



United Energy Group Limited

(Incorporated in the Cayman Islands and continued in Bermuda with limited liability)

Stock Code: 0467

Interim Report
2009



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 2009 together with unaudited comparative figures for the corresponding period in 2008 as follows :–

Condensed Consolidated Interim Income Statement

For the six months ended 30 September 2009

		Six months ended	
		30 September	
		2009	2008
		(unaudited)	(unaudited)
	<i>Note</i>	HK\$'000	HK\$'000
Turnover	4	11,592	5,170
Cost of sales and service rendered		(8,481)	(548)
Gross profit		3,111	4,622
Other income	5	52,129	27,316
Oil exploitation expenses		(25,453)	(25,272)
Administrative expenses		(56,712)	(221,710)
Loss from operations	5	(26,925)	(215,044)
Share of profit of associates		88,676	69,690
Loss on disposal of associates		(91,454)	–
Loss before tax		(29,703)	(145,354)
Income tax expense	6	–	(126)
Loss for the period		(29,703)	(145,480)
ATTRIBUTABLE TO:			
Equity holders of the Company		(30,640)	(147,022)
Minority interests		937	1,542
		(29,703)	(145,480)
LOSS PER SHARE			
Basic	7	(0.24) cents	(1.15) cents
Diluted	7	N/A	N/A



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Condensed Consolidated Interim Statement of Comprehensive Income

For the six months ended 30 September 2009

	Six months ended	
	30 September	
	2009	2008
	(unaudited)	(unaudited)
	HK\$'000	HK\$'000
Loss for the period	(29,703)	(145,480)
Other comprehensive income:		
Currency translation differences	888	11,317
Other comprehensive income for the period	888	11,317
Total comprehensive loss for the period	(28,815)	(134,163)
Total comprehensive income/(loss) attributable to:		
Equity holders of the Company	(29,752)	(140,105)
Minority interests	937	5,942
	(28,815)	(134,163)

Condensed Consolidated Interim Statement of Financial Position

As at 30 September 2009

	Note	As at 30 September 2009 (unaudited) HK\$'000	As at 31 March 2009 (audited) HK\$'000
Non-current assets			
Property, plant and equipment	9	75,404	42,988
Intangible assets		213,308	–
Investment properties		136,364	136,054
Investment in associates	10	–	119,056
Other investment		167,739	–
		592,815	298,098
Current assets			
Inventories		638	–
Trade and other receivables	11	151,520	174,314
Due from a related company		12,870	–
Financial assets at fair value through profit or loss		25,563	23,804
Bank and cash balances		1,970,674	2,240,790
		2,161,265	2,438,908
Current liabilities			
Trade and other payables	12	14,006	22,060
Derivative financial instruments		–	7,727
Due to directors		6,088	6,161
		20,094	35,948
Net current assets			
		2,141,171	2,402,960
Total assets less current liabilities			
		2,733,986	2,701,058
Non-current liabilities			
Deferred tax liabilities		17,142	17,103
Net assets			
		2,716,844	2,683,955
Capital and reserves			
Share capital	13	127,771	127,771
Reserves		2,372,688	2,369,160
Equity attributable to equity holders of the Company		2,500,459	2,496,931
Minority interests		216,385	187,024
Total equity			
		2,716,844	2,683,955

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Condensed Consolidated Interim Statement of Changes in Equity

For the six months ended 30 September 2009

	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 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
At 30 September 2008	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
At 1 April 2009	127,771	13,027,326	(10,346,845)	287,545	148,639	47,727	576	(795,808)	2,496,931	187,024	2,683,955
Effect on acquisition of equity interests in subsidiaries	-	-	-	(74)	-	-	-	-	(74)	-	(74)
Exchange differences arising on translation of foreign operations	-	-	-	-	-	888	-	-	888	-	888
Net income and expenses recognised directly in equity	-	-	-	(74)	-	888	-	-	814	-	814
Loss for the period	-	-	-	-	-	-	-	(30,640)	(30,640)	937	(29,703)
Total recognised income and expense for the period	-	-	-	(74)	-	888	-	(30,640)	(29,826)	937	(28,889)
Share options forfeited	-	-	-	-	(2,205)	-	-	2,205	-	-	-
Recognition of share-based payments	-	-	-	-	33,354	-	-	-	33,354	-	33,354
Capital contributions from minority shareholders	-	-	-	-	-	-	-	-	-	28,424	28,424
At 30 September 2009	127,771	13,027,326	(10,346,845)	287,471	179,788	48,615	576	(824,243)	2,500,459	216,385	2,716,844

Condensed Consolidated Interim Cash Flow Statement

For the six months ended 30 September 2009

	As at 30 September 2009 (unaudited) HK\$'000	As at 30 September 2008 (unaudited) HK\$'000
Net cash generated from operating activities	33,027	507,030
Net cash used in investing activities	(274,608)	(293,056)
Net cash used in financing activities	(28,690)	–
Net (decrease)/increase in cash and cash equivalents	(270,271)	213,974
Cash and cash equivalents at 1 April	2,240,790	2,113,460
Effect of foreign exchange rate changes	155	2,697
Cash and cash equivalents at 30 September	1,970,674	2,330,131



Notes to Interim Financial Statements

For the six months ended 30 September 2009

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 unaudited condensed consolidated interim financial information for the six months ended 30 September 2009 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 (HKAS") No.34 "Interim Financial Reporting" and other relevant HKASs and Interpretations and the Hong Kong Financial Reporting Standards ("HKFRSs") issued by the Hong Kong Institute of Certified Public Accountants (the "HKICPA").

The consolidated financial statements have been prepared on the historical cost convention, as modified by the revaluation of investment properties, financial assets at fair value through profit or loss and derivative financial instruments which are carried at fair value.

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 2009. The condensed interim financial statements should be read in conjunction with the Company's 2009 annual report.

In the current interim period, the Group has adopted all the new and revised HKFRSs issued by the HKICPA that are relevant to its operations and effective for its accounting periods beginning on 1 April 2009. HKFRSs comprise Hong Kong Financial Reporting Standards, Hong Kong Accounting Standards; and Interpretations. Except for HKFRS 8 and HKAS 1 (Revised), the adoption of these 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 principal effects of adopting HKFRS 8 and HKAS 1 (Revised) are as follows:

HKFRS 8 Operating Segments

This standard, which replaced HKAS 14 Segment Reporting, specifies how an entity should report information about its operating segments, based on information about the components of the entity that is available to the chief operating decision maker for the purposes of allocating resources to the segments and assessing their performance. The standard also requires the disclosure of information about the products and services provided by the segments, the geographical areas in which the Group operates, and revenue from the Group's major customers. HKFRS 8 amended certain disclosure items whereby the Group has restated comparative information accordingly.

3. Significant accounting policies *(Continued)*

HKAS 1 (Revised) Presentation of Financial Statements

This revised standards introduces changes in the presentation and disclosures of financial statements, which require owner and non-owner changes in equity to be separately presented. The statement of changes in equity will only include details of transactions with owner and all non-owner changes in equity will be presented in a single line. In addition, this standard also introduces the statement of comprehensive income, with all items of income and expense recognised in income statement, together with all other items of income and expense recognised directly in equity, to be presented either in one single statement, or in two linked statements. The Group has elected to present in two statements.

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

The Group's reportable segments are entity or group of entities that offer different products and services, which is the basis by which the chief operating decision maker ("CODM") makes decisions about resources to be allocated to the segments and assesses their performance.

The CODM assesses performance of four reportable segments: investment holding, oil exploitation, property investment and oilfield supporting services.

The following is an analysis of the Group's revenue and results by operating segments for the period under review:

For the six months ended 30 September 2009

	Investment holding HK\$'000	Oilfield supporting services HK\$'000	Property investment HK\$'000	Oil exploitation HK\$'000	Total HK\$'000
Turnover	-	11,592	-	-	11,592
Segment results	1,565	563	2,642	(28,883)	(24,113)
Unallocated corporate income					74
Unallocated corporate expenses					(5,664)
Loss before tax					(29,703)
Income tax expense					-
Loss for the period					(29,703)

4. Segment information *(Continued)*

For the six months ended 30 September 2008

	Investment holding <i>HK\$'000</i>	Oilfield supporting services <i>HK\$'000</i>	Property investment <i>HK\$'000</i>	Oil exploitation <i>HK\$'000</i>	Total <i>HK\$'000</i>
Turnover	–	–	5,170	–	5,170
Segment results	(109,959)	–	1,030	(28,423)	(137,352)
Unallocated corporate income					455
Unallocated corporate expenses					(8,457)
Loss before tax					(145,354)
Income tax expense					(126)
Loss for the period					(145,480)

5. Loss from operations

For the six months ended
30 September

2009 2008
HK\$'000 *HK\$'000*

Loss from operations has been arrived at
after charging (crediting) the followings:

Other revenue:

Interest income	(5,472)	(26,843)
Foreign exchange gain	(32,618)	–
Fair value gain on derivative financial instruments	(7,727)	–
Gain on disposal of financial assets at fair value through profit or loss	(1,647)	–
Fair value gain on financial assets at fair value through profit or loss	(2,002)	–
Other income	(2,663)	(473)
	(52,129)	(27,316)
Staff costs, including directors' remuneration and retirement benefit scheme contributions	7,341	2,485
Equity settled share based payments	33,354	46,799
Loss on derivative financial instruments at fair value through profit or loss	–	67,356
Depreciation of plant and equipment	654	3,953
Auditors' remuneration	207	908

6. Income Tax Expense

	For the six months ended	
	30 September	
	2009	2008
	HK\$'000	HK\$'000
PRC Income Tax	-	126

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:

	For the six months ended	
	30 September	
	2009	2008
Loss attributable to equity holders of the Company (HK\$'000)	(30,640)	(147,022)
Weighted average number of ordinary shares in issue	12,777,091,632	12,777,091,632
Basic loss per share (HK\$ cents)	(0.24)	(1.15)

No diluted loss per share for the six months ended 30 September 2009 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 2009 (Six months ended 30 September 2008: Nil).

9. Movements in property, plant and equipment

During the period, the Group acquired property, plant and equipment of approximately HK\$12,764,676 (2008: HK\$1,122,052).

10. Investment in Associates

During the period, the Group disposed of its 26.3% equity interest and 26.3% non-voting preference shares in Glimmer Stone Investments Limited for total cash consideration of HK\$116,277,514. The disposal was completed on 27 August 2009.

11. Trade and other receivables

	As at 30 September 2009 HK\$'000	As at 31 March 2009 HK\$'000
Consideration receivable	101,589	101,589
Amount due from a disposed associate	–	68,026
Deposits and prepayments	49,931	4,376
Others	–	323
Total trade and other receivables	151,520	174,314

The consideration receivable represents an amount due from an independent third party derived from the disposal of an associated company. The amount is unsecured, interest-free and has been fully repaid on 12 October 2009.

12. Trade and other payables

	As at 30 September 2009 HK\$'000	As at 31 March 2009 HK\$'000
Accrual for operating expenses	13,321	18,580
Salary and welfare payables	295	1,576
Deposits received	–	1,706
Other tax payables	390	177
Others	–	21
Total trade and other payables	14,006	22,060

13. Share capital

	As at 30 September 2009 HK\$'000	As at 31 March 2009 HK\$'000
Authorised: 60,000,000,000 ordinary shares of HK\$0.01 each	600,000	600,000
Issued and fully paid: 12,777,091,632 ordinary shares of HK\$0.01 each	127,771	127,771

14. Commitments

(a) Operating lease commitments

At 30 September 2009, the Group had total future minimum lease payments under non-cancellable operating leases are payable as follows:

	As at 30 September 2009 HK\$'000	As at 31 March 2009 HK\$'000
Within one year	3,278	3,079
In the second to fifth years inclusive	2,912	2,476
	6,190	5,555

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

(b) Capital commitments

	As at 30 September 2009 HK\$'000	As at 31 March 2009 HK\$'000
Contracted but not provided for:		
Acquisition of property, plant and equipment	18,769	481
Research and development expenditures	10,897	83
	29,666	564

15. Related Party Transactions

In addition to the transactions and balances detailed elsewhere in these financial statements, the Group had no material transactions with its related parties during the relevant periods.

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

16. Subsequent Events

On 17 November 2009, the Group received a distribution amount of approximately HK\$62 million from the Indenture Trustee in relation to its holding of Senior Notes of Transmeridian Exploration Incorporated ("Transmeridian") (which filed Chapter 11, and by order entered August 19, 2009 by the United States Bankruptcy Court for the Southern District of Texas (the "Bankruptcy Court") in the jointly-administered Chapter 11 bankruptcy cases of Transmeridian, the Bankruptcy Court confirmed the Debtors' First Amended Joint Consolidated Plan of Liquidation Under Chapter 11 of the Bankruptcy Code.) and recorded a gain of approximately HK\$42 million which will be credited in its forthcoming financial statements.

17. Approval of the Interim Financial Statements

The condensed consolidated interim financial information has been approved for issue by the board of directors on 1 December 2009.



Management Discussion and Analysis

Financial Review

For the six months ended 30 September 2009, the Group's turnover was approximately HK\$11.59 million, which represented a significant increase of approximately 124% as compared to the turnover of approximately HK\$5.17 million for the last corresponding period in 2008. For the period ended 30 September 2009, the turnover represented services fees income derived from the new acquired oilfield supporting services business. For the period ended 30 September 2008, the turnover represented rental income and property management services fees income derived from a commercial building located in the PRC.

Other income increased by 91% to approximately HK\$52 million from 2008, the increase was mainly due to the increase in unrealized foreign exchange gain and fair value gain on derivative financial instruments. In 2008, the Group had no such gains.

Administrative expenses decreased from approximately HK\$222 million to approximately HK\$57 million. These expenses mainly included the non-cash expense of approximately \$33 million due to stock options granted per the share option scheme. The decrease in administrative expenses were mainly due to the foreign exchange loss and fair value loss on financial assets and derivative financial instruments in 2008.

In August 2009, the Group has successfully completed the disposal of an associate company which is an investment holding company for a consideration of approximately HK\$116 million. This has resulted in a loss of approximately HK\$2.78 million. The disposal could further improve the Group's financial position and the working capital condition.

In summary, loss attributable to equity holders of the Company was approximately HK\$31 million for the period ended 30 September 2009, representing a 79% decrease over the approximately HK\$147 million for the period ended 30 September 2008. This result is reflected in the basic loss per share which were 0.24 HK cents compared with 1.15 HK cents for the period ended 30 September 2008.

Business Review

For the six months ended 30 September 2009, the Group was mainly engaged in upstream oil and natural gas business, including exploitation, development, production of crude oil and natural gas, also provide patented technologies supporting services to oilfields and property investment and management in the PRC.



Property Letting and Management Business

During the period under review, half year of rent free continue granted to the tenant to repair work which had to be carried out on the property in relation to a defective fire protection system.

Oil Production Business

The past half year was the last half year of the Gaosheng project pilot's tests. During the period under review, we have successfully completed the work program of the pilot test and achieved the anticipated test results. An Overall Development Plan for Enhanced Oil Recovery has been drawn up according to the test results and has been endorsed by PetroChina. The ODP will then be submitted for approval by the State Development and Reform Commission.

Oilfield Supporting Services Business

Upon the acquisition of oilfield supporting services business, the Group is able to significantly expand its scope of oil field technical services. Three service contracts have been signed in Liao He oil field and Ji Lin oil field. Among these, after many years of effective production, Du 66/48 project has begun scaled expansion of development towards surrounding areas. During the period under review, the oilfield supporting services business contributed an income of approximately HK\$12 million to the Group.

Material Acquisition and Disposal

On 9 April 2009, the Company entered into a sale and purchase agreement to acquire the entire issued share capital of Merry Year Investments Limited and its subsidiaries ("Merry Year Group") for a cash consideration of HK\$218,000,000. The acquisition was completed on 31 July 2009. Merry Year Group is principally engaged to provide patented technologies supporting services to oil and gas industry.

On 17 June 2009, United Energy International Holdings Limited, a newly incorporated subsidiary of the Company, Ferry Lirungan ("FL") and Madura Petroleum Limited ("Madura Petroleum") entered into a share purchase agreement for which the Group had agreed to acquire the entire issue share capital of PC (NAD) International Limited ("PCI") from Madura Petroleum for a cash consideration of US\$21,505,000 (equivalent to HK\$167,739,000). PCI holds a 10% participating interest in the Madura PSC contract relating to the right to join and assist BPMIGAS in accelerating the exploration for and development of the potential resources within the Madura Contract Area in Indonesia.



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On 20 August 2009, the Company, Glimmer Stone Investments Limited, an associated company of the Company (“Glimmer Stone”) and an independent third party (“Purchaser”) entered into the Divestment Agreement pursuant to which (1) Glimmer Stone had agreed to redeem all the Redemption Shares held by the Company for a cash consideration of HK\$116,257,000; and (2) the Company had agreed to sell the Sale Shares to the Purchaser for a cash consideration of HK\$20,514. The disposal was completed on 27 August 2009.

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\$1,971 million as at 30 September 2009 (31 March 2009: HK\$2,241 million), representing 91% of the total current assets.

As at 30 September 2009, the Group has total banking facilities of approximately HK\$4.68 million in respect of issuance of performance bond for guarantee of our Company’s performance of its obligation to commitment to cover seismic survey cost in the first three years of exploration term as contemplated in the Production Sharing Contract for Madura Block, dated 13 November 2008. The Group’s cash at banks with carrying value of approximately HK\$4.68 million were pledged for the banking facilities.

The Group had no long-term borrowings, therefore the gearing ratio is not applicable. The current ratio was 107.56 (31 March 2009: 67.85), based on current assets of approximately HK\$2,161 million (31 March 2009: HK\$2,439 million) and current liabilities of approximately HK\$20 million (31 March 2009: HK\$36 million).

Prospects

There are some positive signs that the global economic conditions are stabilising, especially the PRC economy has showed continuous growth, and improvements in economies have begun around the world. While the global energy demand increases, the Group is well positioned financially and strongly supported by its shareholders to take advantage of it to develop its upstream oil and natural gas business.

In order to support our business expansion, the Group has acquired an oilfield supporting services business which can provide patented technologies supporting services to oil fields. The oilfield supporting services business will gradually contribute income to the Group in the future.

Leveraging our relationships with major Chinese Oil and Gas E&P players and actively pursuing appropriate mergers and acquisitions opportunities, the Group’s management strives to create higher value to its shareholders.

Employees

At as 30 September 2009, the Group employed a total of 130 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 monetary assets and transactions are mainly denominated in Hong Kong dollars, United States dollars, Renminbi and Euro. The exchange rates of United States dollars and Renminbi against Hong Kong dollars were relatively stable during the period under review. Euro fluctuated significantly and the Group recorded approximately HK\$33 million unrealized exchange gain from the appreciation of Euro during the period. During the period under review, the Group did not use financial instruments for hedging purposes. The Group continues to monitor the exposures to Euro and will take necessary procedures to reduce the fluctuations in exchange rates at reasonable costs.

Share Option Scheme

Under the share option scheme adopted by the Company on 11th 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.



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 30/9/2009
				As at 1/4/2009	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
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 19.5.2009	20.05.2009 to 19.5.2010	27,000,000	-	-	-	3,000,000	24,000,000
20.05.2008	0.902	20.05.2008 to 19.5.2010	20.05.2010 to 19.5.2011	18,000,000	-	-	-	2,000,000	16,000,000
20.05.2008	0.902	20.05.2008 to 19.5.2011	20.05.2011 to 19.5.2012	18,000,000	-	-	-	2,000,000	16,000,000
20.05.2008	0.902	20.05.2008 to 19.5.2012	20.05.2012 to 19.5.2013	27,000,000	-	-	-	3,000,000	24,000,000
Total				365,000,000				10,000,000	355,000,000

Disclosure of Interests

Directors' Interests in Shares and Underlying Shares of the Company

As at 30 September 2009, the Directors and their associates had the following interests or short positions in shares, underlying shares and debentures of the Company or any of its associated corporations (within the meaning of the Securities and Futures Ordinance (the "SFO")) as recorded in the register required to be kept under Section 352 of the SFO or as



otherwise notified to the Company and The Stock Exchange of Hong Kong Limited (the “Stock Exchange”) pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers (the “Model Code”):

Name of Director	Name of Company	Nature of interest	Number of Shares		Approximate % shareholding
			Long Position	Short Position	
Zhang Hongwei	The Company	Attributable interest of controlled corporation	9,001,240,115	–	70.45 (Note 1)
Zhang Meiyong	The Company	Beneficial owner	100,000,000	–	0.78 (Note 2)
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 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 2009.



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Substantial Shareholders

As at 30 September 2009, 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:

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

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

All the interests stated above represent long positions. As at 30 September 2009, 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 2009.



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 ended 30 September 2009 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.

As mention in the Corporate Governance Report (the “CG Report”) contained in the 2009 Annual Report that although the Company does not separate the duties between the chairman and chief executive officer, the executive function of the Company is performed by the executive directors and management of the Company. Thus, significant decision of the Company is made by the Board. The Board considers that such structure will not affect the balance of power and authority between the chairman and the executive directors.

Code provision A.4.1 of the Code provides that non-executive Directors should be appointed for a specific term, subject to re-election. As mention in the CG Report contained in the 2009 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 2009 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 2009.

On behalf of the Board

Zhang Hongwei

Chairman

Hong Kong, 1 December, 2009

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.

