



# United Energy Group Limited

(Incorporated in the Cayman Islands and continued in Bermuda with limited liability)  
Stock Code: 0467



2008  
Interim Report

The Board of Directors of United Energy Group Limited (the "Company") hereby presents the unaudited condensed consolidated interim results of the Company and its subsidiaries (the "Group") for the six months ended 30 September 2008 together with unaudited comparative figures for the corresponding period in 2007 as follows:

## Condensed Consolidated Interim Income Statement

For the six months ended 30 September 2008

	Note	Six months ended	
		2008	2007
		(unaudited)	(unaudited)
		HK\$'000	HK\$'000
			(restated)
<b>Turnover</b>	4	<b>5,170</b>	4,688
Cost of sales and service rendered		<b>(548)</b>	(234)
<b>Gross profit</b>		<b>4,622</b>	4,454
Other income	5	<b>27,316</b>	8,805
Oil exploitation expenses		<b>(25,272)</b>	(8,922)
Administrative expenses		<b>(221,710)</b>	(33,605)
<b>Loss from operations</b>	5	<b>(215,044)</b>	(29,268)
Share of profit of associates		<b>69,690</b>	–
<b>Loss before tax</b>		<b>(145,354)</b>	(29,268)
Income tax expense	6	<b>(126)</b>	(299)
<b>Loss for the period</b>		<b>(145,480)</b>	(29,567)
<b>ATTRIBUTABLE TO:</b>			
Equity holders of the Company		<b>(147,022)</b>	(28,171)
Minority interests		<b>1,542</b>	(1,396)
		<b>(145,480)</b>	(29,567)
<b>LOSS PER SHARE</b>			
Basic	7	<b>(1.15) cents</b>	(0.25) cents
Diluted	7	<b>N/A</b>	N/A

# Condensed Consolidated Interim Balance Sheet

As at 30 September 2008

	Note	As at 30 September 2008 (unaudited) HK\$'000	As at 31 March 2008 (audited) HK\$'000
<b>Non-current assets</b>			
Property, plant and equipment	9	34,678	36,703
Investment properties		181,648	177,600
Investment in associates	10	256,150	86,403
		<b>472,476</b>	300,706
<b>Current assets</b>			
Inventory		93,640	–
Trade and other receivables	11	30,524	716,350
Due from an associate		68,118	66,552
Financial assets at fair value through profit or loss		223,582	6,613
Bank and cash balances		2,330,131	2,113,460
		<b>2,745,995</b>	2,902,975
<b>Current liabilities</b>			
Trade and other payables	12	68,778	34,005
Derivative financial instruments		67,356	–
Current tax liabilities		82	4
Due to directors		4,774	5,534
Due to related companies		3,860	3,774
		<b>144,850</b>	43,317
<b>Net current assets</b>		<b>2,601,145</b>	2,859,658
<b>Total assets less current liabilities</b>		<b>3,073,621</b>	3,160,364
<b>Non-current liabilities</b>			
Deferred tax liabilities		27,830	27,209
<b>Net assets</b>		<b>3,045,791</b>	3,133,155
<b>Capital and reserves</b>			
Share capital	13	127,771	127,771
Reserves		2,720,660	2,813,966
Equity attributable to equity holders of the Company		<b>2,848,431</b>	2,941,737
Minority interests		197,360	191,418
<b>Total equity</b>		<b>3,045,791</b>	3,133,155

# Condensed Consolidated Interim Statement of Changes in Equity

For the six months ended 30 September 2008

	Attributable to equity holders of the Company										
	Share capital	Share premium account	Merger reserve	Capital reserve	Share-based payments reserve	Foreign currency translation reserve	Statutory reserve	Accumulated losses	Total	Minority interests	Total
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
At 1 April 2007, as previously reported	68,760	2,572,169	(2,286,000)	287,545	-	20,429	829	(142,438)	521,294	206,700	727,994
Effect on merger of equity interests in subsidiaries	45,271	8,284,608	(8,060,845)	-	-	-	-	(1,688)	267,346	-	267,346
At 1 April 2007, as restated	114,031	10,856,777	(10,346,845)	287,545	-	20,429	829	(144,126)	788,640	206,700	995,340
Exchange differences arising on translation of foreign operations	-	-	-	-	-	7,782	-	-	7,782	4,536	12,318
Net income and expenses recognised directly in equity	-	-	-	-	-	7,782	-	-	7,782	4,536	12,318
Loss for the period	-	-	-	-	-	-	-	(28,171)	(28,171)	(1,396)	(29,567)
Total recognised income and expense for the period	-	-	-	-	-	7,782	-	(28,171)	(20,389)	3,140	(17,249)
<b>At 30 September 2007</b>	114,031	10,856,777	(10,346,845)	287,545	-	28,211	829	(172,297)	768,251	209,840	978,091
At 1 April 2008	127,771	13,027,326	(10,346,845)	287,545	35,194	55,540	502	(245,296)	2,941,737	191,418	3,133,155
Exchange differences arising on translation of foreign operations	-	-	-	-	-	6,917	-	-	6,917	4,400	11,317
Net income and expenses recognised directly in equity	-	-	-	-	-	6,917	-	-	6,917	4,400	11,317
Loss for the period	-	-	-	-	-	-	-	(147,022)	(147,022)	1,542	(145,480)
Total recognised income and expense for the period	-	-	-	-	-	6,917	-	(147,022)	(140,105)	5,942	(134,163)
Recognition of share-based payments	-	-	-	-	46,799	-	-	-	46,799	-	46,799
<b>At 30 September 2008</b>	127,771	13,027,326	(10,346,845)	287,545	81,993	62,457	502	(392,318)	2,848,431	197,360	3,045,791

## Condensed Consolidated Interim Cash Flow Statement

For the six months ended 30 September 2008

	<b>As at</b> <b>30 September</b> <b>2008</b> <b>(unaudited)</b> <b>HK\$'000</b>	As at 30 September 2007 (unaudited) HK\$'000 (restated)
Net cash inflow from operating activities	<b>507,030</b>	209,988
Net cash outflow from investing activities	<b>(293,056)</b>	(88,173)
Net increase in cash and cash equivalents	<b>213,974</b>	121,815
Cash and cash equivalents at 1 April	<b>2,113,460</b>	489,057
Effect of foreign exchange rate changes	<b>2,697</b>	5,799
Cash and cash equivalents at 30 September	<b>2,330,131</b>	616,671

# Notes to Interim Financial Statements

*For the six months ended 30 September 2008*

## 1. General information

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

## 2. Basis of preparation

The condensed consolidated interim financial information for the six months ended 30 September 2008 have been prepared in accordance with the requirements of the Rules Governing the Listing of Securities on the Stock Exchange (the "Listing Rules") and the Hong Kong Accounting Standard No.34 "Interim Financial Reporting" issued by the Hong Kong Institute of Certified Public Accountants (the "HKICPA").

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

As the Company and United Petroleum were both ultimately controlled by Mr. Zhang Hongwei before and after the Acquisition, the Acquisition was accounted for as a business combination of entities under common control. The condensed consolidated interim financial statements of the Group for the six months ended 30 September 2008 were prepared based on the principles of merger accounting in accordance with the AG 5, as if the Acquisition had occurred from the date when the combining entities first came under the control of Mr. Zhang Hongwei. Comparative figures have been restated accordingly.

### 3. Significant accounting policies

The accounting policies used in the condensed interim financial statements are consistent with those followed in the preparation of the Group's annual financial statements for the year ended 31 March 2008. The condensed interim financial statements should be read in conjunction with the Company's 2008 annual report.

In the current interim period, the Group has adopted all the new and revised Hong Kong Financial Reporting Standards ("HKFRSs") issued by HKICPA that are relevant to its operations and effective for its accounting periods beginning on 1 April 2008. HKFRSs comprise HKFRSs; Hong Kong Accounting Standards; and Interpretations. The adoption of the new and revised HKFRSs did not result in substantial changes to the Group's accounting policies and amounts reported for the current period and prior periods.

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

### 4. Segment information

#### *Primary Reporting Format – Business Segments*

The Group is currently operating into two business segments, property investment and oil exploitation.

Turnover of the Group represents property rental income, property management service fee income during the period ended 30 September 2008. Segment information about the business is presented below:

#### **Six months ended 30 September 2008**

	<b>Property development HK\$'000</b>	<b>Property investment HK\$'000</b>	<b>Oil exploitation HK\$'000</b>	<b>Consolidated HK\$'000</b>
Turnover	–	5,170	–	5,170
Segment results	–	4,353	(26,926)	(22,573)
Other income				27,316
Unallocated corporate expenses				(219,787)
Loss from operations				(215,044)
Share of profit of associates				69,690
Loss before tax				(145,354)
Income tax expenses				(126)
Loss for the period				(145,480)

#### 4. Segment information *(Continued)*

##### **Primary Reporting Format – Business Segments** *(Continued)*

Six months ended 30 September 2007

	Property development <i>HK\$'000</i>	Property investment <i>HK\$'000</i>	Oil exploitation <i>HK\$'000</i>	Consolidated <i>HK\$'000</i>
Turnover	–	4,688	–	4,688
Segment results	(7,508)	1,052	(18,884)	(25,340)
Other income				8,805
Unallocated corporate expenses				(12,733)
Loss from operations				(29,268)
Share of profit of associates				–
Loss before tax				(29,268)
Income tax expenses				(299)
Loss for the period				(29,567)

## 5. Loss from operations

	For the six months ended 30 September	
	2008	2007
	HK\$'000	HK\$'000
Loss from operations has been arrived at after charging (crediting) the followings:		
Other revenue:		
Interest income	(26,843)	(6,072)
Gain on disposals of financial assets at fair value through profit or loss	–	(2,681)
Other income	(473)	(52)
	<b>(27,316)</b>	<b>(8,805)</b>
Staff costs, including directors' remuneration and retirement benefit scheme contributions	2,485	2,082
Equity settled share based payments	46,799	–
Loss on derivative financial instruments at fair value through profit or loss	67,356	–
Depreciation of plant and equipment	3,953	183
Auditors' remuneration	908	261
Interest expenses	–	5,308
Less: capitalised in properties under development	–	(5,308)
	–	–

## 6. Income Tax Expense

	For the six months ended 30 September	
	2008	2007
	HK\$'000	HK\$'000
PRC Income Tax	126	299

No provision for profits tax in the Bermuda, the British Virgin Islands or Hong Kong is required as the Group has no assessable profit arising in or derived from these jurisdictions for the relevant periods.

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

## 7. Loss per share

Basic loss per share is calculated based on the net loss attributable to equity holders of the Company during the period divided by the weighted average number of ordinary shares in issue. The calculation of the basis loss per share is based on the following:

	<b>For the six months ended 30 September</b>	
	<b>2008</b>	2007 (Restated)
Loss attributable to equity holders of the Company (HK\$'000)	<b>(147,022)</b>	(28,171)
Weighted average number of ordinary shares in issue	<b>12,777,091,632</b>	11,403,091,632
Basic loss per share (HK\$ cents)	<b>(1.15)</b>	(0.25)

In determining the weighted average number of ordinary shares in issue, the 4,527,108,257 ordinary shares as consideration for the acquisition of United Petroleum were deemed to be in issue since 1 April 2007.

No diluted loss per share for the six months ended 30 September 2008 is presented as the Company did not have any dilutive potential ordinary share during the two periods ended 30 September.

## 8. Dividends

The directors of the Company do not recommend the payment of any interim dividend for the six months ended 30 September 2008 (Six months ended 30 September 2007: Nil).

## 9. Movements in property, plant and equipment

During the period, the Group acquired property, plant and equipment of approximately HK\$1,122,052 (2007: HK\$5,795,992).

## 10. Investment in Associates

During the period, pursuant to an investment agreement dated 6 June 2008, the Company acquired 26.3% equity interest in Glimmer Stone Investments Limited (the "Glimmer") for a cash consideration of HK\$100,920,019. The Glimmer is an investment holding company and incorporated in the British Virgin Islands.

## 11. Trade and other receivables

	<b>30 September 2008</b>	31 March 2008
	<b>HK\$'000</b>	<b>HK\$'000</b>
Loan receivables	<b>24,978</b>	666,395
Receivables arising from dealing in listed securities	–	48,638
Deposits and prepayments	<b>5,546</b>	1,267
Others	–	50
Total trade and other receivables	<b>30,524</b>	716,350

The loan receivables represent the outstanding accrued interest of the loan advances to an independent third party. The balance is non-interest bearing and secured by the borrower's investment in 70% equity interests of a sino-foreign equity joint venture established in the PRC which principally engaged in operating of hotel and related business and repayable on or before 31 December 2008. The balance has been repaid on 26 November 2008.

## 12. Trade and other payables

	<b>30 September 2008</b>	31 March 2008
	<b>HK\$'000</b>	<b>HK\$'000</b>
Receipts in advance	<b>11,353</b>	16,175
Accrual for operating expenses	<b>53,879</b>	15,939
Salary and welfare payables	–	95
Deposits received	<b>170</b>	1,119
Other tax payables	<b>538</b>	652
Others	<b>2,838</b>	25
Total trade and other payables	<b>68,778</b>	34,005

## 13. Share capital

	<b>30 September 2008</b>	31 March 2008
	<b>HK\$'000</b>	<b>HK\$'000</b>
Authorised:		
60,000,000,000 ordinary shares of HK\$0.01 each	<b>600,000</b>	600,000
Issued and fully paid:		
12,777,091,632 ordinary shares of HK\$0.01 each	<b>127,771</b>	127,771

## 14. Commitments

### (a) Operating lease commitments

At 30 September 2008, the Group had total future minimum lease payments under non-cancellable operating leases are payable as follows:

	30 September 2008 HK\$'000	31 March 2008 HK\$'000
Within one year	3,634	1,319
In the second to fifth years inclusive	3,459	6
	<b>7,093</b>	<b>1,325</b>

Operating lease payments represent rental payable by the Group for certain of its offices and director's quarters.

### (b) Capital commitments

	30 September 2008 HK\$'000	31 March 2008 HK\$'000
Contracted but not provided for		
Acquisition of property, plant and equipment	405	180
Research and development expenditures	11,875	3,754
	<b>12,280</b>	<b>3,934</b>

## 15. Related Party Transactions

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

### (a) Transactions with related parties:

	30 September 2008 Total HK\$'000	30 September 2007 Total HK\$'000
東方集團能源投資控股有限公司		
– Research and development expenses paid	–	3,691
– Operating lease rental received	–	133

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

### (b) Balance with related parties:

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

## 16. Approval of the Interim Financial Statements

The condensed consolidated interim financial information has been approved for issue by the board of directors on 11 December 2008.

## **Management Discussion and Analysis**

### **Financial Review**

For the six months ended 30 September 2008, the Group has recorded a turnover of HK\$5.17 million and a loss attributable to equity holders of the Company of HK\$147.02 million as compared to a turnover of HK\$4.69 million and a loss attributable to equity holders of the Company of HK\$28.17 million recorded for the last corresponding period in 2007. The increase in loss attributable to equity holders of the Company by approximately 422% as compared with the corresponding period of last year was principally due to the substantial increase in oil exploitation expenses and administrative expenses. During the period under review, the Company's administrative expenses were increased from HK\$33.61 million to HK\$221.71 million. The increased administrative expenses included the non-cash expense of approximately HK\$46 million due to stock options granted per the share option scheme, and the non-cash loss of approximately HK\$67 million as a result of fair value adjustment of the call and put options entered into on its investment in one of its associate companies. This non-cash loss was entirely offset by the non-cash gain of approximately HK\$74 million attributable to the Group's equitable results of the same associate company. The increased administrative expenses were also due to certain professional advisory fees related to its acquisition evaluations. All these factors contributed to the increases in legal expenses, salaries and other general expenses.

The turnover mainly represented rental and management fee income derived from the properties letting business in PRC. The increase in other operating income from HK\$8.81 million to HK\$27.32 million is mainly due to the increase in interest income.

### **Business Review**

For the six months ended 30 September 2008, the Group was mainly engaged in property investment and management and oil and gas business in the PRC with focus on oil and gas.

During the first half of 2008, the Group still generated a stable annual income of RMB4.57 million (equivalent to approximately HK\$5.17 million) from rental and property management of a commercial building located in the PRC. The oil and gas business continued in pilot testing stage under enhanced oil recovery contract with CNPC on Liaohe oilfield. Pilot tests have proceeded into steam injection stage, which is the most crucial phase of the enhanced oil recovery program. Work is proceeding as planned and a certain level of effective results has been achieved.

Simultaneous to the steam injection tests, we have also undertaken various new techniques and technologies. We endeavored to reduce costs and control investments. Without incurring extra expenditure for pilot testing budget, fireflood was implemented in Gao 3618, steam flood plus oil displacement agent was implemented in Gao 3-3-72 well, chemical cold flow production was implemented in Gao 3-42-64 well, and a new technique of steam flood plus CO<sub>2</sub> slug method was implemented in Gao 3. A solid groundwork has been laid for next year's full scale production.

At present, onsite targets and emphases are as follows:

- (1) Strengthen day to day management of pilot tests and dynamic adjustments to progress follow up;
- (2) Continue to improve and expand the scale of fireflood tests, 3 more wells will be added to fireflood;
- (3) Focus on safety and environmentally responsible practices; and
- (4) Expedite the Overall Development Plan.

### **Termination of proposed investment in Transmeridian**

Following its effort of last financial year in identifying worthy opportunities in the world, during this period, management has engaged in a proposed investment which is highlighted below.

On 11 June 2008 and amended and restated as of 22 September 2008, the Company and Transmeridian Exploration Incorporated entered into an Investment Agreement whereby the Company will invest an aggregate consideration of approximately US\$212 million (equivalent to approximately HK\$1,654 million) in Transmeridian, which owns 100% of South Alibek Field in Kazakhstan, as well as 50% effective interest in Gasha Field in Russia. The Company's acquisition of majority interest compliments its strategic focus on the upstream oil and natural gas business – diversifying the geographic base of our resources and increasing overall reserves. The approval of the shareholders of the Company for the proposed investment in Transmeridian was obtained at the Special General Meeting of the Company on 16 October 2008.

As a result of the recent deterioration in the economic climate, on 15 November 2008, the Company and Transmeridian have mutually agreed to terminate Investment Agreement. No monetary consideration will be paid by either party in connection with the Termination Agreement. In addition, the Company is not owed, nor does it owe, any sums in relation to the Transaction Agreements.

The entry by the Company into the Termination Agreement and the related termination of the Transaction Agreements has no material adverse impact on the interests of the Company and the Shareholders. In addition, the Company and Transmeridian are exploring alternative transactions on a non-exclusive basis.

## **Liquidity and Financial Resources**

The Group continued to be in a strong financial position for the period under review with cash and cash equivalents amounting to HK\$2,330 million as at 30 September 2008 (31 March 2008: HK\$2,113 million).

The Group had no long-term borrowings, therefore the gearing ratio is not applicable. The current ratio was 18.96 (31 March 2008: 67.02), based on current assets of approximately HK\$2,746 million (31 March 2008: HK\$2,903 million) and current liabilities of approximately HK\$145 million (31 March 2008: HK\$43 million).

## **Prospects**

The Group will continue and enhance its existing oil resources business. The Directors believe that the PRC will remain to be the fastest growing economic region in the world within the next few decades – will continue to fuel increasing demand for oil and natural gas.

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

Currently, the Company is exploring new investment opportunities in the world, hoping to further expand the Company's scale, widen its asset base and increase its profitability through acquisition and mergers, in order to pursue greater return to our shareholders.

## **Employees**

At as 30 September 2008, the Group employed a total of 50 full time employees in Hong Kong and PRC. Employees' remuneration package was reviewed periodically and determined with reference to the performance of the individual and the prevailing market practices. Remuneration package included basis salaries, year end bonus, medical and contributory provident fund.

## **Contingent Liabilities**

The Group had no significant contingent liabilities during this period.

## **Exposure to Fluctuations in Exchange Rates and Related Hedges**

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

## **Share Option Scheme**

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

On 20 May 2008, a total of 330,000,000 shares options were granted to a chief executive officer of the Company and eligible participants. The options were granted at a cash consideration of HK\$1.00 per grantee and entitled the grantees to subscribe for ordinary shares at an exercise price of HK\$0.902 per share. The options are exercisable during the period from 20 May 2009 to 19 December 2013.

Details of share options granted under the scheme are as follows:

Grant Date	Exercise Price HK\$	Vesting Period	Exercisable Period	Number of Share Options					As at 30/9/2008
				As at 1/4/2008	Granted	Exercised	Lapsed	Cancelled	
Zhang Meijing									
04.12.2007	1.56	04.12.2007 to 03.12.2008	04.12.2008 to 03.12.2009	30,000,000	-	-	-	-	30,000,000
04.12.2007	1.56	04.12.2007 to 03.12.2009	04.12.2009 to 03.12.2010	20,000,000	-	-	-	-	20,000,000
04.12.2007	1.56	04.12.2007 to 03.12.2010	04.12.2010 to 03.12.2011	20,000,000	-	-	-	-	20,000,000
04.12.2007	1.56	04.12.2007 to 03.12.2011	04.12.2011 to 03.12.2012	30,000,000	-	-	-	-	30,000,000
Jonathan Soon P. Yeap									
20.05.2008	0.902	20.05.2008 to 19.12.2009	20.05.2009 to 19.12.2010	-	36,000,000	-	-	-	36,000,000
20.05.2008	0.902	20.05.2008 to 19.12.2010	20.05.2010 to 19.12.2011	-	24,000,000	-	-	-	24,000,000
20.05.2008	0.902	20.05.2008 to 19.12.2011	20.05.2011 to 19.12.2012	-	24,000,000	-	-	-	24,000,000
20.05.2008	0.902	20.05.2008 to 19.12.2012	20.05.2012 to 19.12.2013	-	36,000,000	-	-	-	36,000,000
Employees and Consultants									
04.12.2007	1.56	04.12.2007 to 03.12.2008	04.12.2008 to 03.12.2009	52,500,000	-	-	-	-	52,500,000
04.12.2007	1.56	04.12.2007 to 03.12.2009	04.12.2009 to 03.12.2010	35,000,000	-	-	-	-	35,000,000
04.12.2007	1.56	04.12.2007 to 03.12.2010	04.12.2010 to 03.12.2011	35,000,000	-	-	-	-	35,000,000
04.12.2007	1.56	04.12.2007 to 03.12.2011	04.12.2011 to 03.12.2012	52,500,000	-	-	-	-	52,500,000
20.05.2008	0.902	20.05.2008 to 19.12.2009	20.05.2009 to 19.12.2010	-	63,000,000	-	-	-	63,000,000
20.05.2008	0.902	20.05.2008 to 19.12.2010	20.05.2010 to 19.12.2011	-	42,000,000	-	-	-	42,000,000
20.05.2008	0.902	20.05.2008 to 19.12.2011	20.05.2011 to 19.12.2012	-	42,000,000	-	-	-	42,000,000
20.05.2008	0.902	20.05.2008 to 19.12.2012	20.05.2012 to 19.12.2013	-	63,000,000	-	-	-	63,000,000
Total				275,000,000	330,000,000				605,000,000

## Disclosure of Interests

### Directors' Interests in Shares and Underlying Shares of the Company

As at 30 September 2008, the Directors and the chief executives of the Company and their associates had the following interests or short positions in shares, underlying shares and debentures of the Company or any of its associated corporations (within the meaning of the Securities and Futures Ordinance (the "SFO")) as recorded in the register required to be kept under Section 352 of the SFO or as otherwise notified to the Company and The Stock Exchange of Hong Kong Limited (the "Stock Exchange") pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code"):

Name of Director	Name of Company	Nature of interest	Number of Shares		Approximate % shareholding
			Long Position	Short Position	
Zhang Hongwei	The Company	Attributable interest of controlled corporation	9,001,240,115	-	70.45 <i>(Note 1)</i>
Jonathan Soon P. Yeap	The Company	Beneficial owner	120,000,000	-	0.94 <i>(Note 2)</i>
Zhang Meiyong	The Company	Beneficial owner	100,000,000	-	0.78 <i>(Note 3)</i>
Zhu Jun	The Company	Beneficial owner	1,443,000	-	0.01

Note:

1. Out of the 9,001,240,115 shares, 5,128,169,125 shares were beneficially held by He Fu International Limited, 2,223,726,708 shares were beneficially held by United Petroleum & Natural Gas Holdings Limited, and 1,649,344,282 shares were beneficially held by United Energy Holdings Limited. He Fu International Limited, United Petroleum & Natural Gas Holdings Limited and United Energy Holdings Limited are companies wholly-owned by Mr. Zhang Hongwei. Therefore, Mr. Zhang Hongwei is deemed to be interested in those 9,001,240,115 shares.
2. Share options which entitle Mr. Jonathan Soon P. Yeap to subscribe for an aggregate 120,000,000 shares were granted to Mr. Jonathan Soon P. Yeap on 20 May 2008 under the share option scheme adopted by the Company on 11 May 2006.
3. Share options which entitle Ms. Zhang Meiyong to subscribe for an aggregate 100,000,000 shares were granted to Ms. Zhang Meiyong on 4 December 2007 under the share option scheme adopted by the Company on 11 May 2006.

Save as disclosed above, none of the directors and chief executives, nor their associates had any interests or short positions in any shares, underlying shares or debentures of the Company or any of its associated corporations as at 30 September 2008.

### Substantial Shareholders

During this period, the following persons or corporations, other than the Directors or chief executive of the Company as disclosed above, had interests or short positions in the shares and underlying shares of the Company as recorded in the register required to be kept by the Company pursuant to Section 336 of the SFO:

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

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

All the interests stated above represent long positions. As at 30 September 2008, no short position were recorded in the register kept by the Company under Section 336 of the SFO.

### Arrangements to Purchase Shares or Debentures

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

### Sufficiency of Public Float

The Company has maintained a sufficient public float throughout for the period ended 30 September 2008.

## Corporate Governance

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

1. The Code A.2.1 — the company does not have the post of chief executive officer; and
2. The Code A.4.1 — the independent non-executive Directors have not been appointed for any specific terms as they are subject to retirement by rotation at least once every three years in accordance with the Company’s Bye-laws.

During the period from 1 April 2008 to 17 July 2008, no chief executive officer has been appointed and the responsibilities of chief executive officer had been performed by the executive directors and management of the Company. On 18 July 2008, the Board appointed Mr. Jonathan Soon P. Yeap as the chief executive officer of the Company.

Code provision A.4.1 of the Code provides that non-executive Directors should be appointed for a specific term, subject to re-election. As mention in the CG Report contained in the 2008 Annual Report that none of the non-executive Directors has entered into any service contracts with the Company or its subsidiaries. In view of the fact that the non-executive Directors are subject to retirement by rotation at least once every three years though they have no set term of office, the Board considers that the quality of good corporate governance will not be impaired.

## Compliance with the Model Code of the Listing Rules

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

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

## **Audit Committee**

The Audit Committee of the Company is comprised of three independent non-executive directors, Messrs. Chau Siu Wai, San Fung and Zhu Chengwu. The Audit Committee has reviewed the Group's unaudited condensed consolidated interim financial statements for the period ended 30 September 2008 and has also discussed the internal control, the accounting principles and practices adopted by the Group.

## **Purchase, Sale or Redemption of Shares**

The Company has not redeemed any of its shares nor any of its subsidiaries has purchased or sold any of the Company's shares during the six months ended 30 September 2008.

On behalf of the Board

**Zhang Hongwei**

*Chairman*

Hong Kong, 11 December 2008

*As at the date of this report, the executive Directors are Mr. Zhang Hongwei (Chairman), Mr. Zhu Jun and Ms. Zhang Meiyang, and the independent non-executive Directors are Mr. Chau Siu Wai, Mr. San Fung and Mr. Zhu Chengwu.*