中聯能源投資集團有限公司

SINO UNION ENERGY INVESTMENT GROUP LIMITED

(Incorporated in Bermuda with limited liability)

Stock Code:346

INTERIM REPORT 2009

CORPORATE INFORMATION

Executive Directors
Dr. Wang Tao *(Honorary Chairman)*
Mr. Wang Sen Hao
(appointed on 3 August 2009)
Dr. Hui Chi Ming, G.B.S., PhD, J.P.
(Chairman)
Mr. Cheung Shing *(Deputy Chairman)*
Dr. Chui Say Hoe
Dr. Ching Men Ky, Carl
Mr. Cui Yeng Xu
Ms. Ohei Fibiolla Irianni
(appointed 12 May 2009)

Non-Executive Directors
Mr. Chow Charn Ki, Kenneth
(retired on 31 August 2009)
Dr. Fok Chun Wan, Ian
(resigned on 25 September 2009)

Independent Non-Executive Directors
Dr. Yu Sun Say, S.B.S., J.P.
Mr. Ng Wing Ka
Mr. Leung Ting Yuk
(appointed on 3 December 2009)
Mr. Edmond Siu
(resigned on 1 December 2009)

Company Secretary
Mr. Fu Wing Kwok, Ewing

Registered Office
Clarendon House
2 Church Street
Hamilton HM11
Bermuda

Head Office and Principal Place of Business
Units 10-12, 19/F,
China Merchants Tower
Shun Tak Centre
168-200 Connaught Road Central
Sheung Wan
Hong Kong

Authorised Representative
Dr. Chui Say Hoe
Mr. Fu Wing Kwok, Ewing

Principal Bankers
Shenzhen Ping An Bank
DBS Bank Hong Kong Limited

Legal Adviser — Hong Kong
Robertsons
57th Floor, The Center
99 Queen's Road Central
Hong Kong

Auditors
HLB Hodgson Impey Cheng
Chartered Accountants
Certified Public Accountants
31st Floor, Gloucester Tower
The Landmark, 11 Pedder Street
Central
Hong Kong

Bermuda Principal Share Registrar and Transfer Office
The Bank of Bermuda Limited
Bank of Bermuda Building
6 Front Street
Hamilton HM 11
Bermuda

Hong Kong Branch Share Registrar and Transfer Office
Tricor Tengis Limited
26/F Tesbury Centre
28 Queen's Road East
Hong Kong

Stock Code
346

The board of directors (the "Board") of Sino Union Energy Investment Group Limited (formerly known as "Sino Union Petroleum & Chemical International Limited") (the "Company") is pleased to announce the unaudited condensed consolidated interim results of the Company and its subsidiaries (hereinafter collectively referred to as the "Group") for the six months ended 30 September 2009 together with the unaudited comparative figures for the corresponding six months ended 30 September 2008 as follows:

CONDENSED CONSOLIDATED INCOME STATEMENT

For the six months ended 30 September 2009

	Notes	Six months ended 30 September 2009 (Unaudited) HK$'000	2008 (Unaudited) HK$'000
Turnover	4	**609,382**	741,119
Cost of sales		**(582,343)**	(707,219)
Gross profit		**27,039**	33,900
Other revenue	4	**161**	274
Other gains and losses	5	**500**	1,912,629
Selling and distribution costs		**(1,219)**	(7,165)
Administrative expenses		**(19,625)**	(19,713)
Profit from operating activities	6	**6,856**	1,919,925
Finance costs	7	**(1,954)**	—
Profit before taxation		**4,902**	1,919,925
Taxation	8	**(2,522)**	(3,198)
Profit for the period		**2,380**	1,916,727
Profit for the period attributable to			
– owners of the Company		**2,380**	1,917,060
– minority interest		**–**	(333)
		2,380	1,916,727
Earnings per share			
— Basic, HK cent	10	**0.04**	34.94
— Diluted, HK cent	10	**0.07**	34.68

All of the Group's operations are classed as continuing.
The accompanying notes form an integral part of these financial statements.

CONDENSED CONSOLIDATED 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*
Profit for the period	**2,380**	1,916,727
Other comprehensive income		
Exchange differences arising on translation of foreign operations	**251**	7,087
Other comprehensive income for the period (net of tax)	**251**	7,087
Total comprehensive income for the period	**2,631**	1,923,814
Total comprehensive income attributable to:		
— owners of the Company	**2,631**	1,924,147
— minority interest	**–**	(333)
	2,631	1,923,814

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 30 September 2009

	Notes	As at 30 September 2009 (Unaudited) HK$'000	As at 31 March 2009 (Audited) HK$'000
ASSETS			
Non-current assets			
Property, plant and equipment	11	**1,973**	2,177
Prepaid lease payment		**926**	936
Investment property	12	**12,500**	12,000
Intangible asset	13	**58,000**	58,000
Exploration and evaluation assets	14	**8,481,756**	8,481,756
		8,555,155	8,554,869
Current assets			
Trade receivables	15	**92,147**	92,584
Prepayments, deposits and other receivables		**30,604**	26,307
Amount due from a minority shareholder	16	**14,981**	—
Cash and bank balances		**102,928**	121,168
		240,660	240,059
Total assets		**8,795,815**	8,794,928
EQUITY			
Capital and reserves attributable to the Company's equity holders			
Share capital	17	**122,269**	120,449
Reserves		**8,497,475**	8,397,559
		8,619,744	8,518,008
Minority interest		**14,981**	—
Total equity		**8,634,725**	8,518,008

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION (CONTINUED)

At 30 September 2009

	Notes	As at 30 September 2009 (Unaudited) HK$'000	As at 31 March 2009 (Audited) HK$'000
LIABILITIES			
Current liabilities			
Trade and other payables	18	**114,266**	133,736
Tax payable		**29,924**	27,374
Amount due to a holding company		**–**	2,911
Amounts due to related companies		**14,305**	13,524
Convertible note	19	**–**	96,287
		158,495	273,832
Non-current liability			
Deferred taxation	20	**2,595**	3,088
Total liabilities		**161,090**	276,920
Total equity and liabilities		**8,795,815**	8,794,928
Net current assets/(liabilities)		**82,165**	(33,773)
Total assets less current liabilities		**8,637,320**	8,521,096

The accompanying notes form an integral part of these financial statements.

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the six months ended 30 September 2009 (Unaudited)

	Attributable to the equity holders of the Company										
		Reserves									
	Share capital HK$'000	Share premium HK$'000 (Note i)	Contributed surplus HK$'000 (Note ii)	Convertible notes reserve HK$'000	Exchange reserve HK$'000	Revaluation reserve HK$'000	Reserve on acquisition of additional interests in a subsidiary HK$'000 (Note iii)	Retained profits HK$'000	Subtotal HK$'000	Minority interest HK$'000	Total HK$'000
At 1 April 2008 (Audited)	92,835	3,648,151	3,156	–	14,243	385,000	–	2,033,649	6,084,199	–	6,177,034
Total comprehensive income for the period	–	–	–	–	7,087	–	–	1,917,060	1,924,147	(333)	1,923,814
Equity component of convertible note	–	–	–	277,587	–	–	–	–	277,587	–	277,587
Deferred tax liabilities of convertible note	–	–	–	(8,140)	–	–	–	–	(8,140)	–	(8,140)
Acquisition of subsidiaries	–	–	–	–	–	–	–	–	–	3,024,612	3,024,612
Acquisition of additional interests in a subsidiary	–	–	–	–	–	–	1,977,805	–	1,977,805	(2,366,876)	(389,071)
Conversion of convertible note	6,667	701,588	–	(269,447)	–	–	–	–	432,141	–	438,808
Issue of subscription shares	714	99,302	–	–	–	–	–	–	99,302	–	100,016
Consideration shares	13,613	911,812	–	–	–	–	–	–	911,812	–	925,425
Issue of shares on exercise of share option	220	1,236	–	–	–	–	–	–	1,236	–	1,456
Issue shares expenses	–	(150)	–	–	–	–	–	–	(150)	–	(150)
At 30 September 2008 (Unaudited)	114,049	5,361,939	3,156	–	21,330	385,000	1,977,805	3,950,709	11,699,939	657,403	12,471,391
At 1 April 2009 (Audited)	120,449	5,504,160	3,156	3,555	20,093	385,000	2,286,365	195,230	8,397,559	–	8,518,008
Total comprehensive income for the period	–	–	–	–	251	–	–	2,380	2,631	–	2,631
Investment in subsidiary	–	–	–	–	–	–	–	–	–	14,981	14,981
Conversion of convertible note	1,600	99,604	–	(3,555)	–	–	–	–	96,049	–	97,649
Issue of shares on exercise of share option	220	1,236	–	–	–	–	–	–	1,236	–	1,456
At 30 September 2009 (Unaudited)	122,269	5,605,000	3,156	–	20,344	385,000	2,286,365	197,610	8,497,475	14,981	8,634,725

Note:

(i) The share premium account of the Group includes (i) shares issued at premium of approximately HK$3,734,941,000; and (ii) special reserve of approximately HK$1,870,059,000. Included in the share premium debited amount of approximately HK$650,774,000 represents the difference between the fair value and the contracted value of the consideration shares paid for acquisitions of subsidiaries during the year ended 31 March 2009.

(ii) The contributed surplus of the Group represents the difference between the nominal value of the share capital of the subsidiaries acquired pursuant to a reorganisation scheme ("the Group Reorganisation") to rationalise the structure of the Group in preparation for the public listing of the Company's shares on The Stock Exchange of Hong Kong Limited set out in the Company's prospectus dated 30 March 2001, over the nominal value of the shares of the Company issued in exchange therefor.

(iii) The reserve represents the fair value adjustment relating to previous acquisition of 7% equity interests of Madagascar Energy International Limited ("MEIL"). The Group has acquired the remaining 93% equity interests during the year ended 31 March 2008.

The accompanying notes form an integral part of these financial statements.

CONDENSED CONSOLIDATED CASH FLOW STATEMENT

For the six months ended 30 September 2009

	Six months ended 30 September 2009 (Unaudited) HK$'000	2008 (Unaudited) HK$'000
Net cash (outflow)/inflow from operating activities	**(17,053)**	15,626
Net cash inflow/(outflow) from investing activities	**17**	(102,226)
Net cash (outflow)/inflow from financing activities	**(1,455)**	101,472
(Decrease)/increase in cash and cash equivalents	**(18,491)**	14,872
Cash and cash equivalents at beginning of the period	**121,168**	228,457
Effect of exchange rate changes on the balance of cash held in foreign currencies	**251**	–
Cash and cash equivalents at end of the period	**102,928**	243,329
Analysis of balances of cash and cash equivalents		
Cash and bank balances	**102,928**	244,184
Bank overdrafts	**–**	(855)
	102,928	243,329

The accompanying notes form an integral part of these financial statements.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the period ended 30 September 2009

1. BASIS OF PREPARATION

The unaudited condensed consolidated interim financial statements have been prepared in accordance with Hong Kong Accounting Standard ("HKAS") 34 "Interim financial reporting" issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA") and the applicable disclosure requirements of Appendix 16 to the Rules Governing the Listing of Securities ("Listing Rules") on The Stock Exchange of Hong Kong Limited ("Stock Exchange").

2. SIGNIFICANT ACCOUNTING POLICIES

The unaudited condensed consolidated interim financial statements have been prepared under the historical cost basis, except for certain financial instruments and investment property, which are measured at fair values.

The accounting policies used in the preparation of the unaudited condensed consolidated interim financial statements are consistent with those applied in the Group's annual financial statements for the year ended 31 March 2009, except for the impact of the adoption of the new and revised Hong Kong Accounting Standards, Hong Kong Financial Reporting Standards and interpretations described below.

In the current interim period, the Group has applied for the first time, the following new amendments and interpretations ("new HKFRSs") issued by the HKICPA, which are effective for the Group's accounting period beginning on 1 April 2009.

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

HKFRSs (Amendments)	Improvement to HKFRSs
HKAS 1 (Revised)	Presentation of Financial Statements
HKAS 23 (Revised)	Borrowing Costs
HKAS 32 & 1 (Amendments)	Puttable Financial Instruments and Obligation Arising on Liquidation
HKFRS 1 & HKAS 27 (Amendments)	Cost of an Investment in a Subsidiary, Jointly Controlled Entity or Associate
HKFRS 2 (Amendment)	Vesting Conditions and Cancellations
HKFRS 7 (Amendment)	Financial Instruments: Disclosures — Improving Disclosures about Financial Instruments
HKFRS 8	Operating Segments
HK(IFRIC) – Int 9 & HKAS 39 (Amendments)	Embedded Derivatives
HK(IFRIC) – Int 13	Customer Loyalty Programmes
HK(IFRIC) – Int 15	Agreements for the Construction of Real Estate
HK(IFRIC) – Int 16	Hedges of a Net Investment in a Foreign Operation
HK(IFRIC) – Int 18	Transfer of Assets from Customers

The adoption of the new HKFRSs had no material effect on how the results and financial positions for the Group for the current or prior accounting periods have been prepared and presented, except for the impact as described below.

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

HKFRS 8 Operating Segments

HKFRS 8 is a disclosure standard that has resulted in a redesignation of the Group's reportable segments (see Note 3), but has had no impact on the reported results or financial position of the Group.

HKAS 1 (revised 2007) Presentation of Financial Statements

HKAS 1 (revised 2007) has introduced a number of terminology changes (including revised titles for the condensed consolidated financial statements) and has resulted in a number of changes in presentation and disclosure. However, HKAS 1 (revised 2007) has had no impact on the reported results or financial position of the Group.

Impact of new and revised HKFRSs not yet effective

HKFRSs (Amendments)	Improvements to HKFRSs issued in October 2008[1]
HKFRSs (Amendments)	Improvements to HKFRSs issued in May 2009[2]
HKAS 24 (Revised)	Related Party Disclosures[6]
HKAS 27 (Revised)	Consolidated and Separate Financial Statements[3]
HKAS 32 (Amendment)	Classification of Rights Issues[5]
HKAS 39 (Amendment)	Eligible Hedged Items[3]
HKFRS 1 (Amendment)	Additional Exemptions for First-time Adopters[6]
HKFRS 2 (Amendment)	Group Cash-settled Share-based Payments Transactions[4]
HKFRS 3 (Revised)	Business Combinations[3]
HKFRS 9	Financial instruments[7]

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Impact of new and revised HKFRSs not yet effective (Continued)

HK(IFRIC) — Int 14 (Amendment)	HKAS 19 — The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction[6]
HK(IFRIC) — Int 17	Distribution of Non-cash Assets to Owners[3]
HK(IFRIC) — Int 19	Extinguishing Financial Liabilities with Equity Investments[8]

1 Amendment to HKFRS 5 effective for annual periods beginning on or after 1 July 2009

2 Effective for annual periods beginning on or after 1 January 2010 except for the amendment to HKAS 38, HKFRS 2, HK(IFRIC) — Int 9 and HK(IFRIC) — Int 16, which are effective for annual periods beginning on or after 1 July 2009

3 Effective for annual periods beginning on or after 1 July 2009

4 Effective for annual periods beginning on or after 1 January 2010

5 Effective for annual periods beginning on or after 1 February 2010

6 Effective for annual periods beginning on or after 1 January 2011

7 Effective for annual periods beginning on or after 1 January 2013

8 Effective for annual periods beginning on or after 1 July 2010

The management is in the process of making an assessment of the impact of these new standards, amendments and interpretations to existing standards. The directors of the Company so far has concluded that the application of these new standards, amendments or interpretations will have no material impact on the results and the financial position of the Group.

3. SEGMENT INFORMATION

The Group has adopted HKFRS 8 *Operating Segments* effective from 1 April 2009. HKFRS 8 requires operating segments to be identified on the basis of internal reports about components of the Group that are regularly reviewed by the chief operating decision maker in order to allocate resources to segments and to assess their performance. In contrast, the predecessor standard (HKAS 14, *Segment Reporting*) required an entity to identify two sets of segments (business and geographical) using a risk and returns approach, with the entity's "system of internal financial reporting to key management personnel" serving only as the starting point for the identification of such segments. The application of HKFRS 8 has not resulted in redesignation of the Group's reportable segments as compared with the primary reportable segments determined in accordance with HKAS 14. Nor has the adoption of HKFRS 8 changed the basis of measurement of segment profit or loss.

Business segment information is chosen as the primary reporting format because this is more consistent with the Group's internal financial reporting.

The Group's reportable segments under HKFRS 8 are therefore as follows:

(a) the polyurethane ("PU") materials segment involves the trading of PU materials, such as isocyanate, polyols and various kinds of PU catalysts;

(b) the fuel oil segment involves trading of fuel oil products with model no. 180CST; and

(c) oil, gas exploration, exploitation and operation segment involves oil, gas exploration, exploitation and operation in Madagascar. During the period, this segment did not generate any revenue or profit to the Group.

3. SEGMENT INFORMATION (CONTINUED)

In determining the Group's geographical segments, revenue and results are attributed to the segments based on the location of the customers, and assets are attributed to the segments based on the location of the assets.

(a) Business Segments

The following table presents revenue and results for the Group's business segments.

	Six months ended 30 September							
	PU materials		Fuel oil		Oil, gas exploration, exploitation and operation		Consolidated	
	2009 (Unaudited) HK$'000	2008 (Unaudited) HK$'000	**2009 (Unaudited) HK$'000**	2008 (Unaudited) HK$'000	**2009 (Unaudited) HK$'000**	2008 (Unaudited) HK$'000	**2009 (Unaudited) HK$'000**	2008 (Unaudited) HK$'000
Segment revenue:								
Sales to external customers	**–**	50,005	**609,382**	691,114	**–**	–	**609,382**	741,119
Segment results	**–**	658	**18,771**	26,079	**(2,633)**	(2,561)	**16,138**	24,176
Interest income							**161**	267
Unallocated income							**–**	7
Excess of acquirer's interest in fair value of acquiree's identifiable net assets over cost							**–**	2,103,419
Fair value change on investment property							**500**	–
Impairment loss recognised in respect of exploration and evaluation assets							**–**	(190,212)
Impairment loss recognised in respect of intangible asset							**–**	(1,339)
Unallocated expenses							**(9,943)**	(16,393)
Profit from operating activities							**6,856**	1,919,925
Finance costs							**(1,954)**	–
Profit before taxation							**4,902**	1,919,925
Taxation							**(2,522)**	(3,198)
Profit for the period							**2,380**	1,916,727

3. SEGMENT INFORMATION (CONTINUED)

(b) Geographical Segments

During the period ended 30 September 2009 and 2008, the Group's entire turnover was derived from sales in the PRC, no geographical segmental information on turnover is presented.

At 30 September 2009 and 31 March 2009, more than 90% of the Group's assets were located at Madagascar, no geographical segmental information on assets is presented.

4. TURNOVER AND OTHER REVENUE

Turnover represents the net invoiced value of goods sold, after allowances for returns and trade discounts. All significant intercompany transactions have been eliminated on consolidation.

An analysis of the Group's turnover and other revenue are as follows:

	Six months ended 30 September	
	2009	2008
	(Unaudited)	(Unaudited)
	HK$'000	*HK$'000*
Turnover		
Sale of PU materials	**–**	50,005
Sale of fuel oil	**609,382**	691,114
	609,382	741,119
Other revenue		
Bank interest income	**161**	267
Others	**–**	7
	161	274

5. OTHER GAINS AND LOSSES

	Six months ended 30 September	
	2009	2008
	(Unaudited)	(Unaudited)
	HK$'000	*HK$'000*
Excess of acquirer's interest in fair value of acquiree's identifiable net assets over cost	**–**	2,103,419
Fair value change on investment property	**500**	–
Other income	**–**	761
Impairment loss recognised in respect of intangible asset	**–**	(1,339)
Impairment loss recognised in respect of exploration and evaluation assets	**–**	(190,212)
	500	1,912,629

6. PROFIT FROM OPERATING ACTIVITIES

The Group's profit from operating activities is arrived at after charging:

	Six months ended 30 September	
	2009	2008
	(Unaudited)	(Unaudited)
	HK$'000	*HK$'000*
Cost of inventories sold	**582,343**	707,219
Depreciation of property, plant and equipment	**348**	311
Amortisation of prepaid lease payment	**10**	10
Minimum lease payments under operating lease in respect of rented premises	**814**	841
Staff costs (including directors' remuneration):		
Salaries and wages	**7,207**	6,047
Mandatory provident fund contributions	**101**	76

7. FINANCE COSTS

	Six months ended 30 September	
	2009 (Unaudited) *HK$'000*	2008 (Unaudited) *HK$'000*
Interest expenses on convertible note — wholly repayable within five years	**1,954**	—

8. TAXATION

No provision for Hong Kong profits tax has been made as the Group did not have assessable profits for the period (30 September 2008: Nil). Taxes on profits assessable elsewhere have been calculated at the rates of tax prevailing in the countries in which the Group operates, based on existing legislation, interpretations and practices in respect thereof.

	Six months ended 30 September	
	2009 (Unaudited) *HK$'000*	2008 (Unaudited) *HK$'000*
Current taxation		
Charge for the period — overseas	**2,550**	3,198
Deferred taxation		
Convertible note	**(148)**	—
Revaluation of investment property	**120**	—
Total tax charged for the period	**2,522**	3,198

9. INTERIM DIVIDEND

The directors do not recommend the payment of any interim dividend in respect of the six months ended 30 September 2009 (30 September 2008: Nil).

10. EARNINGS PER SHARE

The calculation of the basic and diluted earnings per share attributable to the equity holders of the Company is based on the following data:

	Six months ended 30 September	
	2009	2008
	(Unaudited)	(Unaudited)
	HK$'000	*HK$'000*
Earnings		
Earnings attributable to the equity holders of the Company for the purpose of basic earnings per share	**2,380**	1,917,060
Effect of dilutive potential ordinary shares:		
Interest on convertible note (net of tax)	**1,806**	–
Adjusted earnings attributable to the equity holders of the Company for the purpose of diluted earnings per share	**4,186**	1,917,060

	Six months ended 30 September	
	2009	2008
	(Unaudited)	(Unaudited)
	'000	*'000*
Number of shares		
Weighted average number of ordinary shares for the purpose of basic earnings per share	**6,075,852**	5,486,250
Effect of dilutive potential ordinary shares:		
Convertible note	**33,224**	–
Share options	**14,068**	41,081
Weighted average number of ordinary shares for the purpose of diluted earnings per share	**6,123,144**	5,527,331

11. Property, plant & equipment

	Furniture fixtures, and equipment *HK$'000*	Motor vehicles *HK$'000*	Total *HK$'000*
Cost:			
At 1 April 2009			
(Audited)	3,096	1,300	4,396
Additions	144	—	144
At 30 September 2009			
(Unaudited)	3,240	1,300	4,540
Accumulated depreciation:			
At 1 April 2009			
(Audited)	1,828	391	2,219
Charge for the period	212	136	348
At 30 September 2009			
(Unaudited)	2,040	527	2,567
Net book value:			
At 30 September 2009 (Unaudited)	**1,200**	**773**	**1,973**
At 31 March 2009			
(Audited)	1,268	909	2,177

12. INVESTMENT PROPERTY

	HK$'000
Fair value	
At 1 April 2009 (Audited)	12,000
Fair value changed	500
At 30 September 2009 (Unaudited)	**12,500**

The fair value of the Group's investment property at 30 September 2009 and 31 March 2009 has been arrived at on the basis of a valuation carried out on that date by Messrs. Ascent Partners Group Limited ("Ascent Partners"), independent qualified professional valuers not connected with the Group. Ascent Partners is a fellow member of the Royal Institution of Chartered Surveyors and has appropriate qualifications and recent experiences in the valuation of similar properties in the relevant locations. The valuation was arrived at by reference to comparable market approach.

The property interest is held for capital appreciation and is measured using the fair value model and are classified and accounted for as an investment property.

The carrying amount of investment property shown above comprises:

	As at 30 September 2009 ***HK$'000*** **(Unaudited)**	As at 31 March 2009 *HK$'000* (Audited)
Land outside Hong Kong:		
Long lease	**12,500**	12,000

13. INTANGIBLE ASSET

	Petroleum related business license *HK$'000*
Cost	
At 1 April 2009 and 30 September 2009	249,842
Accumulated impairment	
At 1 April 2009 and 30 September 2009	191,842
Carrying amount	
At 30 September 2009 (Unaudited)	**58,000**
At 31 March 2009 (Audited)	58,000

The intangible asset represents a petroleum related business license which allows the Group to carry on the business of import, transportation and distribution of petroleum in Madagascar. The business license has a remaining legal life of three to five years but is renewable every five to seven years by paying a fee of approximately HK$2,028,000. The directors of the Company are not aware of any expected impediment with respect to the renewal of the license and consider that the possibility of failing in license renewal is remote and the license will generate net cash inflows for the acquiring entity for an indefinite period. Therefore, the license is treated as having an indefinite useful life.

During the year ended 31 March 2009, the Group carried out a review of the recoverable amount of its intangible asset, having regard to its petroleum related business license. The review led to the recognition of an impairment loss of approximately HK$191,842,000, that has been recognised in profit or loss. The recoverable amount of the intangible asset has been determined based on a value in use calculation which uses cash flow projections based on financial budgets approved by the directors of the Company covering a five-year period. Cash flow projections during the budget period are based on the some expected gross margins during the budget period. The discount rate used in measuring value in use was 12.63% (31 March 2009: 11.29%). The directors of the Company are of the opinion that the accumulated impairment provided in prior year is sufficient to reflect the recoverable amount of the intangible asset as at 30 September 2009 and hence no further impairment is required.

13. INTANGIBLE ASSET (CONTINUED)

A valuation of the intangible asset was carried out at 30 September 2009 by Ascent Partners.

14. EXPLORATION AND EVALUATION ASSETS

	Exploration rights *HK$'000* *(Note i)*	Evaluation costs *HK$'000* *(Note ii)*	Total *HK$'000*
Cost			
At 1 April 2009 and 30 September 2009	12,097,059	141,756	12,238,815
Accumulated impairment			
At 1 April 2009 and 30 September 2009	3,757,059	–	3,757,059
Carrying Amount			
At 30 September 2009 (Unaudited)	**8,340,000**	**141,756**	**8,481,756**
At 31 March 2009 (Audited)	8,340,000	141,756	8,481,756

Note:

i. The exploration rights represent the oil, gas exploration, exploitation and operations rights and profit sharing rights at Madagascar Oilfield Block 2104 and Madagascar Oilfield Block 3113, onshore sites for oil and gas exploration, exploitation and operation in Madagascar ("Oilfield Block 2104" and "Oilfield Block 3113").

ii. The evaluation costs represents expenditure paid for provision of services on activities relating to evaluation of the technical feasibility and commercial viability of extracting oil and gas in Oilfield Block 2104 and Oilfield Block 3113.

14. EXPLORATION AND EVALUATION ASSETS (CONTINUED)

iii. Valuations of the relevant exploration rights were carried out at the balance sheet date by BMI Appraisals Limited, independent qualified professional valuers not connected with the Group. BMI Appraisals Limited is a member of the Hong Kong Institute of Surveyors, and has appropriate qualifications and recent experiences in the valuation of similar assets. The relevant assets were valued on the basis of its market value which was considered as the estimated amount for which an asset should exchange on the date of valuation between a willing buyer and a willing seller in an arm's length transaction after proper marketing wherein the parties had each acted knowledgeably, prudently and without compulsion.

iv. The Group has adopted HKFRS 6 *Exploration for and Evaluation of Mineral Resources* and HKAS 36 *Impairment of Assets* which require the Group to assess any impairment at each report date. The directors are of the opinion that no further impairment of exploration and evaluation assets was required as at 30 September 2009.

The Group is required to assess at each reporting date any indicator that a previously recognized impairment loss no longer exists or has decreased. If there is such an indication, management should estimate the recoverable amount and determine whether any impairment reversal is appropriate.

The current increase in oil price is considered to be short-term and such fluctuation in oil price is a normal feature of oil commodity market. The directors are of the opinion that the current short-term price movements do not result in an impairment reversal for the long-life exploration rights.

15. TRADE RECEIVABLES

Trade receivables, which generally have credit terms of 30-90 days (31 March 2009: 30-90 days), are recognised and carried at the original invoiced amount less provision for impairment loss. It is the Group's policy to provide full impairment loss for all receivables over 1 year because historical experience is such that receivables that are past due beyond 1 year are generally not recoverable.

	As at 30 September 2009 ***HK$'000*** **(Unaudited)**	As at 31 March 2009 *HK$'000* (Audited)
0 to 30 days	**92,147**	92,584

Based on past experience, the directors of the Company believe that no impairment loss is necessary in respect of this balance as there has not been a significant change in credit quality and the balances are still considered fully recoverable.

As at 30 September 2009, no trade receivables are past due (31 March 2009: Nil).

16. AMOUNT DUE FROM A MINORITY SHAREHOLDER

The amount represents the outstanding registered capital to be injected by the minority shareholder of the subsidiary.

Zheng Zhou Sino Union Energy Business Development Limited ("Zheng Zhou Sino Union") is incorporated and registered as a sino-foreign equity joint venture in the PRC on 16 September 2009. The registered capital of Zheng Zhou Sino Union is RMB66,000,000. The registered capital shared by the Group and the minority shareholder of RMB52,800,000 (approximately HK$59,924,000) and RMB13,200,000 (approximately HK$14,981,000) respectively are not yet injected as at 30 September 2009.

Zheng Zhou Sino Union was engaged in trading and transportation of coal for a period of ten years from 16 September 2009 to 15 September 2019. Pursuant to the Joint Venture agreement, Mr. Jing Zhanbin ("Mr. Jing") guaranteed that (i) he shall ensure the conditions in relation to the operation of the coal trading and transportation business of Zheng Zhou Sino Union be fulfilled and (ii) Zheng Zhou Sino Union shall have an annual coal trading volume of not less than 6 million tones, an annual total turnover of not less than RMB4,000 million and an annual net profit after tax not less than RMB200 million. Any shortfall in the guaranteed profits shall be compensated by Mr. Jing to Zheng Zhou Sino Union on a dollar-to-dollar basis. For further details, please refer to the Company's announcement dated on 1 September 2009.

17. SHARE CAPITAL

	Number of shares		Share capital	
	30 September 2009 '000	31 March 2009 '000	**30 September 2009 HK$'000 (Unaudited)**	31 March 2009 HK$'000 (Audited)
Authorised:				
Ordinary shares of HK$0.02 each	**10,000,000**	10,000,000	**200,000**	200,000
Issued and fully paid:				
At beginning of period/year	**6,022,464**	4,641,756	**120,449**	92,835
Issue of shares	**–**	35,720	**–**	714
Consideration shares	**–**	1,000,655	**–**	20,013
Conversion of convertible note *(Note i)*	**80,000**	333,333	**1,600**	6,667
Exercise of share options *(Note ii)*	**11,000**	11,000	**220**	220
At end of period/year	**6,113,464**	6,022,464	**122,269**	120,449

Note:

(i) During the period, Mr. Chan Ping Che, the holder of the convertible note as mentioned in Note 19, has converted HK$100,000,000 convertible note, representing the whole principal amount of the convertible note, at conversion price of HK$1.25 per share. As a result of the conversion, a total of 80,000,000 ordinary shares have been allotted and duly issued and the aggregate outstanding principal of the convertible note has been reduced to nil. These shares issued rank pari passu in all respects with the existing shares.

(ii) During the period ended 30 September 2009, the Company issued 11,000,000 shares of HK$0.02 each at an issue price of HK$0.1324 per share on exercise of share options which were granted on 8 November 2004. These shares issued rank pari passu in all respects with the existing shares.

17. SHARE CAPITAL (CONTINUED)

Share Option Scheme

The Company operates a share option scheme ("the Scheme") for the purpose of providing incentives and rewards to eligible participants who contribute to the success of the Group's operations. Eligible participants of the Scheme included the Company's directors and other employees of the Group. The Scheme was adopted on 1 November 2002 and, unless otherwise cancelled or amended, will remain in force for ten years from that date.

The maximum number of shares in respect of which share options may be granted under the Scheme shall not exceed 10% of the share capital of the Company in issue as at the date of approval of the Scheme. In addition, the maximum number of shares in respect of which share options may be granted to any eligible person within any 12 month period is limited to 1% of the shares of the Company in issue at any time. Any future grant of share options in excess of this limit is subject to shareholders' approval in a general meeting.

The exercise price of the share options is determinable by the directors, but may not be less than the highest of (i) the closing price of the Company's shares as stated in the Stock Exchange's daily quotation sheets on the date of grant, which must be a business day; (ii) the average closing price of the Company's shares as stated on the Stock Exchange's daily quotation sheets for the five business days immediately preceding the date of grant; and (iii) the nominal value of the Company's shares.

The offer of a grant of share options may be accepted within 28 days from the date of the offer with a consideration of HK$1 being payable by the grantee. An option may be exercised in accordance with the terms of the Scheme at any time during a period to be determined and notified by the directors to each grantee, which period may commence on the date on which the offer is made but shall end in any event not later than 10 years from the date of grant of the option subject to the provisions for early termination thereof and to the minimum period for which the option has to be held before it can be exercise as the directors may at their discretion determine.

17. SHARE CAPITAL (CONTINUED)

Share Option Scheme (Continued)

The following table discloses movements in the Company's share options during the period ended 30 September 2009:

Name or category of participant	Number of share options: At 1 April 2009 (Audited)	Granted during the period	Exercised during the period	Lapsed during the period	At 30 September 2009 (Unaudited)	Date of grant of share options* (dd/mm/yy)	Exercise period of share options (dd/mm/yy)	Exercise price of share options HK$	Price of Company's share at grant date of share options HK$
Employees other than directors									
In aggregate	40,000,000	–	(11,000,000)	–	29,000,000	8/11/2004	8/11/2004 to 7/11/2014	0.1324	0.13

* The vesting period of the share options is from the date of grant until the commencement of the exercise period.

(i) The Group recognises the fair value of share options granted as an expense in the income statement over the vesting period with a corresponding increase being recognised in employee share-based payment reserve. The employee share-based payment reserve is transferred to share capital and share premium, together with the exercise price, when the option holder exercise its rights. As a transitional provision, the cost of share option granted after 7 November 2002 and had not yet vested on 1 January 2005 were expensed retrospectively in the income statement of the respective periods.

(ii) All share option granted are not expensed as the options were all vested before 1 January 2005 and not subject to the requirements of HKFRS 2.

18. TRADE AND OTHER PAYABLES

	As at 30 September 2009 HK$'000 (Unaudited)	As at 31 March 2009 HK$'000 (Audited)
Trade payables	62,165	63,188
Other payables	52,101	70,548
	114,266	133,736

An aged analysis of the trade payables at the balance sheet date, based on invoice date, is as follows:

	As at 30 September 2009 HK$'000 (Unaudited)	As at 31 March 2009 HK$'000 (Audited)
0 to 30 days	62,165	63,188

The average credit period on purchases is one to three months. The Group has financial risk management policies in place to ensure that all payables are paid within the credit timeframe.

19. CONVERTIBLE NOTE

On 13 February 2009, the Company issued a convertible note in the principal of HK$100,000,000 ("Convertible Note 3") to Mr. Chan Ping Che ("Mr. Chan") for general working capital. The Convertible Note 3 was due on 12 February 2010 with interest-bearing at 5% per annum. Mr. Chan has the right to convert the whole or part of the principal amount of the Convertible Note 3 into shares of HK$0.02 each in the share capital of the Company, at the conversion price of HK$1.25.

During the period ended 30 September 2009, Mr. Chan has fully converted the Convertible Note 3 into ordinary shares of the Company.

The effective interest rate of the liabilities is 8.87%.

19. CONVERTIBLE NOTE (CONTINUED)

The movement of the liability component of the Convertible Note 3 for the period is set out below:

	HK$'000
Proceeds of issue	100,000
Liability component	(95,743)
Equity component	4,257
Liability component on initial recognition on 13 February 2009	95,743
Interest charged	1,183
Interest payable	(639)
At 31 March 2009 and 1 April 2009 (Audited)	96,287
Interest charged	1,954
Interest payable	(1,055)
Conversion of Convertible Note 3	(97,186)
At 30 September 2009 (Unaudited)	**–**

Note:

The fair value of the liability component was calculated using a market interest rate for an equivalent non-convertible note. The value of the equity component, calculated with reference to valuation carried out by Ascent Partners Group Limited, was included in shareholders' equity in convertible notes reserve. The fair value of the liability component and the equity component were determined at issuance of the Convertible Note 3.

20. DEFERRED TAXATION

	Convertible notes HK$'000	Investment property HK$'000	Total HK$'000
At 1 April 2008	–	2,650	2,650
Charged to equity for the year	8,842	–	8,842
Reversal of deferred tax liabilities due to conversion of convertible note	(8,139)	–	(8,139)
Effect of change in tax rate	–	(107)	(107)
Credited to consolidated income statement for the year	(90)	(68)	(158)
At 31 March 2009 and 1 April 2009 (Audited)	613	2,475	3,088
Reversal of deferred tax liabilities due to conversion of convertible note	(465)	–	(465)
(Credited)/charged to consolidated income statement for the period	(148)	120	(28)
At 30 September 2009 (Unaudited)	**–**	**2,595**	**2,595**

The Group did not have any significant unprovided deferred tax liabilities at 30 September 2009 (31 March 2009: Nil).

21. COMMITMENTS

The Group had the following significant capital commitments:

	As at 30 September 2009	As at 31 March 2009
	HK$'000	*HK$'000*
	(Unaudited)	(Audited)
Contracted but not yet injected for:		
— Registered capital of a subsidiary	**59,924**	—

22. CONTINGENT LIABILITIES

As at 30 September 2009, the Group and the Company had no contingent liabilities (31 March 2009: Nil).

23. MATERIAL RELATED PARTIES TRANSACTIONS

Save as disclosed elsewhere in the financial statements, during the period ended 30 September 2009, the Group had entered into the following transactions with related parties which, in the opinion of the directors, were carried out in the ordinary course of the Group's business.

23. MATERIAL RELATED PARTIES TRANSACTIONS (CONTINUED)

Remuneration for key personnel management, including emoluments paid to the Company's directors and certain of the highest paid employee, are as follows:

	Six months ended 30 September	
	2009	2008
	(Unaudited)	(Unaudited)
	HK$'000	*HK$'000*
Key management personnel		
Salaries and allowance	**2,802**	2,777
Mandatory provident fund contributions	**26**	26
	2,828	2,803

24. SUBSEQUENT EVENTS

Further to the disclosure saved in Note 16, the Group granted share options ("Option") to Mr. Jing to subscribe for 300 million new shares at HK$0.9 per option share on 11 November 2009, for the return to establish Zheng Zhou Sino Union to engage in the coal trading and transportation business. The Option is exercisable at any time from the date of grant of the Option to the day immediately preceding the first anniversary of grant of the Option. For further details, please refer to the Company's announcement dated on 1 September 2009.

25. COMPARATIVE

Certain comparative amounts have been reclassified to conform with the current period's presentation.

MANAGEMENT DISSCUSSION AND ANALYSIS

FINANCIAL REVIEW

For the financial period ended 30 September 2009, the Group recorded a turnover of nil (30 September 2008: HK$50,005,000) and approximately HK$609,382,000 (30 September 2008: HK$691,114,000) from trading of PU materials and trading of fuel oil respectively during the period, which was decreased by 100% and 11.83% respectively comparing to the previous period. Profit attributable to the equity holders of the Company was approximately HK$2,380,000 (30 September 2008: profit of approximately HK$1,917,060,000).

Basic earnings per share is HK0.04 cents (30 September 2008: Basic earnings per share is HK34.94 cents).

OPERATION REVIEW

During the period, the Group's profit was derived from the profit of trading of fuel oil. For the period ended 30 September 2008, more than 90% of the Group's profit derived from the excess of acquirer's interest in fair value of acquiree's identifiable net assets over costs. Turnover derived from distribution of PU materials and fuel oil and the principal market of the Group was the PRC. No revenue was derived from elsewhere during the period (30 September 2008: Nil).

DISTRIBUTION OF PU MATERIALS

During the period, there are no revenue from the distribution of PU materials (30 September 2008: HK$50,005,000), representing decrease of 100% compared to previous period. The distribution of PU materials contributed nil (30 September 2008: HK$658,000) to the Group's profit from operating activities for the period, representing a decrease in 100% compared to previous period. The market of the PU materials became increasingly competitive and the demand of PU materials showed a decreasing trend during the period. The Group had scale down the revenue in order to deal with the risks coupling with such a competitive environment.

Distribution of fuel oil

During the period, revenue from the distribution of fuel oil was approximately HK$609,382,000 (30 September 2008: HK$691,114,000), representing a decrease of approximately 11.83% compared to previous period. The distribution of fuel oil contributed approximately HK$18,771,000 (30 September 2008: HK$26,079,000) to the Group's profit from operating activities for the period, representing a decrease in 28.02% compared to previous period. The market of fuel oil became increasingly competitive during the period.

Dividend

The Directors do not recommend the payment of interim dividend for the period ended 30 September 2009 (30 September 2008: Nil).

LIQUIDITY AND FINANCIAL RESOURCES

During the period, the Group funded its operation by cash generated from its operating activities and through equity financing, including issuance of new shares. As at 30 September 2009, the total liabilities of the Group amount to approximately HK$161,090,000, which mainly represents the convertible note, trade and other payables of nil (31 March 2009: HK$96,287,000) and approximately HK$114,266,000 (31 March 2009: HK$133,736,000) respectively. The Group had cash and bank balances of approximately HK$102,928,000 (31 March 2009: HK$121,168,000).

With the available resources and the proceeds from the allotment and issue of shares of the Company ordinary shares, the Group has adequate working capital to finance its business operations.

As at 30 September 2009, the current ratio (current assets divided by current liabilities) was 1.51 times (31 March 2009: 0.88 times) and the gearing ratio was nil (31 March 2009: 0.01 times), calculated on the basis of convertible note divided by shareholders' equity.

CHARGE ON ASSETS

As at 30 September 2009, none of the Group's asset was pledged (31 March 2009: Nil).

EXPOSURE TO FLUCTUATION IN EXCHANGE RATES AND RELATED HEDGES

As the Group's transactions are mostly settled by Hong Kong dollars and Renminbi, the exposure to foreign exchange fluctuation is minimal, therefore no use of financial instruments for hedging purpose is considered necessary.

As at 30 September 2009, the Group did not have any foreign currency investments which have been hedged by currency borrowings and other hedging instruments (31 March 2009: Nil).

CAPITAL COMMITMENTS

Zheng Zhou Sino Union Energy Business Development Limited ("Zheng Zhou Sino Union") is registered as a sino-foreign equity joint venture in the PRC on 16 September 2009. The registered capital of Zheng Zhou Sino Union is RMB66,000,000. The Group's share of registered capital amounting to RMB52,800,000, approximately HK$59,924,000, was not yet injected by the Group as at 30 September 2009.

CONTINGENT LIABILITIES

As at 30 September 2009, the Group did not have any contingent liabilities (31 March 2009: Nil).

MATERIAL ACQUISITIONS AND DISPOSALS

The Group did not have any acquisitions and disposals during the period ended 30 September 2009 (31 March 2009: please refer to annual report 2009 for the details).

EMPLOYEES AND REMUNERATION POLICIES

As at 30 September 2009, the Group's total number of staff was 48 (31 March 2009: 48). Salaries of employees are maintained at a competitive level. The Group has not encountered any problem with the recruitment of its employees. None of the companies in the Group has experienced any labour disputes during the period and the Directors of the Company consider that the Group has maintained an excellent employment relationship. The Group remunerates its employees largely based on industry practice. Remuneration packages comprised salaries, commissions and bonuses based on individual performance.

OUTLOOK

During the period, global crude oil price rose from its lows and demands for oil products stabilized and bounced back from the bottoms we saw in the forth quarter of last year. We believe the worst is now behind us. During the period, we saw the financial performance of the Group was maintain to make profit over the trading business.

For the year ended 31 March 2009, the Group had recognized significant impairment losses on the value on the asset value of the Oilfield Block 3113 and 2104 due to significant decrease in oil price in the global market. The valuations of Oilfield Block 3113 and 2104 as at 30 September 2009 were increased with the effect from the recent increase in oil price. However, no reversal of impairment has been recognized in the income statement for the current period since the Group considered that the current increase in oil price is short-term and such fluctuation in oil price is considered to be a normal feature of oil commodity market. Subject to consideration of future increase in long-term oil price, there may be a possible reversal of impairment in future period. The directors of the Company would continue to assess the movement in oil price and consider any indicator for reversal of impairment.

Moreover, without waiting for the global economy and crude oil price to rebound fully, the Group entered into an agreement (the "JV Agreement") with Mr. Jing Zhanbin ("Mr. Jing"), an expert in coal mining operation and investment in China, establishing a Sino-foreign equity joint venture ("Joint Venture") on 30 August 2009. Pursuant to the JV Agreement, Mr. Jing guaranteed that he shall ensure the conditions in relation to the operation of the coal trading and transportation business of the Joint Venture be fulfilled and the Joint Venture shall have an annual turnover of not less than RMB4 billion and an annual net profit of RMB200 million. Up to the date of this report, the Joint Venture has been established and the coal trading business has been carried out. The new coal trading business will be the new source of growth of the Group for the years to come.

In addition, Yuannan Kaiyuan Petroleum and Natural Gas Exploration Engineering Company Limited ("Kaiyuan Petroleum"), the chief contractor who is responsible for the well drilling project of Oilfield Block 3113, has reported that the well logging, mud logging, pipeline casing installation and well cementing works in SKL-2 Well were completed on 19 December 2009 at the local time of Madagascar. Based on the verification on various technical parameters such as well logging analysis results and cyclic aftereffect, Kaiyuan Petroleum concluded that SKL-2 Well had many quality oil and gas reservoirs at the depth of 3,309.3 meters to 3,610 meters and the oil therein was in the desirable category of light oil. Kaiyuan Petroleum estimated that the daily oil production in the SKL-2 Well would exceed 50 tones.

DISCLOSURE OF ADDITIONAL INFORMATION

Directors' Interests in Share Capital

At 30 September 2009, the interests and short positions of the directors and chief executives in the share capital of the Company and its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance (the "SFO")) as recorded in the register required to be kept by the Company under Section 352 of the SFO or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Companies ("the Model Code") were as follows:

Ordinary Share of the Company

Name of director	Nature of interest	Number of ordinary shares held	Percentage of issued shares
Dr. Hui Chi Ming *(Note)*	Corporate	3,292,532,503	53.86%

Note: These shares are beneficially owned by Golden Nova Holdings Limited, Wisdom On Holdings Limited, Barta Holdings Limited, Sukapeak Holdings Limited, Good Progress Group Limited and Right Up Holdings Limited, the entire issued share capital of which is wholly-owned by Dr. Hui Chi Ming.

None of the directors or chief executives of the Company or their respective associates had any personal, family, corporate or other interests in the share capital of the Company or any of its associated corporations as defined in the SFO.

SUBSTANTIAL SHAREHOLDERS

As at 30 September 2009, the interests of persons, other than a director or chief executive of the Company, in the shares of the Company as recorded in the register maintained pursuant to Section 336 of the SFO were as follows:

Ordinary Share of the Company

Name of shareholder	Number of ordinary shares held	Percentage of issued shares
Golden Nova Holdings Limited	1,902,726,948	31.12%
Sukapeak Holdings Limited	510,416,666	8.35%
Right Up Holdings Limited	320,000,000	5.23%
Wisdom On Holding Limited	321,320,000	5.26%

Note: The entire issued share capital of Golden Nova Holdings Limited, Sukapeak Holdings Limited, Right Up Holdings Limited and Wisdom On Holding Limited are wholly-owned by Dr. Hui Chi Ming.

Save as disclosed above, the Company had not been notified of any other interests or short positions in the shares and underlying shares of the Company representing 5% or more of the issued share capital of the Company as at 30 September 2009.

SHARE OPTION SCHEME

The Company operates a share option scheme (the "Scheme"), further details of which are set out in Note 17 to the condensed consolidated financial statements.

PURCHASE, SALE OR REDEMPTION OF THE COMPANY'S LISTED SECURITIES

During the period and up to the date of this report, neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the Company's listed securities.

CORPORATE GOVERNANCE

Compliance with Code Provisions

The Company has complied with the code provisions (the "Code Provisions") set out in the code on Corporate Governance Practices (the "CCG") contained in Appendix 14 to the Rules Governing the Listing of Securities (the "Listing Rules") on the Stock Exchange of Hong Kong Limited (the "Stock Exchange") throughout the six months ended 30 September 2009, except for the following deviations:

The Board is committed to achieve a high standard of corporate governance with a view to enhance the management of the Company as well as to safeguard the interests of the shareholders as a whole in terms of transparency, independence, accountability, responsibilities and fairness. In the opinion of the Board, the Company had complied with the code provision set out in the Code on Corporate Governance Practices ("CG Code") in Appendix 14 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules") throughout the period ended 30 September 2009, except that the independent non-executive directors of the Company are not appointed for a specific terms as required by Code A.4.1 of the Code, but are subject to retirement by rotation and re-election at the annual general meeting in accordance with the Company's bye-laws.

CORPORATE GOVERNANCE (CONTINUED)

Compliance with Code Provisions (Continued)

Save as this mentioned above, in the opinion of the Directors of the Company, the Company had met with the Code Provisions during the period ended 30 September 2009.

As such, the Company engaged an independent consultant to conduct a review of the Company's system of internal controls in order to assist the Company to design appropriate international control policies and procedures with a view to ensure compliance with the Listing Rules as well as the Principles and Code Provision. The independent consultant has completed its review and satisfied with the Company's system of internal control policies and procedures.

Code A.4.1 of CG Code

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

All non-executive directors of the Company, were not appointed for a specific term but are subject to retirement by rotation and re-election at the annual general meeting of the Company in accordance with the Company's bye-laws.

SUBSEQUENT EVENTS

Further to the disclosure saved in Note 16, the Group granted share options ("Option") to Mr. Jing to subscribe for 300 million new shares at HK$0.9 per option share on 11 November 2009, for the return to establish Zheng Zhou Sino Union to engage in the coal trading and transportation business. The Option is exercisable at any time from the date of grant of the Option to the day immediately preceding the first anniversary of grant of the Option. For further details, please refer to the Company's announcement dated on 1 September 2009.

AUDIT COMMITTEE

The unaudited condensed consolidated interim financial statements of the Group for the six months ended 30 September 2009 have been reviewed by the Company's audit committee.

MODEL CODE FOR SECURITIES TRANSACTION BY DIRECTORS

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code") as set out in Appendix 10 to the Listing Rules as its Code of Ethics and Securities Transactions by directors of the Company.

Having made specific enquiry of all directors of the Company, they have complied with the required standards set out in the Model Code for the six months ended 30 September 2009.

By Order of the Board
Sino Union Energy Investment Group Limited
Dr. Chui Say Hoe
Executive Director

Hong Kong, 21 December 2009