropriate to attract, retain and motivate the directors needed to run the company successfully but companies should avoid paying more than is necessary for this purpose. A significant proportion of executive director's remuneration should be structured so as to link rewards to corporate and individual performance.

Principle 9:
Each company should provide clear disclosure of its remuneration policy, level and mix of remuneration, and the procedure for setting remuneration in the company's annual report. It should provide disclosure in relation to its remuneration policies to enable investors to understand the link between remuneration paid to directors and key executives, and performance.

The Remuneration Committee recommends to the Board the framework of executive remuneration, and the remuneration package for each executive director and key management personnel. Although the recommendations are made in consultation with the Chairman of the Board as well, the remuneration packages are ultimately approved by the entire Board.

REMUNERATION PACKAGE

The remuneration package of directors and key management personnel includes the following:

(a) Basic salary

The basic salary (inclusive of statutory employer contributions to Central Provident Fund, if applicable) for each executive director/key management personnel is recommended by the Remuneration Committee, taking into account the performance of the individual, the inflation price index and information from independent sources on the rates of salary for similar jobs in a selected group of comparable organisations.

(b) Fees

The fees paid/payable to independent directors takes into account factors such as effort and time spent, and responsibilities of these directors. The remuneration of independent directors are submitted for approval at the Annual General Meeting. Executive directors do not receive directors' fees.

(c) Bonus scheme

The Group operates a bonus scheme for all employees, including the executive directors and key management personnel. The criteria for the scheme is the level of profit achieved from certain aspects of the Group's business activities against targets, together with an assessment of corporate and individual's performance during the year. Bonuses payable to the executive directors/key management personnel are reviewed by the Remuneration Committee and approved by the Board to ensure alignment of their interests with those of shareholders.

(d) Benefits in kind

Other customary benefits (such as private medical cover, housing, car) are made available as appropriate.

(e) Service contract

The notice period for the termination of Executive Directors' service contracts by either party giving not less than 6 months' notice to the other.

(f) Mirach Energy Employee Share Option Scheme

The Mirach Energy Employee Share Option Scheme (the "Scheme") has been approved, the Group has granted options to senior executives and Independent Directors of the Group under the Scheme. Matters relating to the Scheme were administered by the Remuneration Committee. The information of the participants is shown on page 25.

REMUNERATION MATTERS

A breakdown showing the level and mix of each individual director's remuneration payable for FY 2008 is as follows:

	2007	2008
$500,000 and above	–	–
$250,000 to below $500,000	–	–
Below $250,000	7	7
Total	7	7

Name	Remuneration Band S$	Salary %	Bonus %	Fringe Benefits %	Directors' Fees %	Total %
Chan Shut Li, William	Below S$250,000	100	–	–	–	100
Zhao Ying*	Below S$250,000	100	–	–	–	100
Zhou Hong*	Below S$250,000	100	–	–	–	100
Lui Che Kin, Gordon	Below S$250,000	100	–	–	–	100
Liu Mei Ling, Rhoda	Below S$250,000	–	–	–	100	100
Lee Beng Cheng, Billy	Below S$250,000	–	–	–	100	100
Chen Wei Ching, Vincent	Below S$250,000	–	–	–	100	100

* Zhao Ying and Zhou Hong resigned as Director of the Company on 27 February 2008.

Remuneration of the top 5 key executives

Name	Remuneration Band	Salary %	Bonus %	Fringe Benefits %	Directors' Fees %	Total %
Chan Shut Li, William	Below S$250,000	100	–	–	–	100
Lui Che Kin, Gordon	Below S$250,000	100	–	–	–	100
Wang Jue	Below S$250,000	100	–	–	–	100
Guo Ping Bo	Below S$250,000	100	–	–	–	100
Kong Chi Hung	Below S$250,000	100	–	–	–	100

The Company does not have any employee who is an immediate family member of a Director or CEO.

(C) ACCOUNTABILITY AND AUDIT

Principle 10:
The Board should present a balanced and understandable assessment of the company's performance, position and prospects.

In presenting the annual financial statements and quarterly announcements to shareholders, the directors aim to present a balanced and understandable assessment of the Group's position and prospects.

In preparing the financial statements, the directors have:

- selected suitable accounting policies and applied them consistently;
- made judgments and estimates that are reasonable and prudent;
- ensured that all applicable accounting standards have been followed; and
- prepared financial statements on an going concern basis as the directors have a reasonable expectation, having made enquiries, that the Group and Company have adequate resources to continue in operational existence for the foreseeable future.

Principle 11:
The Board should establish an Audit Committee ("AC") with written terms of reference which clearly set out its authority and duties.

AUDIT COMMITTEE

The Audit Committee comprises three members, all of whom, including the Chairman are independent. At the date of this report, the Audit Committee comprises the following members:-

Ms Liu Mei Ling, Rhoda (Chairman and Independent Director)
Mr Chen Wei Ching, Vincent (Independent Director)
Mr Lee Beng Cheng, Billy (Independent Director)

The Audit Committee has recommended the nomination of LTC LLP, for re-appointment as auditors of the Company at the forthcoming Annual General Meeting. The Audit Committee has conducted an annual review of non-audit services to satisfy itself that the nature and extent of such services will not prejudice the independence and objectivity of the external auditors before confirming their recommendation.

There was no non-audit fee paid/payable to the auditors of the Company for the financial year ended 31 December 2008.

In 2008 the Audit Committee had 4 meetings. The Executive Chairman and the Chief Financial Officer were invited to attend the meetings.

The functions of the Audit Committee include the following:

- review with the external auditors, the audit plan, the evaluation of the internal accounting controls, audit reports and any matters which the external auditors wish to discuss (in the absence of management, where necessary);
- make recommendations to the Board on the appointment of external auditors, the audit fee and any questions of their resignation or dismissal;

- monitor interested person transactions and conflict of interest situation that may arise within the Group including any transaction, procedure or course of action that raises questions of management integrity. The Committee is also required to ensure that Directors report such transactions annually to shareholders via the annual report;

- review quarterly reporting to SGX-ST and year end annual financial statements of the Group before submission to the Board, focusing on:

  - going concern assumption
  - compliance with accounting standards and regulatory requirements
  - any changes in accounting policies and practices
  - significant issues arising from the audit
  - major judgmental areas; and
  - any other functions which may be agreed by the Audit Committee and the Board.

Principle 12:
The Board should ensure that the Management maintains a sound system of internal controls to safeguard the shareholders' investments and the company's assets.

The Board recognises the importance of sound internal controls and risk management practices to good corporate governance. The Board affirms its overall responsibility for the Group's systems of internal controls and risk management, and for reviewing the adequacy and integrity of those systems on an annual basis. It should be noted, however, that such systems are designed to manage rather than to eliminate the risk of failure to achieve business objectives. In addition, it should be noted that any system can provide only reasonable, and not absolute, assurance against material misstatement of loss, and include the safeguarding of assets, the maintenance of proper accounting records, the reliability of financial information, compliance with appropriate legislation, regulation and best practice, and the identification and containment of business risk.

The Chief Financial Officer performs detailed work to assist the Audit Committee and the Board in the evaluation of the internal controls, financial and accounting matters, compliance, business and financial risk management.

Principle 13:
The company should establish an internal audit function that is independent of the activities it audits.

The Company has outsourced its internal audit functions function to an external professional firm, who reports directly to the Chairman of AC. The objective of the internal audit function is to determine whether the Group's risk management, control and governance processes, as designed by the Company, is adequate and functioning in the required manner. The Audit Committee will review the adequacy of the internal audit function annually and ensure that the internal audit function is adequately resourced and has appropriate standing within the Company.

(D) COMMUNICATION WITH SHAREHOLDERS

Principle 14:
Companies should engage in regular, effective and fair communication with shareholders.

The Company does not practice selective disclosure. Results and annual reports are announced or issued to the public through SGXNET within the mandatory period. The Group values dialogue with investors. The Chairman and executive directors intend to hold discussions with analysts and shareholders to explain the Group's strategy, performance and major developments whenever appropriate. However, any information that may be regarded as undisclosed material information about the Group will not be given.

Principle 15:
Companies should encourage greater shareholder participation at Annual General Meetings and allow shareholders the opportunity to communicate their views on various matters affecting the company.

At each Annual General Meeting, the Board presents the progress and performance of the business and encourages shareholders to participate in the question and answer session. Executive directors and, where appropriate, the Chairman of the Audit, Nominating and Remuneration Committees, and external auditors are available to respond to shareholders' questions during the meeting. Where appropriate, the Chairman of the Board will undertake to provide the shareholders with a written answer to any significant question that cannot be readily responded on the spot.

Each item of special business included in the notice of the meeting will be accompanied by a full explanation of the effects of a proposed resolution. Separate resolutions are proposed for substantially separate issues at the meeting and the Chairman declares the number of proxy votes received both for and against each separate resolution.

DEALINGS IN SECURITIES

The Group has adopted internal codes pursuant to the Listing Rule 1207(18) of the Listing Manual applicable to all its officers in relation to dealing in the Company's securities. Its officers are not allowed to deal in the Mirach Energy Limited's shares during the period commencing two weeks before the announcement of the Company's financial statements for each of the first three quarters of its financial year, or one month before the full year results announcement, as the case may be, and ending on the date of announcement of the relevant results. Directors and employees are expected to observe the insider trading laws at all times even when dealing in securities within permitted trading period.

SUMMARY OF COMMITTEES MEETINGS HELD IN 2008

	Board of Directors Number of Meetings*			Audit Committee Number of Meetings*			Nominating Committee Number of Meetings*			Remuneration Committee Number of Meetings*		
	Position	Held	Attended	Position	Held	Attended	Position	Held	Attended	Position	Held	Attended
Executive Directors ('ED')												
Chan Shut Li William	C	5	5	–	4	4	M	1	1	–	1	1
Lui Che Kin, Gordon	M	5	5	–	4	4	–	1	1	–	1	1
Independent Directors												
Liu Mei Ling, Rhoda	M	5	5	C	4	4	M	1	1	M	1	1
Lee Beng Cheng, Billy	M	5	5	M	4	4	C	1	1	M	1	1
Chen Wei Ching, Vincent	M	5	4	M	4	4	M	1	1	C	1	1

Denotes:
C – Chairman
M – Member
* Number of Meetings held/attended during the financial year from 1 January 2008 to 31 December 2008 or during the period the person was a director.

RISK MANAGEMENT

The Company regularly reviews and improves its business and operational activities to identify areas of significant business risks as well as take appropriate measures to control and mitigate these risks. The Company reviews all significant control policies and procedures and highlights all significant matters to the AC and Board. The risk issues are highlighted on pages 64 to 69 under note 25 to the financial statements.

MATERIAL CONTRACTS

There were no material contracts entered into by the Company or any of its subsidiaries involving the interest of the CEO, any Director, or controlling shareholder.

INTERESTED PERSON TRANSACTIONS

The Company has established procedures to ensure that all transactions with interested persons are reported in a timely manner to the AC and those transactions are conducted on an arm's length basis and are not prejudicial to the interests of the shareholders. There were no interested person transactions for the financial year ended 2008.

USE OF PROCEEDS

The Company had obtained shareholders' approval at the Extraordinary General Meeting on 11 March 2009 pertaining to the Renounceable Non-Underwritten Rights Issue of up to 887,581,257 new ordinary shares in the capital of the Company (the "Rights Shares") at an issue price of S$0.022 for each rights share, on the basis of three (3) Rights Shares for every one (1) existing ordinary share held by entitled shareholders of the Company as at the books closure date, 20 March 2009. The net proceeds from the Rights issue is to be utilised for the Group's investment in exploratory wells drilling program in relation to the Cambodia Offshore Oil Field Block D and the balance deployed as working capital for the Company and the Group. Further announcements will be made as and when the funds are disbursed accordingly.

...Financial Contents >>>

We are pleased to submit this annual report to the members of the Company, together with the audited financial statements for the financial year ended 31 December 2008.

With effect from 16 July 2008, the name of the Company was changed from China Petrotech Holdings Limited to Mirach Energy Limited.

Directors

The directors in office at the date of this report are as follows:

Chan Shut Li, William
Lui Che Kin, Gordon
Chen Wei Ching, Vincent
Lee Beng Cheng, Billy
Liu Mei Ling, Rhoda
Xing Heping (appointed on 1 April 2009)

Directors' interests

According to the register kept by the Company for the purposes of Section 164 of the Companies Act, Chapter 50 (the "Act"), particulars of interests of directors who held office at the end of the financial year (including those held by their spouses and infant children) in shares, debentures, warrants and share options in the Company (other than wholly–owned subsidiaries) are as follows:

	Direct		Deemed	
Name of director and corporation in which interests are held	Holdings at beginning of the year	Holdings at end of the year	Holdings at beginning of the year	Holdings at end of the year
The Company				
Ordinary shares fully paid				
Chan Shut Li, William	600,000	46,424,183	91,829,627*	–
Chen Wei Ching, Vincent	600,000	600,000	–	–
Share Options				
Lui Che Kin, Gordon	400,000	2,900,000	–	–
Lee Beng Cheng, Billy	400,000	900,000	–	–
Chen Wei Ching, Vincent	400,000	900,000	–	–
Liu Mei Ling, Rhoda	–	500,000	–	–

* At 31 December 2007, the issued share capital of Guidance Limited is 58%–owned by Mr. Chan Shut Li, William. Mr. Chan Shut Li, William is deemed to be interested in 91,829,627 issued share of the Company held directly by Guidance Limited.

At 31 December 2008, Guidance Limited have distributed those shares of the Company to respective shareholders including Mr. Chan Shut Li, William. The deemed holding at end of the year is Nil.

Except as disclosed in this report, no director who held office at the end of the financial year had interests in shares, debentures, warrants or share options of the Company, or of related corporations.

There were no changes of the above–mentioned interests in the Company between the end of the financial year and 21 January 2009.

Arrangements to enable directors to acquire shares and debentures

Except as disclosed under the "Share Options" section of this report, neither at the end of nor at any time during the financial year was the Company a party to any arrangement whose objects was to enable the directors of the Company to acquire benefits by means of the acquisition of shares in, or debentures of, the Company or any other body corporate.

Directors' contractual benefits

Except for salaries, bonuses and fees and those benefits that are disclosed in this report and in note 24 to the financial statements, since the end of the last financial year, no director has received or become entitled to receive a benefit by reason of a contract made by the Company or a related corporation with the director or with a firm of which he is a member or with a company in which he has a substantial financial interest.

Share options

The Mirach Energy Employee Share Option Scheme (formerly known as China Petrotech Employee Share Option Scheme) (the "Mirach Energy Scheme") of the Company was approved and adopted by its members at an Extraordinary General Meeting held on 27 April 2004. The Mirach Energy Scheme is administered by the Company's Remuneration Committee comprising three directors, namely, Lee Beng Cheng, Billy, Chen Wei Ching, Vincent, and Liu Mei Ling, Rhoda.

Other information regarding the Mirach Energy Scheme is as follows:

(i) *Participants*

Under the rules of the Mirach Energy Scheme, executive and non–executive directors and employees of the Group, who are not controlling shareholders or their associates (as defined in the SGX Listing Manual), are eligible to participate in the Mirach Energy Scheme.

(ii) *Scheme Administration*

The Mirach Energy Scheme shall be administered by a committee comprising Directors (the "Scheme Committee"), with the powers to determine, inter alia, the following:

(a) persons to be granted options;

(b) number of options to be offered; and

(c) recommendations for modifications to the Mirach Energy Scheme.

(iii) *Scheme Size*

The aggregate number of shares over which the Scheme Committee may grant options on any date, when aggregated with the number of shares issued and issuable in respect of all options granted under the Mirach Energy Scheme and any other share option schemes of the Company, shall not exceed 15 percent of the issued shares of the Company on the day preceding the date of the relevant grant.

The number of shares comprised in any options to be offered to a participant in the Mirach Energy Scheme shall be determined at the absolute discretion of the Scheme Committee, who shall take into account criteria such as rank, past performance, years of service and potential for future developments of that participant.

(iv) Options, Exercise Period and Exercise Price

The options that are granted under the Mirach Energy Scheme may have exercise prices that are at the Scheme Committee's discretion:

(a) Set at a discount to a price (the "Market Price") equal to the average of the last dealt prices for the shares on the SGX–ST for the five consecutive market days immediately preceding the relevant date of grant of the relevant option of a Share (subject to a maximum discount of twenty per cent) in which event, such options may be exercised after the second anniversary from the date of grant of the option; or

(b) Fixed at the Market Price ("Market Price Option"). Market Price Options may be exercised after the first anniversary of the date of grant of that option. Options granted under the Mirach Energy Scheme will have a life span of five years.

(v) Duration of the Mirach Energy Scheme

The Mirach Energy Scheme shall continue in operation for a maximum duration of 10 years and may be continued for any further period thereafter with the approval of the Company's shareholders by ordinary resolution in general meeting and of any relevant authorities which may then be required.

During the financial year, there were:

(i) On 8 September 2008, the Company granted options to senior executives and independent directors of the Group under the Mirach Energy Scheme to subscribe for and be allotted an aggregate of 7.8 million ordinary shares in the Company at an exercise price of S$0.14 per share; and

(ii) no shares issued by virtue of any exercise of options to take up unissued shares of the Company or its subsidiaries.

As at 31 December 2008, there are 12.7 million outstanding options under the Mirach Energy Scheme. Details of options granted to directors up to 31 December 2008, have been disclosed in the directors' interests. Except as disclosed above, at the end of the financial year, there were no unissued shares of the Company or its subsidiaries under option.

Audit Committee

The members of the Audit Committee during the year and at the end of the financial year are:

Ms Liu Mei Ling, Rhoda (Chairman)	(Independent, Non–executive director)
Mr Lee Beng Cheng, Billy	(Independent, Non–executive director)
Mr Chen Wei Ching, Vincent	(Independent, Non–executive director)

The Audit Committee performs the functions specified in Section 201B of the Act, the SGX Listing Manual and the Code of Corporate Governance.

The Audit Committee held four meetings since the last directors' report. In performing its functions, the Audit Committee met with the Company's external auditors to discuss the scope of their work, the results of their examination and evaluation of the Company's internal accounting control system.

The Audit Committee also reviewed the following:

- assistance provided by the Company's officers to the external auditors;
- quarterly and annual financial statements of the Group and the Company prior to their submission to the directors of the Company for adoption; and
- interested person transactions (as defined in Chapter 9 of the SGX Listing Manual).

The Audit Committee has full access to management and is given the resources required for it to discharge its functions. It has full authority and the discretion to invite any director or executive officer to attend its meetings. The Audit Committee also recommends the appointment of the external auditors and reviews the level of audit and non–audit fees.

The Audit Committee is satisfied with the independence and objectivity of the external auditors and has recommended to the Board of Directors that the auditors, LTC LLP, be nominated for re–appointment as auditors at the forthcoming Annual General Meeting of the Company.

Independent Auditors

The independent auditors, LTC LLP, have expressed their willingness to accept re–appointment.

On behalf of the directors

Chan Shut Li, William
Director

Lui Che Kin, Gordon
Director

Singapore, 1 April 2009

<<< Statement by Directors...

In the opinion of the directors:

(a) The balance sheet of the Company and the consolidated financial statements of the Group as set out on pages 30 to 76 are drawn up so as to give a true and fair view of the state of affairs of the Company and of the Group as at 31 December 2008 and of the results of the business, changes in equity and cash flows of the the Group for the financial year ended on that date; and

(b) at the date of this statement, there are reasonable grounds to believe that the Company will be able to pay its debts as and when they fall due.

The Board of Directors has, on the date of this statement, authorised these financial statements for issue.

On behalf of the directors

Chan Shut Li, William
Director

Lui Che Kin, Gordon
Director

Singapore, 1 April 2009

We have audited the accompanying financial statements of Mirach Energy Limited (formerly known as China Petrotech Holdings Limited) (the "Company") and its subsidiaries (the "Group") set out on pages 30 to 76, which comprise the balance sheets of the Company and of the Group as at 31 December 2008, and the consolidated income statement, the consolidated statement of changes in equity and the consolidated cash flow statement of the Group for the financial year then ended, and a summary of significant accounting policies and other explanatory notes.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with the provisions of the Singapore Companies Act Cap.50 (the "Act") and Singapore Financial Reporting Standards. This responsibility includes:

(a) devising and maintaining a system of internal accounting controls sufficient to provide a reasonable assurance that assets are safeguarded against loss from unauthorised use or disposition; and transactions are properly authorised and that they are recorded as necessary to permit the preparation of true and fair profit and loss accounts and balance sheets and to maintain accountability of assets;

(b) selecting and applying appropriate accounting policies; and

(c) making accounting estimates that are reasonable in the circumstances.

Auditors' Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with Singapore Standards on Auditing. 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.

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 judgment, 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 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 management, 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,

a) the balance sheet of the Company and the consolidated financial statements of the Group are properly drawn up in accordance with the provisions of the Act and Singapore Financial Reporting Standards so as to give a true and fair view of the state of affairs of the Company and of the Group as at 31 December 2008 and the results, changes in equity and cash flows of the Group for the financial year ended on that date; and

b) the accounting and other records required by the Act to be kept by the Company have been properly kept in accordance with the provisions of the Act.

LTC LLP
Public Accountants and
Certified Public Accountants

Singapore, 1 April 2009

<<< Consolidated Income Statement...

For the financial year ended 31 December 2008

	Note	Group 2008 RMB'000	Group 2007 RMB'000
Revenue	3	34,210	51,568
Cost of sales		(25,082)	(21,641)
Gross profit		9,128	29,927
Other income	4(a)	2,278	2,369
Research and development costs	5	(1,249)	(1,212)
Selling and distribution expenses		(7,956)	(2,723)
Administrative expenses		(15,603)	(22,118)
Other operating expenses		(40,842)	(57,579)
Loss from operations		(54,244)	(51,336)
Finance income		850	895
Finance costs		(127)	(216)
Net finance income	4(d)	723	679
Share of losses of associates	6	(2,651)	(1,879)
Loss before income tax	4	(56,172)	(52,536)
Income tax expense	7	390	–
Net loss for the financial year		(55,782)	(52,536)
Attributable to:			
Equity holders of the Company		(55,503)	(54,983)
Minority interests		(279)	2,447
		(55,782)	(52,536)
Loss per share attributable to equity holders of the Company (RMB cents):			
– Basic	8	(19.08)	(20.80)
– Diluted	8	(19.08)	(20.80)

The accounting policies and explanatory notes form an integral part of the consolidated financial statements.

...Balance Sheets >>>

As at 31 December 2008

	Note	Group 2008 RMB'000	Group 2007 RMB'000	Company 2008 RMB'000	Company 2007 RMB'000
Current assets					
Cash and cash equivalents	9a	72,798	116,683	2,012	27,591
Pledged fixed deposit	9b	5,059	4,954	5,059	4,954
Trade and other receivables	10	4,425	21,040	721	281
Amount due from an associate	11	59,505	49,528	6,987	5,252
Amount due from subsidiaries (non–trade)	12	–	–	24,257	24,249
Inventories	13	2,148	3,791	776	1,660
		143,935	195,996	39,812	63,987
Non–current assets					
Property, plant and equipment	14	34,780	70,117	180	150
Intangible assets	15	–	1,241	–	–
Subsidiaries	16	–	–	110,931	139,116
Associates	6	46,597	49,510	46,597	49,510
		81,377	120,868	157,708	188,776
Total assets		225,312	316,864	197,520	252,763
Equity attributable to equity holders of the Company					
Share capital	17	196,425	196,425	196,425	196,425
Reserves	18	(11,057)	46,632	(64,332)	(22,721)
		185,368	243,057	132,093	173,704
Minority interests		–	6,657	–	–
Total equity		185,368	249,714	132,093	173,704
Current liabilities					
Trade and other payables	19	38,820	56,985	16,087	16,533
Amount due to subsidiaries (non–trade)	12	–	–	49,340	53,413
Amount due to related companies	20	624	2,242	–	1,580
Amount due to a director	21	500	7,533	–	7,533
		39,944	66,760	65,427	79,059
Non–current liability					
Deferred tax liabilities	22	–	390	–	–
Total liabilities		39,944	67,150	65,427	79,059
Total equity and liabilities		225,312	316,864	197,520	252,763

The accounting policies and explanatory notes form an integral part of the consolidated financial statements.

<<< Consolidated Statement of Changes in Equity...

For the financial year ended 31 December 2008

	Share capital RMB'000	Merger reserve RMB'000	Statutory /equity reserves RMB'000	Foreign exchange reserve RMB'000	Accumulated profits/ (losses) RMB'000	Total attributable to equity holders of the Company RMB'000	Minority interests RMB'000	Total equity RMB'000
Group								
At 1 January 2007	109,330	5,055	5,788	(1,102)	91,756	210,827	51,049	261,876
Exchange differences arising from translation of financial statements of foreign operations	–	–	–	(3,098)	–	(3,098)	(1,674)	(4,772)
Net losses recognised directly in equity	–	–	–	(3,098)	–	(3,098)	(1,674)	(4,772)
Net loss for the year	–	–	–	–	(54,983)	(54,983)	2,447	(52,536)
Total recognised income and expense for the year	–	–	–	(3,098)	(54,983)	(58,081)	773	(57,308)
Issued shares under convertible notes	38,865	–	–	–	–	38,865	–	38,865
Net proceed of issued shares under private placement	48,230	–	–	–	–	48,230	–	48,230
Minority interests on business combinations	–	–	–	–	–	–	(45,165)	(45,165)
Share options reserve recognised	–	–	3,216	–	–	3,216	–	3,216
At 31 December 2007	196,425	5,055	9,004	(4,200)	36,773	243,057	6,657	249,714
At 1 January 2008	196,425	5,055	9,004	(4,200)	36,773	243,057	6,657	249,714
Exchange differences arising from translation of financial statements of foreign operations	–	–	–	(2,679)	–	(2,679)	–	(2,679)
Net losses recognised directly in equity	–	–	–	(2,679)	–	(2,679)	–	(2,679)
Net loss for the year	–	–	–	–	(55,503)	(55,503)	(279)	(55,782)
Total recognised income and expense for the year	–	–	–	(2,679)	(55,503)	(58,182)	(279)	(58,461)
Disposal of a subsidiary	–	–	–	–	–	–	(6,378)	(6,378)
Share options reserve recognised	–	–	493	–	–	493	–	493
At 31 December 2008	196,425	5,055	9,497	(6,879)	(18,730)	185,368	–	185,368

The accounting policies and explanatory notes form an integral part of the consolidated financial statements.

...Consolidated Cash Flow Statement >>>

For the financial year ended 31 December 2008

	Group	
	2008	2007
	RMB'000	RMB'000
Cash flow from operating activities		
Loss before income tax	(56,172)	(52,536)
Adjustments for:		
Interest expenses	127	216
Interest income	(850)	(895)
Depreciation of property, plant and equipment	10,728	3,993
Amortisation of intangible assets	354	2,939
Allowance for doubtful trade receivables	352	53,013
Allowance for doubtful other receivables	7,977	–
Loss on disposal of property, plant and equipment	117	–
Loss on disposal of assets and liabilities of a subsidiary	–	4,566
Loss on disposal of a subsidiary	963	–
Gain on disposal of a subsidiary	(1,481)	–
Impairment loss on intangible assets	149	–
Impairment loss on oil field equipments	29,365	–
Write down of inventories	1,329	–
Share option recognised	493	3,216
Deferred income reversal	(246)	(448)
Share of losses of associates	2,651	1,879
Operating cash flow before working capital changes	(4,144)	15,943
Changes in working operating assets and liabilities		
Inventories	238	(1,242)
Trade and other receivables	9,694	(5,564)
Balance with related companies	(1,618)	2,242
Balance with director	(7,033)	7,533
Amount due from an associate	(9,977)	(31,041)
Trade and other payables	(12,412)	26,634
Cash (used in)/generated from operations	(25,252)	14,505
Interest received	850	895
Interest paid	(127)	(216)
Cash flows (used in)/generated from operating activities	(24,529)	15,184
Cash flows from investing activities		
Purchase of property, plant and equipment	(12,568)	(70,038)
Purchase of intangible assets	–	(8)
Net cash outflow on disposal of a subsidiary	(4,463)	–
Proceeds from disposal of property, plant and equipment	197	–
Investment in associates	–	(8,492)
Cash flows used in investing activities	(16,834)	(78,538)
Cash flows from financing activities		
Pledged fixed deposits	(105)	(4,954)
Net proceeds from issue of convertible notes	–	38,865
Net proceeds from share placement exercise	–	48,230
Cash flows (used in)/generated from financing activities	(105)	82,141
Net (decrease)/increase in cash and cash equivalents	(41,468)	18,787
Cash and cash equivalents at beginning of year	116,683	100,760
Effects of exchange rate changes on balances held in foreign currency	(2,417)	(2,864)
Cash and cash equivalents at end of year	72,798	116,683

The accounting policies and explanatory notes form an integral part of the consolidated financial statements.

The aggregate cash outflows arising from disposal of subsidiaries are as follows:

	Group	
	2008	2007
	RMB'000	RMB'000
Net identifiable assets disposed:		
Cash and cash equivalents	5,571	–
Intangible assets	738	–
Property, plant and equipment	7,498	–
Inventories	76	–
Trade receivables	2,028	–
Other receivables	4,616	–
Trade payable	(2,183)	–
Other payables	(3,324)	–
Minority interests	(6,378)	–
Net identifiable assets disposed	8,642	–
Net gain on disposal of subsidiaries	518	–
Total consideration	9,160	–
Total cash proceeds from disposal	1,108	–
Less: cash and cash equivalents in subsidiaries disposed	(5,571)	–
Net cash outflow on disposal	(4,463)	–

The accounting policies and explanatory notes form an integral part of the consolidated financial statements.

These notes form an integral part of and should be read in conjunction with the accompanying the financial statements.

1 Domicile and activities

Mirach Energy Limited (formerly known as China Petrotech Holdings Limited) (the "Company") is incorporated in the Republic of Singapore and is a public limited company listed on the Singapore Exchange Securities Trading Limited. Its registered office at 8 Cross Street, #11– 00 PWC Building, Singapore 048424.

With effect from 16 July 2008, the name of the Company was changed from China Petrotech Holdings Limited to Mirach Energy Limited.

The principal activities of the Company are those relating to investment holding. The principal activities of its subsidiaries are those relating to provision of data management information systems, information technology solutions, design, development and sale of standardised business software solutions, provision of oilfield services, oil and gas exploration and production and oilfield development.

The consolidated financial statements relate to the Company and its subsidiaries (together referred to as the "Group").

The balance sheet of the Company and the consolidated financial statements of the Group for the financial year ended 31 December 2008 were authorised for issue in accordance with a resolution of the directors on the date of the Statement by Directors.

2 Basis of preparation and summary of significant accounting policies

2.1 Basis of preparation

(a) Basis of accounting

The financial statements are prepared in accordance with Singapore Financial Reporting Standards ("FRS").

The financial statements are expressed in Renminbi ("RMB") which is the Company's functional currency and rounded to the nearest thousand unless otherwise stated. They have been prepared under the historical cost convention, except as disclosed in the accounting policies below.

The preparation of financial statements in conformity with FRS requires management to exercise its judgement in the process of applying the Group's accounting policies. It also requires the use of accounting estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements, and the reported amounts of revenues and expenses during the financial year. Although these estimates are based on management's best knowledge of current events and actions, actual results may ultimately differ from those estimates.

(b) Going concern assumptions

The financial statements of the Group are prepared on a going concern basis which assumes continuity of normal business activities and the realisation of assets and discharge of liabilities in the normal course of business.

2 Basis of preparation and summary of significant accounting policies (cont'd)

2.1 Basis of preparation (cont'd)

(b) Going concern assumptions (cont'd)

During the financial year ended 31 December 2008, the Group has recorded a net cash outflow from operating activities of approximately RMB24,529,000 and a net loss attributable to equity holders of the Company of approximately RMB55,503,000 (2007: RMB54,983,000). Whilst the Group has continued recording net losses for two consecutive financial years, the continuation of the Group as a going concern is dependent upon its ability to generate sufficient cash from operating activities. Notwithstanding the net cash outflow and continuation of recorded net losses, the directors have a reasonable expectation that the Group has adequate resources to continue in operational existence for the foreseeable future and, accordingly, they continue to adopt the going concern basis in preparing the financial statements on the followings basis:

(i) As at 31 December 2008, the Group has net current assets of approximately RMB103,991,000, including cash and cash equivalents of approximately RMB72,798,000.

(ii) The Group has minimum exposures to the current global credit crisis as the Group's operation is not dependent on borrowings from financial institutions nor is dependent on third parties financing.

(iii) During the financial year ended 31 December 2008, the Company has proposed to raise net proceeds of up to approximately RMB91,771,000 (equivalent to S$19,400,000) by way of a renounceable non-underwritten rights issue (Rights Issue). The net proceeds from the Rights Issue is to be utilised for the Group's investment in exploratory wells drilling program and the balance deployed as working capital for the Company and the Group.

Subsequent to the financial year end, the Company obtained the shareholders' approval for the Rights Issue at the Extraordinary General Meeting (note 28).

The directors are of the opinion that the going concern assumptions in the preparation of the financial statements of the Group is appropriate.

(c) Adoption of new and revised Singapore Financial Reporting Standards

On 1 January 2008, the Group adopted the new or revised FRS and Interpretations to FRS ("INT FRS") that are mandatory for application from that date. Changes to the Group's accounting policies have been made as required, in accordance with the relevant transitional provisions in the respective FRS and INT FRS.

The new or revised FRS and INT FRS are not relevant to the Group and did not result in any substantial changes to the Group's accounting policies nor any significant impact on these financial statements.

The accounting policies have been consistently applied by the Group and the Company and are consistent with those used in the previous period presented in these financial statements.

2.2 Summary of significant accounting policies

(a) Revenue recognition

Sales comprise the fair value of the consideration received or receivable for the sale of goods and rendering of services in the ordinary course of the Group's activities. Sales are presented net of value-added tax, rebates and discounts, and after eliminating sales within the Group.

2 Basis of preparation and summary of significant accounting policies (cont'd)

2.2 Summary of significant accounting policies (cont'd)

(a) Revenue recognition (cont'd)

The Group recognises revenue when the amount of revenue and related cost can be reliably measured, when it is probable that the collectability of the related receivables is reasonably assured and when the specific criteria for each of the Group's activities are met as follows:

(i) Sale of software products

Revenue from sale of software licences is recognised in the income statement when delivery has occurred, the fee is fixed or determinable and collection is probable.

(ii) Sales of hardware products

Revenue from sale of hardware is recognised when the significant risks and rewards of ownership have been transferred to the buyer, recovery of the consideration is probable, the associated costs and possible return of goods can be estimated reliably, and there is no continuing management involvement with the goods.

(iii) Rendering of service – Logistics services

Revenue from fixed-price consulting arrangement is recognised over the contract period based upon output basis.

(iv) Oil production income

Revenue is recognised upon the transfer of risks and regards of ownership of the oil output to the customer, which generally coincides with delivery and acceptance of the oil sold.

(v) Interest income

Interest income on bank deposits is recognised in the income statement as it accrues using the effective interest method.

(b) Finance expense

Finance expense comprises interest expense on borrowings which is recognised in the income statement. All borrowing costs are recognised in the income statement using the effective interest method, except to the extent that they are capitalised as being directly attributable to the acquisition, construction or production of an asset which necessarily takes a substantial period of time to be prepared for its intended use or sale.

(c) Income taxes

Current income tax for current and prior periods is recognised at the amount expected to be paid to or recovered from the tax authorities, using the tax rates and tax laws that have been enacted or substantively enacted by the balance sheet date.

Deferred income tax is recognised for all temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the financial statements except when the deferred income tax arises from the initial recognition of goodwill or an asset or liability in a transaction that is not a business combination and affects neither accounting nor taxable profit or loss at the time of the transaction.

2 Basis of preparation and summary of significant accounting policies (cont'd)

2.2 Summary of significant accounting policies (cont'd)

(c) Income taxes (cont'd)

A deferred income tax liability is recognised on temporary differences arising on investments in subsidiaries, associated companies and joint ventures, except where the Group is able to control the timing of the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future.

A deferred income tax asset is recognised to the extent that it is probable that future taxable profit will be available against which the deductible temporary differences and tax losses can be utilised.

Deferred income tax is measured:

(i) at the tax rates that are expected to apply when the related deferred income tax asset is realised or the deferred income tax liability is settled, based on tax rates and tax laws that have been enacted or substantively enacted by the balance sheet date; and

(ii) based on the tax consequence that will follow from the manner in which the Group expects, at the balance sheet date, to recover or settle the carrying amounts of its assets and liabilities.

Current and deferred income taxes are recognised as income or expense in the income statement, except to the extent that the tax arises from a business combination or a transaction which is recognised directly in equity. Deferred tax arising from a business combination is adjusted against goodwill on acquisition.

(d) Group accounting

(i) Subsidiaries

Subsidiaries are entities (including special purpose entities) over which the Group has power to govern the financial and operating policies, generally accompanied by a shareholding giving rise to a majority of the voting rights. The existence and effect of potential voting rights that are currently exercisable or convertible are considered when assessing whether the Group controls another entity.

The purchase method of accounting is used to account for the acquisition of subsidiaries. The cost of an acquisition is measured as the fair value of the assets given, equity instruments issued or liabilities incurred or assumed at the dates of exchange, plus costs directly attributable to the acquisition. Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at their fair value on the date of acquisition, irrespective of the extent of minority interest.

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

In preparing the consolidated financial statements, transactions, balances and unrealised gains on transactions between group entities are eliminated. Unrealised losses are also eliminated but are considered an impairment indicator of the assets transferred. Accounting policies of subsidiaries have been changed where necessary to ensure consistency with the policies adopted by the Group.

2 Basis of preparation and summary of significant accounting policies (cont'd)

2.2 Summary of significant accounting policies (cont'd)

(d) Group accounting (cont'd)

(i) Subsidiaries (cont'd)

Minority interests are that part of the net results of operations and of net assets of a subsidiary attributable to the interests which are not owned directly or indirectly by the Group. They are measured at the minorities' share of fair value of the subsidiaries' identifiable assets and liabilities at the date of acquisition by the Group and the minorities' share of changes in equity since the date of acquisition, except when the minorities' share of losses in a subsidiary exceeds its interests in the equity of that subsidiary. In such cases, the excess and further losses applicable to the minorities are attributed to the equity holders of the Company, unless the minorities have a binding obligation to, and are able to, make good the losses. When that subsidiary subsequently reports profits, the profits applicable to the minority interests are attributed to the equity holders of the Company until the minorities' share of losses previously absorbed by the equity holders of the Company are fully recovered.

Please refer to paragraph (g) for the accounting policy on investment in subsidiaries in the separate financial statament of the Company.

(ii) Transactions with minority interest

The Group applies a policy of treating transactions with minority interests as transactions with parties external to the Group. Disposals to minority interests result in gains and losses for the Group that are recognised in the income statement. Purchases from minority interests result in goodwill, being the difference between any consideration paid and the Group's incremental share of the carrying value of identifiable net assets of the subsidiary.

(iii) Associated companies

Associated companies are entities over which the Group has significant influence, but not control, and generally accompanied by a shareholding giving rise to between and including 20% and 50% of the voting rights. Investments in associated companies are accounted for in the consolidated financial statements using the equity method of accounting less impairment losses.

Investments in associated companies are initially recognised at cost. The cost of an acquisition is measured at the fair value of the assets given, equity instruments issued or liabilities incurred or assumed at the date of exchange, plus costs directly attributable to the acquisition.

In applying the equity method of accounting, the Group's share of its associated companies' post-acquisition profits or losses are recognised in the income statement and its share of post-acquisition movements in reserves is recognised in equity directly. These post-acquisition movements are adjusted against the carrying amount of the investment. When the Group's share of losses in an associated company equals or exceeds its interest in the associated company, including any other unsecured non-current receivables, the Group does not recognise further losses, unless it has obligations or has made payments on behalf of the associated company.

2 Basis of preparation and summary of significant accounting policies (cont'd)

2.2 Summary of significant accounting policies (cont'd)

(d) Group accounting (cont'd)

(iii) Associated companies (cont'd)

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

Dilution gains and losses arising from investments in associated companies are recognised in the income statement.

Please refer to paragraph (g) for the accounting policy on investment in associated companies in the separate financial statement of the Company.

(e) Property, plant and equipment

(i) Measurement

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

The leasehold land is included in property, plant and equipment as the lease payment cannot be allocated reliably between land and building elements. Cost includes expenditure that is directly attributable to the acquisition of the asset. Purchased software that is integral to the functionality of the related equipment is capitalised as part of that equipment.

Where parts of an item of property, plant and equipment have different useful lives, they are accounted for as separate items (major components) of property, plant and equipment.

(ii) Depreciation

Depreciation on property, plant and equipment is recognised in the income statement on a straight-line basis over their estimated useful lives as follows:

	Useful lives
Computer equipment	5 years
Furniture, fittings and office equipment	5 years
Motor vehicles	5 to 10 years
Production oil wells	over the unexpired terms of the contract
Leasehold land and buildings	20 years or over the unexpired terms of the lease, whichever is shorter

The residual values, estimated useful lives and depreciation method of property, plant and equipment are reviewed, and adjusted as appropriate, at each balance sheet date. The effects of any revision are recognised in the income statement when the changes arise.

2 Basis of preparation and summary of significant accounting policies (cont'd)

2.2 Summary of significant accounting policies (cont'd)

(e) Property, plant and equipment (cont'd)

(iii) Subsequent expenditure

Subsequent expenditure relating to property, plant and equipment that has already been recognised is added to the carrying amount of the asset 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 repair and maintenance expenses are recognised in the income statement when incurred.

(iv) Disposal

On disposal of an item of property, plant and equipment, the difference between the disposal proceeds and its carrying amount is recognised in the income statement.

(f) Intangible assets

(i) Goodwill on acquisitions

Goodwill represents the excess of the cost of an acquisition over the fair value of the Group's share of the identifiable assets, liabilities and contingent liabilities of the acquired subsidiaries at the date of acquisition.

Goodwill on subsidiaries is recognised separately as intangible assets and carried at cost less accumulated impairment losses.

Gains and losses on the disposal of subsidiaries include the carrying amount of goodwill relating to the entity sold, except for goodwill arising from acquisitions prior to 1 January 2001. Such goodwill was adjusted against retained earnings in the year of acquisition and not recognised in the income statement on disposal.

(ii) Research and development costs

Expenditure on research activities, undertaken with the prospect of gaining new scientific or technical knowledge and understanding, is recognised in the income statement as an expense when it is incurred.

Development activities involve a plan or design for the production of new or substantially improved products and processes. Development expenditure is capitalised only if development costs can be measured reliably, the products or process is technically and commercially feasible, future economic benefits are probable, and the Group intends to and has sufficient resources to complete development and to use or sell the asset. The expenditure capitalised includes the cost of materials, direct labour and overhead costs that are directly attributable to preparing the asset for its intended use. Other development expenditure is recognised in the income statement as an expense when it is incurred. Capitalised development expenditure is stated at cost less accumulated amortisation and impairment losses. Amortisation is charged to the income statement using the straight–line method over the estimated useful lives.

2 Basis of preparation and summary of significant accounting policies (cont'd)

2.2 Summary of significant accounting policies (cont'd)

(f) Intangible assets (cont'd)

(iii) Exploration and evaluation costs

Exploration and evaluation expenditure is stated at cost less impairment losses.

Exploration and evaluation costs are capitalised only if the expenditure can be associated with finding specific crude oil and natural gas. Expenditure relating to the development of crude oil and natural gas is not recognised as exploration and evaluation assets.

An exploration and evaluation asset is reclassified to property, plant and equipment or intangible asset when the technical feasibility and commercial viability of extracting crude oil and natural gas are demonstrated. Exploration and evaluation assets are tested for impairment as described in paragraph (h), and any impairment loss recognised, before reclassification.

(iv) Concessionary rights

Concessionary rights expenditure is stated at cost less accumulated depletion and impairment losses.

The successful efforts method is used for crude oil and natural gas exploration and production activities. Concessionary rights include costs of acquiring the legal right to perform oil exploration and development activities in a specific area and acquisition costs of probable reserves of crude oil and natural gas.

Costs of concessionary rights are capitalised only if they are associated with finding crude oil and natural gas, i.e. pending determination of commercial reserves. The determination of commercial reserves occurs within one year unless such reserves are in an area requiring major capital expenditure before production could begin. Should the efforts be determined unsuccessful, they are then charged to dry hole expense.

Costs of unproved concessionary rights, including acquisition costs of probable reserves, are not depleted or amortised while under active evaluation for commercial reserves. Costs are transferred to depletable costs as proved reserves are recognised. At the date of acquisition, an evaluation period is determined after which any remaining probable reserve costs associated with producing fields are transferred to depletable costs; costs not associated with producing fields are amortised over a period not exceeding the remaining lease term.

Costs of proved concessionary rights, except crude oil and natural gas, are depleted on the unit–of–production basis over the total proved reserves of the relevant area. Depletion expenses for capitalised costs of proved crude oil and natural gas are recognised using the unit–of–production method as the related proved reserves are produced. For purposes of these calculations, production and reserves of crude oil and natural gas are converted to barrels on an energy equivalent basis.

2 Basis of preparation and summary of significant accounting policies (cont'd)

2.2 Summary of significant accounting policies (cont'd)

(f) Intangible assets (cont'd)

(iv) Concessionary rights (cont'd)

Producing concessionary rights, including acquisition costs of probable reserves, are assessed annually, or as economic events dictate, for potential impairment. For this purpose, assets are grouped based on separately identifiable and largely independent cash flows. As changes in circumstances warrant, the net carrying values of proved and unproved concessionary rights are assessed to ensure that they do not exceed future cash flows from use or disposal. Where impairment indicators exist, the carrying values of proved and unproved concessionary rights are written down to their fair values, usually determined as the amount of estimated discounted future cash flows.

In the evaluation for impairment of concessionary rights, future cash flows are estimated using risk assessments on field and reservoir performance and include outlooks on proved and unproved reserves, which are then discounted or risk–weighted utilising the results from projections of geological, production, recovery and economic factors.

(v) Other intangible assets

Other intangible assets that are acquired by the Group, which have finite useful lives, are measured at cost less accumulated amortisation and impairment losses. These intangible assets are amortised in the income statement on a straight-line basis over their estimated useful lives of 3 to 6 years, from the date on which they are available for use.

The amortisation period and amortisation method of intangible assets other than goodwill are reviewed at least at each balance sheet date. The effects of any revision are recognised in the income statement when the changes arise.

(g) Investment in subsidiaries and associated companies

Investment in subsidiaries and associated companies are carried at cost less accumulated impairment losses in the Company's balance sheet. On disposal of investment in subsidiaries and associated companies, the difference between disposal proceeds and the carrying amounts of the investments are recognised in the income statement.

(h) Impairment of non-financial assets

Intangible assets, property, plant and equipment and investments in subsidiaries and associated companies are tested for impairment whenever there is any objective evidence or indication that these assets may be impaired.

For the purpose of impairment testing, the recoverable amount (i.e. the higher of the fair value less cost to sell and the value-in-use) is determined on an individual asset basis unless the asset does not generate cash flows that are largely independent of those from other assets. If this is the case, the recoverable amount is determined for the CGU to which the asset belongs.

If the recoverable amount of the asset (or CGU) is estimated to be less than its carrying amount, the carrying amount of the asset (or CGU) is reduced to its recoverable amount.

The difference between the carrying amount and recoverable amount is recognised as an impairment loss in the income statement, unless the asset is carried at revalued amount, in which case, such impairment loss is treated as a revaluation decrease.

2 Basis of preparation and summary of significant accounting policies (cont'd)

2.2 Summary of significant accounting policies (cont'd)

(h) Impairment of non-financial assets (cont'd)

An impairment loss for an asset other than goodwill is reversed if, and only if, there has been a change in the estimates used to determine the asset's recoverable amount since the last impairment loss was recognised. The carrying amount of this asset is increased to its revised recoverable amount, provided that this amount does not exceed the carrying amount that would have been determined (net of any accumulated amortisation or depreciation) had no impairment loss been recognised for the asset in prior years.

A reversal of impairment loss for an asset other than goodwill is recognised in the income statement, unless the asset is carried at revalued amount, in which case, such reversal is treated as a revaluation increase. However, to the extent that an impairment loss on the same revalued asset was previously recognised in the income statement, a reversal of that impairment is also recognised in the income statement.

(i) Financial assets

Financial assets are recognised on the balance sheet when, and only when, the Group becomes a party to the contractual provisions of the financial instruments.

(i) Classification

The Group classifies its financial assets as loans and receivables. The classification depends on the purpose for which the assets were acquired. Management determines the classification of its financial assets at initial recognition. The designation of financial assets at fair value through profit or loss is irrevocable.

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They are presented as current assets, except for those maturing later than 12 months after the balance sheet date which are presented as non-current assets. Loans and receivables are presented as "trade and other receivables" and "cash and cash equivalents" on the balance sheet.

(ii) Recognition and derecognition

Regular way purchases and sales of financial assets are recognised and derecognised on trade-date – the date on which the Group commits to purchase or sell the asset.

Financial assets are derecognised when the rights to receive cash flows from the financial assets have expired or have been transferred and the Group has transferred substantially all risks and rewards of ownership. On disposal of a financial asset, the difference between the carrying amount and the sale proceeds is recognised in the income statement. Any amount in the fair value reserve relating to that asset is transferred to the income statement.

(iii) Initial measurement

Financial assets are initially recognised at fair value plus transaction costs except for financial assets at fair value through profit or loss, which are recognised at fair value.

(iv) Subsequent measurement

Loans and receivable are subsequently carried at amortised cost using the effective interest method.

2 Basis of preparation and summary of significant accounting policies (cont'd)

2.2 Summary of significant accounting policies (cont'd)

(j) Impairment of financial assets

The Group assesses at each balance sheet date whether there is objective evidence that a financial asset or a group of financial assets is impaired and recognises an allowance for impairment when such evidence exists.

Significant financial difficulties of the debtor, probability that the debtor will enter bankruptcy, and default or significant delay in payments are objective evidence that these financial assets are impaired.

The carrying amount of these assets is reduced through the use of an impairment allowance account which is calculated as the difference between the carrying amount and the present value of estimated future cash flows, discounted at the original effective interest rate. When the asset becomes uncollectible, it is written off against the allowance account. Subsequent recoveries of amounts previously written off are recognised against the same line item in the income statement.

The allowance for impairment loss account is reduced through the income statement in a subsequent period when the amount of impairment loss decreases and the related decrease can be objectively measured. The carrying amount of the asset previously impaired is increased to the extent that the new carrying amount does not exceed the amortised cost, had no impairment been recognised in prior periods.

(k) Trade and other payables

Trade and other payables are initially recognised at fair value, and subsequently carried at amortised cost using the effective interest method.

(l) Fair value estimation of financial assets and liabilities

The fair values of financial instruments traded in active markets (such as exchange traded and over-the-counter securities and derivatives) are based on quoted market prices at the balance sheet date. The quoted market prices used for financial assets are the current bid prices; the appropriate quoted market prices for financial liabilities are the current asking prices.

The fair values of financial instruments that are not traded in an active market are determined by using valuation techniques. The Group uses a variety of methods and makes assumptions that are based on market conditions existing at each balance sheet date. Where appropriate, quoted market prices or dealer quotes for similar instruments are used. Valuation techniques, such as discounted cash flow analyses, are also used to determine the fair values of the financial instruments.

The fair values of currency forwards are determined using actively quoted forward exchange rates. The fair values of interest rate swaps are calculated as the present value of the estimated future cash flows discounted at actively quoted interest rates.

The fair values of current financial assets and liabilities carried at amortised cost approximate their carrying amounts.

2 Basis of preparation and summary of significant accounting policies (cont'd)

2.2 Summary of significant accounting policies (cont'd)

(m) Leases

Operating leases

Where the Group has the use of assets under operating leases, payments made under the leases are recognised in the income statement on a straight–line basis over the term of the lease. Lease incentives received are recognised in the income statement as an integral part of the total lease payments made. Contingent rentals are charged to the income statement in the accounting period in which they are incurred.

Contingent rents are recognised as income in the income statement when earned.

(n) Inventories

Inventories represent the hardwares, pipelines, spare parts and consumables of the Group and are stated at lower of cost and net realisable value.

(o) Segment reporting

A business segment is a distinguishable component of the Group engaged in providing products or services that are subject to risks and returns that are different from those of other business segments. A geographical segment is a distinguishable component of the Group engaged in providing products or services within a particular economic environment that is subject to risks and returns that are different from those of segments operating in other economic environments.

Segment information is presented in respect of the Group's business and geographical segments. The primary format, business segments, is based on the Group's management and internal reporting structure.

Inter–segment pricing is determined on mutually agreed terms.

Segment results, assets and liabilities include items directly attributable to a segment as well as those that can be allocated on a reasonable basis. Unallocated items mainly comprise income–earning assets and revenue, borrowings and expenses, and corporate assets and expenses.

Segment capital expenditure is the total cost incurred during the year to acquire segment assets that are expected to be used for more than one period.

Business segments

The main business segments of the Group comprise sale of software and related services, provision of oilfield services, oil exploration and oilfield development and trading of computer hardware.

Geographical segments

The Group's business segments are managed through three geographical areas, namely the People's Republic of China, Kingdom of Cambodia and Indonesia.

In presenting information on the basis of geographical segments, segment revenue is based on the geographical location of customers. Segment assets are based on the geographical location of the assets.

2 Basis of preparation and summary of significant accounting policies (cont'd)

2.2 Summary of significant accounting policies (cont'd)

(p) Provisions

Provisions are recognised when: the Group has a present legal or constructive obligation as a result of past events; it is more likely than not that an outflow of resources will be required to settle the obligation; and the amount has been reliably estimated.

Provisions are measured at the present value of the expenditure expected to be required to settle the obligation using a pre-tax discount rate that reflects the current market assessment of the time value of money and the risks specific to the obligation. The increase in the provision due to the passage of time is recognised in the income statement as finance expense.

Changes in the estimated timing or amount of the expenditure or discount rate are recognised in the income statement when the changes arise.

(q) Employee benefits

The Group's contributions are recognised as employee compensation expense when they are due, unless they can be capitalised as an asset.

(i) Defined contribution plans

Obligations for contributions to defined contribution pension plans are recognised as an expense in the income statement as incurred.

(ii) Short-term benefits

Short–term employee benefit obligations are measured on an undiscounted basis and are expensed as the related service is provided.

A provision is recognised for the amount expected to be paid under short–term cash bonus or profit–sharing plans if the Group has a present legal or constructive obligation to pay this amount as a result of past service provided by the employee and the obligation can be estimated reliably.

(iii) Share-based compensation

The Group operates an equity-settled, share-based compensation plan. The fair value of the employee services received in exchange for the grant of options is recognised as an expense in the income statement with a corresponding increase in the share option reserve over the vesting period. The total amount to be recognised over the vesting period is determined by reference to the fair value of the options granted on the date of the grant. Non-market vesting conditions are included in the estimation of the number of shares under options that are expected to become exercisable on the vesting date. At each balance sheet date, the Group revises its estimates of the number of shares under options that are expected to become exercisable on the vesting date and recognises the impact of the revision of the estimates in the income statement, with a corresponding adjustment to the share option reserve over the remaining vesting period.

When the options are exercised, the proceeds received (net of transaction costs) and the related balance previously recognised in the share option reserve are credited to share capital account when new ordinary shares are issued, or to the "treasury shares" account when treasury shares are re-issued to the employees.

2 Basis of preparation and summary of significant accounting policies (cont'd)

2.2 Summary of significant accounting policies (cont'd)

(r) Currency translation

(i) Functional and presentation currency

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

(ii) Transactions and balances

Transactions in a currency other than the functional currency ("foreign currency") are translated into the functional currency using the exchange rates at the dates of the transactions. Currency translation differences from the settlement of such transactions and from the translation of monetary assets and liabilities denominated in foreign currencies at the closing rates at the balance sheet date are recognised in the income statement, unless they arise from borrowings in foreign currencies, other currency instruments designated and qualifying as net investment hedges and net investment in foreign operations. Those currency translation differences are recognised in the currency translation reserve in the consolidated financial statements and transferred to the income statement as part of the gain or loss on disposal of the foreign operation.

Non-monetary items measured at fair values in foreign currencies are translated using the exchange rates at the date when the fair values are determined.

(iii) Translation of Group entities' financial statements

The results and financial position of all the Group entities (none of which has the currency of a hyperinflationary economy) that have a functional currency different from the presentation currency are translated into the presentation currency as follows:

1. Assets and liabilities are translated at the closing exchange rates at the date of the balance sheet;

2. Income and expenses are translated at average exchange rates (unless the 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 using the exchange rates at the dates of the transactions); and

3. All resulting currency translation differences are recognised in the currency translation reserve.

(s) Cash and cash equivalent

For the purpose of presentation in the consolidated cash flow statement, cash and cash equivalents include cash on hand and cash at banks.

2 Basis of preparation and summary of significant accounting policies (cont'd)

2.2 Summary of significant accounting policies (cont'd)

(t) Share capital

Ordinary shares are classified as equity. Incremental costs directly attributable to the issuance of new ordinary shares are deducted against the share capital account.

When any entity within the Group purchases the Company's ordinary shares ("treasury shares"), the consideration paid including any directly attributable incremental cost is presented as a component within equity attributable to the Company's equity holders, until they are cancelled, sold or reissued.

When treasury shares are subsequently cancelled, the cost of treasury shares are deducted against the share capital account if the shares are purchased out of capital of the Company, or against the retained earnings of the Company if the shares are purchased out of earnings of the Company.

When treasury shares are subsequently sold or reissued pursuant to the employee share option scheme, the cost of treasury shares is reversed from the treasury share account and the realised gain or loss on sale or reissue, net of any directly attributable incremental transaction costs and related income tax, is recognised in the capital reserve of the Company.

3 Revenue

	Group	
	2008 RMB'000	2007 RMB'000
Software sales and related services	2,143	10,292
Oilfield services	11,509	28,347
Oil production contracts	20,558	12,027
Hardware sales and others	–	902
	34,210	51,568

4 Loss before income tax

Loss before income tax is arrived at after charging/(crediting):

	Note	Group	
		2008 RMB'000	2007 RMB'000
(a) Other income			
VAT refund	(i)	–	(770)
Deferred income reversal		(246)	(448)
Net foreign exchange gain		–	(238)
Gain on disposal of a subsidiary		(1,481)	–
Sundry income		(551)	(913)
		(2,278)	(2,369)

(i) The Group is entitled to a refund of VAT on the sales of inhouse-developed software. The VAT refund represents the amount of VAT paid in excess of 3% of software sales. The amount of VAT refund is calculated on a monthly basis and recognised as other revenue when the refund is approved by relevant tax authorities.

4 Loss before income tax (cont'd)

(b) Staff costs

	Group 2008 RMB'000	Group 2007 RMB'000
Wages and salaries	8,009	11,244
Contributions to defined contribution plans	311	257
Share base payments	493	3,216
	8,813	14,717

(c) Other items

	Note	Group 2008 RMB'000	Group 2007 RMB'000
Cost of inventories sold		110	172
Amortisation of intangible assets	15	354	2,939
Depreciation of property, plant and equipment	14	10,728	3,993
Operating lease charges in respect of properties		2,094	1,375
Loss on disposal of property, plant and equipment		117	–
Loss on disposal of assets and liabilities of a subsidiary		–	4,566
Loss on disposal of a subsidiary		963	–
Net foreign exchange loss		590	–
Impairment loss on intangible assets	15	149	–
Write down of inventories		1,329	–
Impairment loss on oil field equipment	14	29,365	–
Non-audit fees paid to ex-auditors of the Company		–	212
Allowance for doubtful trade and other receivables	10	8,329	53,013

(d) Net finance income

	Group 2008 RMB'000	Group 2007 RMB'000
Finance income	(850)	(895)
Finance costs	127	216
Net finance income	(723)	(679)

Finance income comprise mainly interest income from bank deposits and finance costs comprise mainly interest charges from bank.

5 Research and development costs

	Group 2008 RMB'000	Group 2007 RMB'000
Staff costs	828	772
Amortisation of acquired software	107	30
Travelling	84	163
Others	230	247
	1,249	1,212

6 Associates

	Group and Company 2008 RMB'000	Group and Company 2007 RMB'000
Cost of investment in associates	54,417	54,417
Share of post-acquisition reserves	(7,820)	(4,907)
Unquoted equity share, net	46,597	49,510

Details of the associates are as follows:

Name of associate	Principal activities	Country of incorporation/ business	Effective equity held by the Group 2008 %	Effective equity held by the Group 2007 %
* CPHL (Cambodia) Co., Ltd	Oil and gas exploration and production	Kingdom of Cambodia	48	48
# P.T. Kamundan Energy	Oil and gas exploration and production	Indonesia	42	42

* Audited by KPMG Cambodia Ltd., Cambodia for group consolidation purposes.

\# Audited by Akhyadi & Chris, Registered Public Accountants, Indonesia for group consolidation purposes.

6 Associates (cont'd)

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

	Group and Company	
	2008	2007
	RMB'000	RMB'000
Total assets	75,571	69,394
Total liabilities	70,537	57,684
Net assets	5,034	11,710
Group's share of associates' net assets	2,107	5,001
Unproved concessionary rights	64,510	64,510
Deferred tax liabilities on unproved concessionary rights	(19,574)	(19,574)
Revenue	–	–
Loss for the year	(6,002)	(3,996)
Group's share of associates' loss for the year	(2,651)	(1,879)

7 Income tax expense

	Group	
	2008	2007
	RMB'000	RMB'000
Deferred tax expense		
Origination of temporary differences	(390)	–
Reconciliation of effective tax rate		
Loss before income tax	(56,172)	(52,536)
Notional tax on loss before income tax, calculated at the rates applicable to profits in the countries concern	(16,296)	(10,576)
Non-deductible expenses	16,735	11,067
Non-taxable VAT refund	–	(115)
Non-taxable revenue	(1,272)	(297)
Tax relief obtained	(2,224)	(2,612)
Tax effect of temporary difference overstated in prior years	(390)	–
Deferred tax assets not recognised	3,057	2,533
	(390)	–

As foreign–owned enterprises established under the laws of the PRC, XCPT, SLT and XQB are entitled to tax concessions whereby the profits for the first two financial years beginning with the first profit–making year (after setting off tax losses carried forward from prior years) is exempted from income tax in the PRC and the profit for each of the subsequent three financial years is taxed at 50% of the prevailing tax rate set by the local authority. XCPT and SLT recorded their first year of assessable profit in 2004 and 2005 respectively. The tax relief of 50% will expire at the end of the financial year ending 31 December 2008 and 2009 respectively.

8 Loss per share

Basic loss per share is calculated by dividing the net loss attributable to equity holders of the Company by the weighted average number of ordinary shares outstanding during the financial year.

		Group	
		2008	2007
		RMB'000	RMB'000
Basic and diluted loss per share are based on:			
(i)	Net loss for the year	(55,503)	(54,983)

		No. of shares	
		2008	2007
		('000)	('000)
(ii)	Weighted average number of ordinary shares	290,960	263,738

		Group	
		2008	2007
(iii)	Loss per share – Basic and diluted (RMB cents)	(19.08)	(20.80)

Diluted loss per share for the financial year ended 31 December 2008 is the same as the basic loss per share as the exercise price of the dilutive options is greater than the average market price of the shares during the financial year.

9 (a) Cash and cash equivalents

	Group		Company	
	2008	2007	2008	2007
	RMB'000	RMB'000	RMB'000	RMB'000
Cash at banks and in hand	72,798	116,683	2,012	27,591

(b) Pledged fixed deposit

Short-term bank deposit at the balance sheet date has an average maturity of 1 month (2007:1 month) from the end of the financial year with the weighted average effective interest rate of 2.31% (2007:2.08%). This deposit is pledged for two performance gurantees issued by the bank of approximately RMB4,306,000 (equivalent to US$630,000) each in favour of PT Kamundan Energy, an associate of the Company. The performance gurantees would be expiring in July 2009 and June 2010 respectively.

10 Trade and other receivables

	Group		Company	
	2008	2007	2008	2007
	RMB'000	RMB'000	RMB'000	RMB'000
Trade receivables	11,075	79,717	–	–
Allowance for doubtful trade receivables	(7,823)	(65,065)	–	–
Net trade receivables	3,252	14,652	–	–
Other receivables	9,146	4,163	720	280
Allowance for doubtful other receivables	(7,977)	–	–	–
Net receivables	4,421	18,815	720	280
Bills receivables	–	1,500	–	–
Prepayments	4	725	1	1
	4,425	21,040	721	281

The movement in the allowance for doubtful trade receivables account is as follows:

	Group	
	2008	2007
	RMB'000	RMB'000
Balance at beginning of year	65,065	17,989
Current year charge	352	53,013
Amount written off	(57,594)	(11,400)
Reversal of allowance no longer required	–	5,463
Balance at end of year	7,823	65,065

The movement in the allowance for doubtful other receivables account is as follows:

	Group	
	2008	2007
	RMB'000	RMB'000
Current year charge	7,977	–
Balance at end of year	7,977	–

An allowance for doubtful debt of the overdue other receivables of RMB7,666,000 that relates to the disposal of Ba Zhou Zhong You Yang Guang Oil and Gas Technology Co., Ltd was made during the financial year ended 31 December 2008.

11 Amount due from an associate

	Group		Company	
	2008	2007	2008	2007
	RMB'000	RMB'000	RMB'000	RMB'000
Non-trade	35,136	34,092	6,987	5,252
Trade	24,369	15,436	–	–
	59,505	49,528	6,987	5,252

The amount due from an associate is unsecured, interest-free and repayable on demand.

12 Amount due from/(to) subsidiaries (non–trade)

	Company	
	2008	2007
	RMB'000	RMB'000
Amount due from subsidiaries		
– non-trade	24,257	24,249
Amount due to subsidiaries		
– non-trade	(49,340)	(53,413)

The non-trade amount due from/to subsidiaries are unsecured, interest-free and repayable on demand.

13 Inventories

	Group		Company	
	2008	2007	2008	2007
	RMB'000	RMB'000	RMB'000	RMB'000
Spare parts	–	2,131	–	–
Hardware	2,148	1,660	776	1,660
	2,148	3,791	776	1,660

	Group		Company	
	2008	2007	2008	2007
	RMB'000	RMB'000	RMB'000	RMB'000
Carrying amount of inventories	3,477	3,791	1,552	1,660
Write down of inventories	(1,329)	–	(776)	–
	2,148	3,791	776	1,660

14 Property, plant and equipment

Group	Computer equipment RMB'000	Furniture, fixtures and office equipment RMB'000	Motor vehicles RMB'000	Leasehold land and building RMB'000	Production oil well on lease term RMB'000	Total RMB'000
Cost						
At 1 January 2007	4,593	398	1,598	–	–	6,589
Additions	2,686	1,723	595	2,191	62,843	70,038
Disposals	(422)	(112)	(37)	–	–	(571)
Associate no longer accounted for as a subsidiary	(17)	–	(312)	–	–	(329)
At 31 December 2007	6,840	2,009	1,844	2,191	62,843	75,727
Additions	776	135	799	–	10,858	12,568
Disposals	(39)	(8)	(363)	–	–	(410)
Disposal of subsidiaries	(5,571)	(1,005)	–	(2,191)	–	(8,767)
At 31 December 2008	2,006	1,131	2,280	–	73,701	79,118
Accumulated depreciation and impairment loss						
At 1 January 2007	1,160	178	500	–	–	1,838
Depreciation charge for the year	789	246	319	17	2,622	3,993
Disposals	(113)	(28)	(5)	–	–	(146)
Associate no longer accounted for as a subsidiary	(3)	–	(72)	–	–	(75)
At 31 December 2007	1,833	396	742	17	2,622	5,610
Depreciation charge for the year	536	271	341	26	9,554	10,728
Disposals	(10)	(6)	(80)	–	–	(96)
Disposal of subsidiaries	(1,011)	(215)	–	(43)	–	(1,269)
Impairment loss	–	–	–	–	29,365	29,365
At 31 December 2008	1,348	446	1,003	–	41,541	44,338
Carrying amount						
At 31 December 2008	658	685	1,277	–	32,160	34,780
At 31 December 2007	5,007	1,613	1,102	2,174	60,221	70,117

14 Property, plant and equipment (cont'd)

Company	Computer equipment RMB'000	Furniture, fixtures and office equipment RMB'000	Total RMB'000
Cost			
At 1 January 2007	59	261	320
Additions	34	–	34
At 31 December 2007	93	261	354
Additions	4	109	113
Disposals	–	(9)	(9)
At 31 December 2008	97	361	458
Accumulated depreciation			
At 1 January 2007	13	122	135
Depreciation charge for the year	17	52	69
At 31 December 2007	30	174	204
Depreciation charge for the year	19	61	80
Disposals	–	(6)	(6)
At 31 December 2008	49	229	278
Carrying amount			
At 31 December 2008	48	132	180
At 31 December 2007	63	87	150

15 Intangible assets

Group	Acquired software RMB'000	Development costs RMB'000	Goodwill RMB'000	Unproved concessionary rights RMB'000	Pre–acquisition sales contracts RMB'000	Unproved exploration and evaluation assets RMB'000	Total RMB'000
Cost							
At 1 January 2007	22,771	1,869	11,504	134,396	2,953	13,056	186,549
Additions	8	–	–	–	–	–	8
Disposal	(13,116)	–	(2,794)	–	–	–	(15,910)
Associate no longer accounted for as a subsidiary	–	–	–	(134,396)	–	(13,056)	(147,452)
At 31 December 2007	9,663	1,869	8,710	–	2,953	–	23,195
Disposal of a subsidiary	–	–	–	–	(2,953)	–	(2,953)
At 31 December 2008	9,663	1,869	8,710	–	–	–	20,242
Accumulated amortisation and impairment loss							
At 1 January 2007	18,671	1,869	8,710	–	984	–	30,234
Amortisation charge for the year	1,955	–	–	–	984	–	2,939
Disposal	(11,219)	–	–	–	–	–	(11,219)
At 31 December 2007	9,407	1,869	8,710	–	1,968	–	21,954
Amortisation charge for the year	107	–	–	–	247	–	354
Disposal of a subsidiary	–	–	–	–	(2,215)	–	(2,215)
Impairment loss	149	–	–	–	–	–	149
At 31 December 2008	9,663	1,869	8,710	–	–	–	20,242
Carrying amount							
At 31 December 2008	–	–	–	–	–	–	–
At 31 December 2007	256	–	–	–	985	–	1,241

15 Intangible assets (cont'd)

The amortisation charge is recognised in the following line items in the consolidated income statement:

	Group	
	2008 RMB'000	2007 RMB'000
Cost of sales	–	2,903
Research and development costs	107	30
Administrative expenses	247	6
	354	2,939

16 Subsidiaries

	Company	
	2008 RMB'000	2007 RMB'000
Unquoted equity shares, at cost	137,283	152,392
Impairment loss	(26,352)	(13,276)
	110,931	139,116

The movement in allowance for impairment loss in subsidiaries is as follows:

	Company	
	2008 RMB'000	2007 RMB'000
Balance at beginning of year	(13,276)	(16,474)
Impairment loss during the year	(26,352)	(13,276)
Impairment loss written off	13,276	16,474
Balance at end of year	(26,352)	(13,276)

16 Subsidiaries (cont'd)

Details of the subsidiaries are as follows:

Name of subsidiary	Principal activities	Country of incorporation/ business	Effective equity held by the Group	
			2008 %	2007 %
Petroservice Engineering Inc. and its subsidiary:	Provision of technical oilfield and advisory services	British Virgin Islands ("BVI)	100	100
Beijing petroservice Engineering Inc. ("BJPEI")	Provision of technical oilfield and enhanced oil recovery services	PRC	100	100
Xi'an Cenozoic Petro Tech Co. Ltd ("XCPT")	Provision of software relating to oilfield services	PRC	100	100
Shaanxi Long Top Technology Co., Ltd. ("SLT")	Provision of ERP software to the oil and gas industries	PRC	100	100
Xi'an Quanbin Oilfield Technology Co., Ltd. ("XQB")	Provision of oil production services	PRC	100	100
CPHL (HK) Limited	Investment holding	Hong Kong	100	–
Ba Zhou Zhong You Yang Guan Oil and Gas Technology Co. Ltd	Provision of oil field services	PRC	–	60
Xi'an Cenozoic Oilfield Information Engineering Co. Ltd.	Provision of software relating to oilfield services	PRC	–	100

The above subsidiaries are audited by KLC Kennic Lui & Co. Ltd., Certified Public Accountants (Practising), Hong Kong for group consolidation purposes.

17 Share capital

Issued and fully paid

Movement of the issued and fully paid share capital of the Group and Company is as follows:

	Group and Company					
	2008			2007		
	No of shares	S$	RMB'000	No of shares	S$	RMB'000
Issued and fully paid:						
At 1 January	290,960,419	39,852,912	196,425	244,535,400	22,637,000	109,330
Issued shares under convertible notes	–	–	–	22,005,000	7,665,912	38,865
Issued shares under private place	–	–	–	24,420,019	9,550,000	48,230
At 31 December	290,960,419	39,852,912	196,425	290,960,419	39,852,912	196,425

The holders of ordinary shares (excluding treasury shares) are entitled to receive dividends as declared from time to time and are entitled to one vote per share at meetings of the Company. All shares (excluding treasury shares) rank equally with regard to the Company's residual assets.

18 Reserves

	Note	Group 2008 RMB'000	Group 2007 RMB'000	Company 2008 RMB'000	Company 2007 RMB'000
Statutory/equity reserves	(i)	9,497	9,004	3,709	3,216
Merger reserve	(ii)	5,055	5,055	–	–
Foreign exchange reserve	(iii)	(6,879)	(4,200)	–	–
Accumulated (losses)/profits		(18,730)	36,773	(68,041)	(25,937)
		(11,057)	46,632	(64,332)	(22,721)

(i) Statutory/equity reserves

(a) Statutory surplus reserve

According to the relevant PRC regulations and the Articles of Association of the Group's subsidiaries established in the People's Republic of China ("PRC"), there is a requirement to transfer 10% of its profit after taxation, as determined under the accounting principles and relevant financial regulations applicable in the PRC ("PRC GAAP"), to the statutory surplus reserve until the reserve balance reaches 50% of its registered capital. The transfer to this reserve must be made before the distribution of dividends to equity owners. Statutory surplus reserve can be used to make good previous years' losses, if any, and may be converted to paid–in capital in proportion to the existing interests of equity owners, provided that the balance after such conversion is not less than 25% of the registered capital.

(b) Equity compensation reserve

Under FRS102, the fair value of share options measured at grant date and spread over the period during which the employees become unconditionally entitled to the options capture to equity.

(ii) Merger reserve

The merger reserve represents the difference between the nominal value of shares issued by the Company in exchange for the nominal value of shares acquired in respect of the acquisition of subsidiaries accounted for under the "pooling of interests" method of accounting in prior years.

(iii) Foreign exchange reserve

The foreign exchange reserve of the Group comprises foreign exchange differences arising from the translation of the financial statements of the foreign operations whose functional currencies are different from that of the Company.

19 Trade and other payables

	Group		Company	
	2008	2007	2008	2007
	RMB'000	RMB'000	RMB'000	RMB'000
Trade payables	19,546	23,412	–	–
Receipts in advance	–	244	–	–
Value added taxes ("VAT") payable	20	591	–	–
Other payables	18,430	30,463	15,211	15,197
Accruals	824	1,291	876	1,336
Deferred income	–	984	–	–
	38,820	56,985	16,087	16,533

20 Amount due to related companies

		Group		Company	
	Note	2008	2007	2008	2007
		RMB'000	RMB'000	RMB'000	RMB'000
Guidance Limited	(1)	–	1,485	–	1,485
East Energy Inc.	(2)	624	757	–	95
		624	2,242	–	1,580

(1) At 31 December 2007, Guidance Limited is a substantial shareholder of the Company of which Mr. Chan Shut Li, William owned 58% equity interest. Guidance Limited have distributed the shares of the Company to respective shareholders including Mr. Chan Shut Li, William during the year of 2008. At 31 December 2008, Guidance Limited is no longer a substantial shareholder of the Company.

(2) East Energy Inc is a company incorporated under the laws of the Birtish Virgin Islands and Mr. Chan Shut Li, William owned 30% equity interest.

The amount due to related companies are unsecured, interest-free and repayable on demand.

21 Amount due to a director

	Group		Company	
	2008	2007	2008	2007
	RMB'000	RMB'000	RMB'000	RMB'000
Mr. Chan Shut Li, William	500	7,533	–	7,533

The amount due to a director is unsecured, interest-free and repayable on demand.

22 Deferred tax liabilities

Movements in deferred tax liabilities during the year are as follows:

Group	At 1 January 2007 RMB'000	Associate no longer accounted for as subsidiary RMB'000	At 31 December 2007 RMB'000	Disposal of subsidiary RMB'000	At 31 December 2008 RMB'000
Intangible assets	40,779	(40,779)	–	–	–
Other items	390	–	390	(390)	–
	41,169	(40,779)	390	(390)	–

Deferred tax assets have not been recognised in respect of the following item:

	Group 2008 RMB'000	Group 2007 RMB'000
Tax losses	10,615	8,067

The tax losses are subject to agreement by the tax authorities and compliance with tax regulations in the respective countries in which certain subsidiaries operate. The deductible temporary differences do not expire under current tax legislation. Deferred tax assets have not been recognised in respect of these items because it is not probable that future taxable profit will be available against which the Group can utilise the benefits.

23 Commitments

Operating lease commitments

The total minimum lease payments under non–cancellable operating leases in respect of properties are payable as follows:

	Group 2008 RMB'000	Group 2007 RMB'000
Within one year	824	331
After one year but within five years	481	–
	1,305	331

The Group leases a number of properties under operating leases. The leases run for two years, with options to renew upon expiry. None of the leases include contingent rentals.

24 Significant related party transactions

Identity of related parties

For the purpose of these financial statements, parties are considered to be related to the Group if the Group has the ability, directly or indirectly, to control the party or exercise significant influence over the party in making financial and operating decisions, or vice versa, or where the Group and the party are subject to common control or common significant influence. Related parties may be individuals or other entities.

Compensation of key management personnel

Directors of the Company and the subsidiaries are considered to be key management personnel in accordance with FRS 24 – Related Parties. These persons have the authority and responsibility for planning, directing and controlling the activities of the Group.

The key management personnel compensation are as follows:

	Group	
	2008	2007
	RMB'000	RMB'000
Short–term employee benefits	3,265	3,609
Share base payments	425	787

The above total compensation for the Group for the executive directors of the Company amounted to RMB2,558,907 (2007: RMB3,608,923).

Remuneration includes salary (which includes allowances, fees and other emoluments) and bonuses.

In addition to the above, the Group provides medical benefits to all employees, which include key management personnel.

Company's directors receiving remuneration and fees from the Group:

	Group	
	2008	2007
Number of directors in remuneration band below S$250,000	7	7

25 Financial instruments

Financial risk management objectives and policies

Exposure to credit, interest rate and foreign currency risks arises in the normal course of the Group's business. Management determines the Group's overall business strategies, tolerance of risk, and general risk management philosophy in accordance with the prevailing economic and operating conditions. The management continually monitors the Group's risk management process to ensure that an appropriate balance between risk and control is achieved.

25 Financial instruments (cont'd)

Credit risk

Credit risk is the potential financial loss resulting from the failure of a customer or counterparty to settle its financial and contractual obligations to the Group, as and when they fall due.

The Group has a high concentration of its trade receivables with PRC petroleum companies. In addition, the typical credit terms granted to customers range from thirty days to nine months. As disclosed in Note 10 trade receivables amounting about RMB3,252,000 mainly aged within one year and are not impaired; and RMB7,823,000 has been identified being impaired and allowance for doubtful debts has been provided for.

In view of the high concentration of credit risk and long credit terms granted to customers, the directors implemented certain credit control policies to mitigate the credit risks. It is the Group's policy that all customers who wish to trade on credit terms are subject to credit evaluation procedures. The Group monitors its exposure to credit risks arising from trade receivables on an on–going basis. Debtors who have overdue trade balances (in terms of credit limits and credit terms) are required to settle outstanding balances to below the credit limit amounts before further sales transactions are carried out with such customers. In addition, the Group reviews the recoverable amount of each individual debtor regularly to ensure that adequate impairment losses are made for irrecoverable amounts.

Most of the Group's cash and cash equivalents are deposited with banks in the PRC. The carrying amounts of trade and other receivables represent the Group's maximum exposure to credit risk in relation to its financial assets.

No other financial assets carry a significant exposure to credit risk.

Working capital management

The Group and the Company manage their working capital requirements with the view to minimise interest cost. The net current liabilities as shown in the balance sheet of the Company reflect management's intention to continue to utilise non–trade amounts due to a subsidiary to meet the working capital requirements having regard to the operating environment and expected cash flow of the Group and the Company.

Liquidity risk

The Group monitors its liquidity risk and maintains a level of cash and cash equivalents deemed adequate by management to finance the Group's operations and to mitigate the effects of fluctuations in cash flows. At the balance sheet date, there was no significant liquidity risk exposed by the Group.

Foreign currency risk

Currency risk arises from a change in foreign currency exchange rate, which is expected to have adverse effect on the Company in the current reporting period and in future years.

The Company's main foreign currency risk arises from foreign currency denominated due to expenses in Singapore dollars, Hong Kong dollars and United States dollars.

Companies within the Group, including the Company's associates maintain their books in their respective functional currencies. Profits and net assets of overseas companies are translated into RMB, the Company's reporting currency for consolidation purposes. Fluctuations in the exchange rate between the functional currencies and RMB will have an impact on the Company.

25 Financial instruments (cont'd)

Foreign currency risk (cont'd)

The Group also maintains foreign currency bank accounts for operating purposes.

The Group's and the Company's currency exposure based on the information provided to key management is as follows:

	USD RMB'000	SGD RMB'000	HKD RMB'000	Total RMB'000
Group				
As at 31 December 2008				
Financial assets				
Cash and bank balances	5,577	1,851	884	8,312
Trade and other receivables	1,551	–	270	1,821
Amount due from an associate	57,554	–	–	57,554
	64,682	1,851	1,154	67,687
Financial liabilities				
Trade and other payables	(8,024)	(517)	(11,561)	(20,102)
Amount due to related companies	–	–	(624)	(624)
	(8,024)	(517)	(12,185)	(20,726)
Net currency exposure	56,658	1,334	(11,031)	46,961

	USD RMB'000	SGD RMB'000	HKD RMB'000	Total RMB'000
Group				
As at 31 December 2007				
Financial assets				
Cash and bank balances	9,912	27,396	7,512	44,820
Trade and other receivables	80	45	206	331
Amount due to an associate	48,751	–	–	48,751
	58,743	27,441	7,718	93,902
Financial liabilities				
Trade and other payables	(6,969)	(541)	(12,469)	(19,979)
Amount due to related companies	–	(1,485)	(662)	(2,147)
Amount due to directors	–	–	(7,285)	(7,285)
	(6,969)	(2,026)	(20,416)	(29,411)
Net currency exposure	51,774	25,415	(12,698)	64,491

25 Financial instruments (cont'd)

Foreign currency risk (cont'd)

If the USD, SGD and HKD change against the RMB by +/- 3% (2007: +/- 3%) respectively with all other variables including tax rate being held constant, the effects arising from the net financial assets/liabilities position will be as follows:

	2008 Increase/(decrease)		2007 Increase/(decrease)	
	Net profit RMB'000	Equity RMB'000	Net profit RMB'000	Equity RMB'000
Group				
USD against RMB				
- strengthened	1,722	1,700	1,613	1,553
- weakened	(1,722)	(1,700)	(1,613)	(1,553)
SGD against RMB				
- strengthened	41	40	762	762
- weakened	(41)	(40)	(762)	(762)
HKD against RMB				
- strengthened	(334)	(331)	(396)	(381)
- weakened	334	331	396	381

	USD RMB'000	SGD RMB'000	HKD RMB'000	Total RMB'000
Company				
At 31 December 2008				
Financial assets				
Cash and bank balances	5,112	1,851	110	7,073
Trade and other receivables	–	–	270	270
Amount due from an associate	6,124	–	–	6,124
	11,236	1,851	380	13,467
Financial liabilities				
Trade and other payables	(3,349)	(465)	(11,099)	(14,913)
Net currency exposure	7,887	1,386	(10,719)	(1,446)

	USD RMB'000	SGD RMB'000	HKD RMB'000	Total RMB'000
Company				
At 31 December 2007				
Financial assets				
Cash and bank balances	5,062	27,396	87	32,545
Trade and other receivables	–	45	1,101	1,146
Amount due from an associate	4,916	–	–	4,916
	9,978	27,441	1,188	38,607
Financial liabilities				
Trade and other payables	(3,579)	(485)	(11,979)	(16,043)
Amount due form related companies	–	(1,485)	–	(1,485)
Amount due to a director	–	–	(7,285)	(7,285)
	(3,579)	(1,970)	(19,264)	(24,813)
Net currency exposure	6,399	25,471	(18,076)	13,794

25 Financial instruments (cont'd)

Foreign currency risk (cont'd)

	2008 Increase/(decrease)		2007 Increase/(decrease)	
	Net profit RMB'000	Equity RMB'000	Net profit RMB'000	Equity RMB'000
Company				
USD against RMB				
- strengthened	240	237	199	192
- weakened	(240)	(237)	(199)	(192)
SGD against RMB				
- strengthened	43	42	764	764
- weakened	(43)	(42)	(764)	(764)
HKD against RMB				
- strengthened	(324)	(322)	(591)	(569)
- weakened	324	322	591	569

Interest rate risk

The Group's exposure to market risk for changes in interest rates relates primarily to the Group's cash and cash equivalents and debt obligations. The Group does not use derivative financial instruments to hedge its debt obligations.

Effective interest rates and repricing analysis

In respect of interest–earning financial assets and interest–bearing financial liabilities, the following table indicates their effective interest rates at balance sheet date and the periods in which they are repriced.

	2008		2007	
Group	Effective interest rate %	Within 1 year RMB'000	Effective interest rate %	Within 1 year RMB'000
Financial assets				
Cash and cash equivalents	0.84	72,798	0.74	116,683
Pledged fixed deposit	2.31	5,059	2.80	4,954
		77,857		121,637
Company				
Financial assets				
Cash and cash equivalents	0.01	2,012	0.21	27,591
Pledged fixed deposit	2.31	5,059	2.80	4,954
		7,071		32,545

25 Financial instruments (cont'd)

Estimating the fair values

Other financial assets and liabilities

The notional amounts of financial assets and liabilities with a maturity of less than one year (including trade and other receivables, cash and cash equivalents, and trade and other payables) are assumed to approximate their fair values. All other financial assets and liabilities are discounted using effective interest rates for similar instruments at the balance sheet date to arrive at their amortised costs.

Capital risk

The Group's policy is to maintain an adequate capital base so as to maintain investor, creditor and market confidence and to sustain future development of the business.

The capital structure of the Company consists primarily of equity, comprising issued share capital and reserves.

The Company manages its capital structure and makes adjustment to it in light of changes in economic conditions. It may maintain or adjust its capital structure through the payment of dividend return capital or issue of new shares.

26 Equity compensation benefits

The Mirach Energy Employee Share Option Scheme (formerly known as China Petrotech Employee Share Option Scheme) (the "Mirach Energy Scheme") of the Company was approved and adopted by its members at an Extraordinary General Meeting held on 27 April 2004. The Mirach Energy Scheme is administered by the Company's Remuneration Committee comprising three directors, namely, Lee Beng Cheng, Billy, Chen Wei Ching, Vincent and Liu Mei Ling, Rhoda.

Other information regarding the Mirach Energy Scheme is as follows:

(i) Participants

Under the rules of the Mirach Energy Scheme, executive and non–executive directors and employees of the Group, who are not controlling shareholders or their associates (as defined in the SGX Listing Manual), are eligible to participate in the Mirach Energy Scheme.

(ii) Scheme Administration

The Mirach Energy Scheme shall be administered by a committee comprising of Directors (the "Scheme Committee"), with the powers to determine, inter alia, the following:

(a) persons to be granted options;

(b) number of options to be offered; and

(c) recommendations for modifications to the Mirach Energy Scheme.

26 Equity compensation benefits (cont'd)

(iii) Scheme Size

The aggregate number of shares over which the Scheme Committee may grant options on any date, when aggregated with the number of shares issued and issuable in respect of all options granted under the Mirach Energy Scheme and any other share option schemes of the Company, shall not exceed 15 percent of the issued shares of the Company on the day preceding the date of the relevant grant.

The number of shares comprised in any options to be offered to a participant in the Mirach Energy Scheme shall be determined at the absolute discretion of the Scheme Committee, who shall take into account criteria such as rank, past performance, years of service and potential for future developments of that participant.

(iv) Options, Exercise Period and Exercise Price

The options that are granted under the Mirach Energy Scheme may have exercise prices that are at the Scheme Committee's discretion:

(a) Set at a discount to a price (the "Market Price") equal to the average of the last dealt prices for the shares on the SGX–ST for the five consecutive market days immediately preceding the relevant date of grant of the relevant option of a Share (subject to a maximum discount of twenty per cent) in which event, such options may be exercised after the second anniversary from the date of grant of the option; or

(b) Fixed at the Market Price ("Market Price Option"). Market Price Options may be exercised after the first anniversary of the date of grant of that option. Options granted under the Mirach Energy Scheme will have a life span of five years.

(v) Duration of the Mirach Energy Scheme

The Mirach Energy Scheme shall continue in operation for a maximum duration of 10 years and may be continued for any further period thereafter with the approval of the Company's shareholders by ordinary resolution in general meeting and of any relevant authorities which may then be required.

FRS 102 requires all share–based payment transactions to be recognised in the financial statements using fair value measurements. On 8 September 2008, the Company granted options to senior executives and independent directors of the Group under the Mirach Energy Scheme to subscribe for and be allotted an aggregate of 7,800,000 ordinary shares in the Company at an exercise price of RMB0.69 (equivalent to S$0.14) per share. The fair value of option was RMB1,487,905 (S$313,560) based on the Binomial Option Pricing Model. During the financial year ended 31 December 2008, share based payments amounted to RMB493,000 (2007: RMB3,216,000) was recongised in the financial statements.

27 Segmental information

Segment information is presented in respect of the Group's business and geographical segments. The primary format, business segments, is based on the Group's management and internal reporting structure. Segment results, assets and liabilities include items directly attributable to a segment, as well as those that can be allocated on a reasonable basis. Unallocated items comprise mainly investments and related revenue, corporate assets and head office expenses, and income tax liabilities. Segment capital expenditure is the total cost incurred during the year to acquire plant and equipment, and intangible assets.

Business segments

The Group comprises the following main business segments:

Software and related services: Provision of data management information systems, information technology solutions, design, development and sale of standardised business software solutions.

Oilfield services: Provision of oilfield services.

Hardware and others: Trading in computer hardware and related peripherals.

Oil exploration and oilfield development: Petroleum operations in an offshore area of Cambodia and PRC.

Geographical segments

The businesses of the Group are operated in three principal geographical areas, namely, the PRC, Kingdom of Cambodia and Indonesia. In presenting information on the basis of geographical segments, segment revenue is based on the geographical location of customers. Segment assets are based on the geographical location of the assets.

27 Segment information (cont'd)

Business segments

Group	Software and related services 2008 RMB'000	Software and related services 2007 RMB'000	Oilfield services 2008 RMB'000	Oilfield services 2007 RMB'000	Hardwares and others 2008 RMB'000	Hardwares and others 2007 RMB'000	Oil exploration and oilfield development 2008 RMB'000	Oil exploration and oilfield development 2007 RMB'000	Consolidated 2008 RMB'000	Consolidated 2007 RMB'000
Revenue from external customers	2,143	10,292	11,509	28,347	–	902	20,558	12,027	34,210	51,568
Segment results	(10,545)	(50,608)	(410)	12,536	–	502	(36,071)	(438)	(47,026)	(38,008)
Unallocated operating expenses									(7,218)	(13,328)
Results from operating activities									(54,244)	(51,336)
Finance income									850	895
Finance costs									(127)	(216)
Share of losses of associates									(2,651)	(1,879)
Income tax expense									390	–
Net loss for the year									(55,782)	(52,536)
Assets and liabilities										
Segment assets	63,563	72,662	5,963	28,788	–	–	41,266	81,739	110,792	183,189
Investment in associates									46,597	49,510
Unallocated assets									67,923	84,165
Total assets									225,312	316,864
Segment liabilities	290	843	8,040	11,664	–	–	15,528	28,998	23,858	41,505
Unallocated liabilities									16,086	25,645
Total liabilities									39,944	67,150

27 Segment information (cont'd)

Group	Software and related services 2008 RMB'000	Software and related services 2007 RMB'000	Oilfield services 2008 RMB'000	Oilfield services 2007 RMB'000	Hardwares and others 2008 RMB'000	Hardwares and others 2007 RMB'000	Oil exploration and oilfield development 2008 RMB'000	Oil exploration and oilfield development 2007 RMB'000	Consolidated 2008 RMB'000	Consolidated 2007 RMB'000
Other segment information										
Depreciation	440	508	613	703	–	–	9,594	2,681	10,647	3,892
Unallocated depreciation									81	101
									10,728	3,993
Amortisation of intangible assets	107	1,954	247	985	–	–	–	–	354	2,939
Impairment loss on intangible assets	149	–	–	–	–	–	–	–	149	–
Impairment loss on oil field equipments	–	–	–	–	–	–	29,365	–	29,365	–
Capital expenditure	–	521	1,120	6,091	–	–	10,945	63,406	12,065	70,018
Unallocated capital expenditure									113	33
									12,178	70,051

Geographical segments

Group	People's Republic of China 2008 RMB'000	People's Republic of China 2007 RMB'000	Kingdom of Cambodia 2008 RMB'000	Kingdom of Cambodia 2007 RMB'000	Indonesia 2008 RMB'000	Indonesia 2007 RMB'000	Total 2008 RMB'000	Total 2007 RMB'000
Revenue from external customers	22,701	36,696	9,929	14,872	1,580	–	34,210	51,568
Segment assets	178,715	267,354	43,753	45,168	2,844	4,342	225,312	316,864
Capital expenditure	12,178	70,051	–	–	–	–	12,178	70,051

28 Subsequent events

On 29 December 2008, the Company announced that it was proposing to raise net proceeds of up to approximately RMB91,771,000 (equivalents to S$19,400,000) by way of a renounceable non-underwritten rights issue of up to 887,581,257 new ordinary shares in the capital of the Company (the "Rights Shares"), to be issued at the issue price of RMB0.104 (equivalent to S$0.022) per Rights Share, on the basis of three Rights Shares for every one existing ordinary share in the capital of the Company held by entitled shareholders at the Books closure date determined by the Directors (the "Rights Issue).

On 21 January 2009, Mr. Chan Shut Li William, a substantial shareholder and Director of the Company, undertaken to subscribe and pay for his provisional allotment of Rights Shares under the Rights Issue.

On 11 March 2009, the Company obtained the shareholders' approval for the Rights Issue at the Extraordinary General Meeting.

On 24 March 2009, the Company despatched the Offer Information Statement, together with the application form for Rights Shares and Excess Rights Shares to entitled shareholders. The Company expects the Rights Issue exercise will be completed by late of April 2009.

29 Accounting estimates and judgment

Impairment of property, plant and equipment

The carrying value of the property, plant and equipment is reviewed for impairment when events or changes in circumstances indicate the carrying value may not be recoverable in accordance with the accounting policies as disclosed in note 2.2 (h). The recoverable amount of the property, plant and equipment is the greater of fair value less costs to sell and value in use, the calculations of which involve the use of estimates.

An impairment loss amounted to approximately RMB29,365,000 (2007: Nil) was made during the financial year.

The carrying amount of property, plant and equipment as at 31 December 2008 was approximately RMB34,780,000 (2007: 70,117,000).

Impairment of trade and other receivables

The Group performs regular evaluation of the recoverability of its trade and other receivables balances to ascertain if such balances are impaired. This requires an evaluation of the financial standing, historical repayment patterns and historical trends of bad debts occurrences for the individual debtors and related balances.

An impairment loss of RMB352,000 (2007: RMB53,013,000) was recognised on trade receivables during the year based on management's assessment. Significant judgment is required in determining the appropriate impairment loss to be recognised on trade and other receivables balances. The ultimate recoverability of trade and other receivables is uncertain and any differences between the impairment losses initially recognised and eventual amounts recovered from the debtors will impact the net loss and carrying value of trade and other receivables in the period for which such impairment losses were recognised. The carrying amount of the Group's net trade and other receivables as at 31 December 2008 is RMB3,252,000 and RMB1,173,000 respectively (2007: RMB14,652,000 and RMB6,388,000 respectively).

29 Accounting estimates and judgment (cont'd)

Income and deferred taxes

The Group is subject to income taxes in certain jurisdictions. There are certain 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.

30 New or revised accounting standards and interpretations

Certain new standards, amenedments and interpretations to existing standards have been published and are mandatory for the Group's accounting periods beginning on or after 1 January 2009 or later periods and which the Group has not early adopted.

FRS 1 (revised 2008) Presentation of Financial Statements

FRS 108 Operating Segments

General amendments
Improvement to FRSs

FRS 1	Presentation of Financial Statements
FRS 8	Accounting Policies, Changes in Accounting Estimates and Errors
FRS 10	Events after the Reporting Period
FRS 16	Property, Plant and Equipment
FRS 18	Revenue
FRS 19	Employee Benefits
FRS 20	Accounting for Government Grants and Disclosure of Government Assistance
FRS 23	Borrowing Costs
FRS 27	Consolidated and Separate Financial Statements
FRS 28	Investments in Associates and FRS 31 Interests in Joint Ventures
FRS 29	Financial Reporting in Hyperinflationary Economies
FRS 31	Interests in Joint Ventures
FRS 34	Interim Financial Reporting
FRS 36	Impairment of Assets
FRS 38	Intangible Assets
FRS 39	Financial instruments: Recognition and Measurement
FRS 40	Investment Property
FRS 41	Agriculture
FRS 105	Non-current Assets Held for Sale and Discontinued Operations
FRS 107	Financial Instruments: Disclosures

30 New or revised accounting standards and interpretations (cont'd)

The Group's assessment of the impact of adopting those standards, amendments and interpretations that are relevant to the Group is set out below:

(a) FRS 1(R) Presentation of Financial Statements (effective for annual periods beginning on or after 1 January 2009)

The revised standard requires:

All changes in equity arising from transactions with owners in their capacity as owners to be presented separately from components of comprehensive income;

Components of comprehensive income not to be included in statement of changes in equity;

Items of income and expeses and components of other comprehensive income to be presented either in a single statement of comprehensive income with subtotals, or in two separate statements (a separate statement of profit and loss followed by a statement of comprehensive income);

Presentation of restated balance sheet as at the beginning of the comparative period when entities make restatements or reclassifications of comparative information.

The revisions also include changes in the titles of some of the financial statements primary statements.

The Group will apply the revised standard from 1 January 2009 and provide comparative information that conforms to the requirements of the revised standard. The key impact of the application of the revised standard is the presentation of an additional primary statement, that is, the statement of comprehensive income.

(b) FRS 108 Operating Segments (effective for annual periods beginning on or after 1 January 2009)

FRS 108 supersedes FRS 14 Segment Reporting and requires the Group to report the financial performance of its operating segments based on the information used internally by management for evaluating segment performance and deciding on allocation of resources. Such information may be different from the information included in the financial statements, and the basis of its preparation and reconciliation to the amounts recognised in the financial statements shall be disclosed.

The Group will apply FRS 108 from 1 January 2009 and provide comparative information that conforms to the requirements of FRS 108. The Group expects the new operating segments to be significantly different from business segments currently disclosed and expects more information to be disclosed under FRS 108.

Issued and fully paid-up capital	:	RMB196,425,143
Class of shares	:	Ordinary Shares
Number of Shares	:	290,960,149
Voting rights	:	One vote per share

DISTRIBUTION OF SHAREHOLDINGS AS AT 10 MARCH 2009

SIZE OF SHAREHOLDINGS	NO. OF SHAREHOLDERS	%	NO. OF SHARES	%
1 - 999	8	0.27	1,371	–
1,000 - 10,000	1,595	54.83	11,142,000	3.83
10,001 - 1,000,000	1,281	44.04	60,647,574	20.84
1,000,001 and above	25	0.86	219,169,474	75.33
Total	2,909	100.00	290,960,419	100.00

TWENTY LARGEST SHAREHOLDERS AS AT 10 MARCH 2009

No.	Name	No. of Shares	%
1	CHAN SHUT LI WILLIAM	46,424,183	15.96
2	SEE HOY CHAN INVESTMENT LIMITED	45,200,000	15.53
3	CITIBANK NOMINEES SINGAPORE PTE LTD	40,437,444	13.90
4	HSBC (SINGAPORE) NOMINEES PTE LTD	17,862,004	6.14
5	DBSN SERVICES PTE LTD	8,793,000	3.02
6	LI MING	7,437,000	2.56
7	DBS VICKERS SECURITIES (SINGAPORE) PTE LTD	6,218,000	2.14
8	OVERSEA CHINESE BANK NOMINEES PTE	6,000,000	2.06
9	ALPHA SECURITIES PTE LTD	4,903,004	1.69
10	KIM ENG SECURITIES PTE. LTD.	4,763,000	1.64
11	G K GOH STRATEGIC HOLDINGS PTE LTD	4,351,004	1.50
12	DBS NOMINEES PTE LTD	3,882,000	1.33
13	2G CAPITAL PTE LTD	3,663,003	1.26
14	NEO KIM KUEK	2,985,000	1.03
15	KOH KAI JIANG	2,442,002	0.84
16	OCBC SECURITIES PRIVATE LTD	2,007,000	0.69
17	YEO LAY LENG	1,811,000	0.62
18	UNITED OVERSEAS BANK NOMINEES PTE LTD	1,480,000	0.51
19	CHUA BENG HUAT	1,378,500	0.47
20	LUM CHIEW FOONG	1,375,000	0.47
	Total	213,412,144	73.36

<<< Statistics of Shareholdings...

As at 10 March 2009

SUBSTANTIAL SHAREHOLDERS AS AT 10 MARCH 2009

Name	Number of Shares	Direct Interests (%)	Number of Shares	Deemed Interests (%)
Chan Shut Li, William	46,424,183	15.96	–	–
See Hoy Chan Investment Limited	45,200,000	15.53	–	–
Zhao Ying	38,568,444	13.26	–	–
See Hoy Chan Equities Pte Ltd(1)	–	–	45,200,000	15.53
FMR LLC and Fidelity Int'l Ltd.(2)	–	–	26,110,004	8.97

Notes:

(1) See Hoy Chan Equities Pte Ltd is the holding company of See Hoy Chan Investment Limited. See Hoy Chan Equities Pte Ltd is deemed to be interested in the shares held by See Hoy Chan Investment Limited.

(2) FMR LLC and Fidelity Int'l Ltd. are deemed to be interested in the shares held by the managed accounts of their direct and indirect subsidiaries.

Free Float

Based on information available to the Company, as at 10 March 2009, approximately 46.07% of the issued ordinary shares of the Company is held by the public and therefore, Rule 723 of the SGX Listing Manual issued by the Singapore Exchange Securities Trading Limited is complied with.

NOTICE IS HEREBY GIVEN that the Sixth Annual General Meeting of the Company will be held at Straits Ballroom 1, Hotel Lobby Level 2, Rendezvous Hotel, 9 Bras Basah Road, Singapore 189559 on 27 April 2009 at 10.00 a.m. to transact the following business:-

AS ORDINARY BUSINESS

1. To receive and consider the Audited Financial Statements of the Company for the financial year ended 31 December 2008 and the Directors' Report and the Auditors Report thereon. (Resolution 1)

2. To approve the Directors' fees of S$135,000 for the financial year ended 31 December 2008 (2007: S$135,000). (Resolution 2)

3. To re-elect Mr Lee Beng Cheng, Billy retiring pursuant to Article 91 of the Company's Articles of Association. (Resolution 3)

4. To re-elect Mr Chen Wei Ching, Vincent retiring pursuant to Article 91 of the Company's Articles of Association. (Resolution 4)

5. To re-elect Mr. Xing Heping retiring pursuant to Article 97 of the Company's Articles of Association . (Resolution 5)

6. To re-appoint Messrs LTC LLP as auditors of the Company and to authorise the Directors to fix their remuneration. (Resolution 6)

AS SPECIAL BUSINESS

To consider and, if thought fit, to pass the following ordinary resolutions with or without modifications:-

7. Authority to allot and issue shares

   (a) "That, pursuant to Section 161 of the Companies Act, Chapter 50, and the listing rules of the Singapore Exchange Securities Trading Limited, approval be and is hereby given to the Directors of the Company at any time to such persons and upon such terms and for such purposes as the Directors may in their absolute discretion deem fit, to:

      (i) issue shares in the capital of the Company whether by way of rights, bonus or otherwise;

      (ii) make or grant offers, agreements or options that might or would require shares to be issued or other transferable rights to subscribe for or purchase shares (collectively, "Instruments") including but not limited to the creation and issue of warrants, debentures or other instruments convertible into shares;

      (iii) issue additional Instruments arising from adjustments made to the number of Instruments previously issued in the event of rights, bonus or capitalisation issues; and

   (b) (Notwithstanding the authority conferred by the shareholders may have ceased to be in force) issue shares in pursuance of any Instrument made or granted by the Directors while the authority was in force, provided always that

(i) the aggregate number of shares to be issued pursuant to this resolution (including shares to be issued in pursuance of Instruments made or granted pursuant to this resolution) does not exceed 50% of the total number of issued shares excluding treasury shares of the Company, of which the aggregate number of shares (including shares to be issued in pursuance of Instruments made or granted pursuant to this resolution) to be issued other than on a pro rata basis to shareholders of the Company does not exceed 20% of the total number of issued shares excluding treasury shares of the Company, and for the purpose of this resolution, the issued share capital shall be the Company's total number of issued shares excluding treasury shares at the time this resolution is passed, after adjusting for:

a) new shares arising from the conversion or exercise of convertible securities, or

b) new shares arising from exercising share options or vesting of share awards outstanding or subsisting at the time this resolution is passed provided the options or awards were granted in compliance with Part VIII of Chapter 8 of the Listing Manual of the Singapore Exchange Securities Trading Limited, and

c) any subsequent bonus issue, consolidation or subdivision of the Company's shares, and

(ii) the 50% limit in (i) above may be increased to 100% for the Company to undertake pro-rata renounceable rights issue and unless revoked or varied by the Company at a general meeting, continue in force until the conclusion of the next Annual General Meeting or the date by which the next Annual General Meeting of the Company is required by law to be held, whichever is the earlier." (See Explanatory Note 1) (Resolution 7)

8. Authority to grant options and to issue shares under Mirach Energy Employee Share Option Scheme

"That authority be and is hereby given to the Directors of the Company to offer and grant options from time to time in accordance with the provisions of the Mirach Energy Employee Share Option Scheme (the "Scheme"), and, pursuant to Section 161 of the Companies Act, Chapter 50, to allot and issue from time to time such number of shares in the capital of the Company as may be required to be issued pursuant to the exercise of options granted under the Scheme, provided that the aggregate number of shares to be issued pursuant to the Scheme shall not exceed fifteen (15) per cent of the issued share capital of the Company from time to time, as determined in accordance with the provisions of the Scheme."
(See Explanatory Note 2) (Resolution 8)

9. To transact any other ordinary business which may be properly transacted at an Annual General Meeting.

BY ORDER OF THE BOARD

Lotus Isabella Lim Mei Hua
Company Secretary

9 April 2009

Notes:

1) A member of the Company entitled to attend and vote at the Meeting is entitled to appoint a proxy in his stead.

2) A proxy need not be a member of the Company.

3) If the appointer is a corporation, the proxy must be executed under seal or the hand of its duly authorised officer or attorney.

4) The instrument appointing a proxy must be deposited at the registered office of the Company at 8 Cross Street #11-00 PWC Building Singapore 048424 not later than 48 hours before the time appointed for the Meeting.

Explanatory Notes:-

1. The ordinary resolution in item no. 7 is to authorise the Directors of the Company from the date of the above Meeting until the next Annual General Meeting to issue shares and convertible securities in the Company up to an amount not exceeding in aggregate 50 percent of the issued share capital of the Company of which the total number of shares and convertible securities issued other than on a pro-rata basis to existing shareholders shall not exceed 20 percent of the issued share capital of the Company at the time the resolution is passed, for such purposes as they consider would be in the interests of the Company. This authority will, unless revoked or varied at a general meeting, expire at the next Annual General Meeting of the Company.

2. The ordinary resolution proposed in item no. 8 above, if passed, will empower the Directors of the Company to offer and grant options under the Mirach Energy Employee Share Option Scheme and to allot and issue shares pursuant to the exercise of such options under the Mirach Energy Employee Share Option Scheme not exceeding fifteen (15) per cent of the issued share capital of the Company from time to time.

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MIRACH ENERGY LIMITED

(Incorporated in the Republic of Singapore)
(Company Registration No. 200305397E)

IMPORTANT

1. For investors who have used their CPF monies to buy Mirach Energy Limited shares, the Annual Report is forwarded to them at the request of their CPF Approved Nominees and is sent FOR INFORMATION ONLY.
2. This Proxy Form is not valid for use by CPF investors and shall be ineffective for all intents and purposes if used or purported to be used by them.

PROXY FORM

*I/We ______________________________ (Name)

of ______________________________ (Address)

being *a member/members of Mirach Energy Limited (the "Company"), hereby appoint

Name	Address	NRIC/ Passport No.	Proportion of shareholdings to be represented by proxy (%)

*and/or

as *my/our *proxy/proxies to vote for *me/us on *my/our behalf and, if necessary, to demand a poll, at the Sixth Annual General Meeting of the Company to be held at Straits Ballroom 1, Hotel Lobby Level 2, Rendezvous Hotel, 9 Bras Basah Road, Singapore 189559 on 27 April 2009 at 10.00 a.m. and at any adjournment thereof.

*I/we direct *my/our *proxy/proxies to vote for or against the Ordinary Resolutions to be proposed at the Annual General Meeting as indicated with an "X" in the spaces provided hereunder. If no specified directions as to voting are given, the *proxy/proxies will vote or abstain from voting at *his/their discretion.

No.	Ordinary Resolutions	For	Against
1.	To receive and consider the Audited Financial Statements for the financial year ended 31 December 2008 and the Reports of Directors and Auditors thereon.		
2.	To approve the Directors' fees of S$135,000 for the financial year ended 31 December 2008.		
3.	To re-elect Mr Lee Beng Cheng, Billy pursuant to Article 91 of the Company's Articles of Association.		
4.	To re-elect Mr Chen Wei Ching, Vincent pursuant to Article 91 of the Company's Articles of Association.		
5.	To re-elect Mr. Xing Heping pursuant to Article 97 of the Company's Articles of Association.		
6.	To re-appoint Messrs LTC LLP as auditors of the Company and to authorise the Directors to fix their remuneration.		
7.	To authorise Directors to issue shares pursuant to Section 161 of the Companies Act, Chapter 50.		
8.	To authorise Directors to grant options and to issue shares under Mirach Energy Employee Share Option Scheme.		

Dated this ________ day of ______________ 2009

Total Number of Shares Held

____
Signature(s) of Member(s)/Common Seal
* Delete accordingly

IMPORTANT. Please read notes overleaf

Notes:-

1. A member of the Company entitled to attend and vote at the Annual General Meeting is entitled to appoint not more than two proxies to attend and vote in his stead. Such proxy need not be a member of the Company.

2. Where a member of the Company appoints two proxies, he shall specify the proportion of his shareholding (expressed as a percentage of the whole) to be represented by each such proxy.

3. The instrument appointing a proxy or proxies must be under the hand of the appointor or his attorney duly authorised in writing. Where the instrument appointing a proxy or proxies is executed by a corporation, it must be executed under its common seal or under the hand of its attorney or duly authorised officer.

4. A corporation which is a member of the Company may authorise by resolution of its directors or other governing body such person as it thinks fit to act as its representative at the Annual General Meeting, in accordance with its Articles of Association and Section 179 of the Companies Act, Chapter 50 of Singapore.

5. The instrument appointing proxy or proxies, together with the power of attorney or other authority (if any) under which it is signed, or notarially certified copy thereof, must be deposited at the registered office of the Company at 8 Cross Street #11-00 PWC Building Singapore 048424 not later than 48 hours before the time set for the Annual General Meeting.

6. A member should insert the total number of shares held. If the member has shares entered against his name in the Depository Register (as defined in Section 130A of the Companies Act, Chapter 50 of Singapore), he should insert that number of shares. If the member has shares registered in his name in the Register of Members of the Company, he should insert the number of shares. If the member has shares entered against his name in the Depository Register and shares registered in his name in the Register of Members of the Company, he should insert the aggregate number of shares. If no number is inserted, this form of proxy will be deemed to relate to all the shares held by the member of the Company.

7. The Company shall be entitled to reject the instrument appointing a proxy or proxies if it is incomplete, improperly completed or illegible or where the true intentions of the appointor are not ascertainable from the instructions of the appointor specified in the instrument appointing a proxy or proxies. In addition, in the case of members of the Company whose shares are entered against their names in the Depository Register, the Company may reject any instrument appointing a proxy or proxies lodged if such members are not shown to have shares entered against their names in the Depository Register 48 hours before the time appointed for holding the Annual General Meeting as certified by The Central Depository (Pte) Limited to the Company.

8. A Depositor shall not be regarded as a member of the Company entitled to attend the Annual General Meeting and to speak and vote thereat unless his name appears on the Depository Register 48 hours before the time set for the Annual General Meeting.

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Affix
Stamp

The Company Secretary
MIRACH ENERGY LIMITED
8 Cross Street #11-00
PWC Building
Singapore 048424

Second fold

Third fold

Apply glue here

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