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: 00346

INTERIM REPORT 2011

CORPORATE INFORMATION

Executive Directors
Dr. Zhuo Ze Fan *(Chairman)*
Dr. William Rakotoarisaina *(Vice Chairman)*
Mr. Shen Hao
Mr. Feng Da Wei
Mr. Li Jiangdong
Mr. Hu Zongmin
Ms. Xie Yiping
Mr. Liu Xingyuan

Independent Non-executive Directors
Mr. Ng Wing Ka
Mr. Leung Ting Yuk
Mr. Ng Tang

Company Secretary
Mr. Law Hing Lam

Audit Committee
Mr. Leung Ting Yuk *(Chairman)*
Mr. Ng Wing Ka
Mr. Ng Tang

Remuneration Committee
Mr. Ng Tang *(Chairman)*
Mr. Leung Ting Yuk
Ms. Xie Yiping

Nomination Committee
Mr. Ng Wing Ka *(Chairman)*
Mr. Ng Tang
Ms. Xie Yiping

Authorised Representatives
Dr. Zhuo Ze Fan
Mr. Law Hing Lam

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

Registered Office
Clarendon House
2 Church Street
Hamilton HM 11
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Bermuda Principal Share Registrar and Transfer Office
HSBC Securities Services (Bermuda) Limited
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6 Front Street
Hamilton HM 11
Bermuda

Hong Kong Branch Share Registrar and Transfer Office
Tricor Tengis Limited
26/F., Tesbury Centre
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Shenzhen Ping An Bank
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Stock Code
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The board of directors (the "Board") of Sino Union Energy Investment Group Limited (the "Company") is pleased to announce the unaudited condensed consolidated interim results of the Company and its subsidiaries (the "Group") for the six months ended 30 September 2011 together with the unaudited comparative figures for the corresponding six months ended 30 September 2010 as follows:

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

		Six months ended 30 September	
	Notes	**2011 HK$'000 (Unaudited)**	2010 HK$'000 (Unaudited)
Turnover	4	**321,869**	473,225
Cost of sales		**(314,581)**	(457,433)
Gross profit		**7,288**	15,792
Other revenue	4	**244**	122
Other gains and losses	5	**2,790**	18,684
Selling and distribution costs		**(3,862)**	(5,220)
Administrative expenses		**(20,802)**	(14,446)
Equity-settled share option expenses		**(152,643)**	–
(Loss)/profit before taxation	6	**(166,985)**	14,932
Taxation	7	**(391)**	(1,261)
(Loss)/profit for the period		**(167,376)**	13,671
Other comprehensive income			
Exchange differences arising on translation of foreign operations		**2,881**	727
Other comprehensive income for the period, net of tax		**2,881**	727
Total comprehensive (loss)/income for the period		**(164,495)**	14,398

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME (CONTINUED)

		Six months ended 30 September	
	Notes	**2011** **HK$'000** **(Unaudited)**	2010 HK$'000 (Unaudited)
(Loss)/profit attributable to			
– Owners of the Company		**(167,376)**	13,671
– Non-controlling interests		**–**	–
		(167,376)	13,671
Total comprehensive (loss)/income attributable to			
– Owners of the Company		**(164,495)**	14,062
– Non-controlling interests		**–**	336
		(164,495)	14,398
(Loss)/earnings per share			
– Basic, HK cents	9	**(2.65)**	0.22
– Diluted, HK cents	9	**(2.65)**	0.22

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

	Notes	At 30 September 2011 HK$'000 (Unaudited)	At 31 March 2011 HK$'000 (Audited)
ASSETS			
Non-current assets			
Property, plant and equipment	10	**4,077**	3,581
Prepaid lease payments		**887**	897
Investment property	11	**7,800**	7,800
Intangible asset	12	**40,000**	40,000
Exploration and evaluation assets	13	**8,545,595**	8,481,756
		8,598,359	8,534,034
Current assets			
Trade receivables	15	**49,709**	91,166
Prepayments, deposits and other receivables		**40,340**	136,266
Amount due from a non-controlling shareholder of a subsidiary	16	**–**	1,422
Cash and bank balances		**118,897**	103,000
		208,946	331,854
Total assets		**8,807,305**	8,865,888
EQUITY			
Capital and reserves			
Share capital	17	**126,389**	126,389
Reserves		**8,618,914**	8,631,855
Equity attributable to owners of the Company		**8,745,303**	8,758,244
Non-controlling interests		**–**	1,778
Total equity		**8,745,303**	8,760,022

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION (CONTINUED)

	Notes	At 30 September 2011 HK$'000 (Unaudited)	At 31 March 2011 HK$'000 (Audited)
LIABILITIES			
Current liabilities			
Trade and other payables	*18*	**45,428**	89,683
Tax payable		**15,229**	14,838
		60,657	104,521
Non-current liability			
Deferred taxation		**1,345**	1,345
Total liabilities		**62,002**	105,866
Total equity and liabilities		**8,807,305**	8,865,888
Net current assets		**148,289**	227,333
Total assets less current liabilities		**8,746,648**	8,761,367

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

	Attributable to owners of the Company										
		Reserves									
	Share capital *HK$'000*	Share premium *HK$'000* *(Note i)*	Contributed surplus *HK$'000* *(Note ii)*	Exchange reserve *HK$'000*	Revaluation reserve *HK$'000* *(Note iii)*	Reserve on acquisition of additional interests in a subsidiary *HK$'000*	Share option reserve *HK$'000*	Retained profits *HK$'000*	Subtotal *HK$'000*	Non-controlling interests *HK$'000*	Total *HK$'000*
At 1 April 2010 (Audited)	122,269	5,605,001	3,156	24,676	385,000	2,286,365	18,000	147,887	8,470,085	15,035	8,607,389
Profit for the period	-	-	-	-	-	-	-	13,671	13,671	-	13,671
Other comprehensive income for the period	-	-	-	391	-	-	-	-	391	336	727
Total comprehensive income for the period	-	-	-	391	-	-	-	13,671	14,062	336	14,398
Incorporation of a subsidiary	-	-	-	-	-	-	-	-	-	1,706	1,706
At 30 September 2010 (Unaudited)	122,269	5,605,001	3,156	25,067	385,000	2,286,365	18,000	161,558	8,484,147	17,077	8,623,493
At 1 April 2011 (Audited)	126,389	5,739,931	3,156	26,626	385,000	2,286,365	1,877	188,900	8,631,855	1,778	8,760,022
Loss for the period	-	-	-	-	-	-	-	(167,376)	(167,376)	-	(167,376)
Other comprehensive income for the period	-	-	-	2,881	-	-	-	-	2,881	-	2,881
Total comprehensive income/(loss) for the period	-	-	-	2,881	-	-	-	(167,376)	(164,495)	-	(164,495)
Acquisition of addition interest in a subsidiary	-	-	-	(57)	-	(1,100)	-	-	(1,157)	(1,778)	(2,935)
Release upon disposal of subsidiaries	-	-	-	68	-	-	-	-	68	-	68
Equity-settled share option expenses	-	-	-	-	-	-	152,643	-	152,643	-	152,643
At 30 September 2011 (Unaudited)	**126,389**	**5,739,931**	**3,156**	**29,518**	**385,000**	**2,285,265**	**154,520**	**21,524**	**8,618,914**	**-**	**8,745,303**

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY (CONTINUED)

Notes:

(i) The share premium account of the Group includes (i) shares issued at premium of approximately HK$3,869,872,000 (2010: HK$3,734,942,000); and (ii) special reserve of approximately HK$1,870,059,000 (2010: 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 (the "Stock Exchange") 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 revaluation reserve represents the fair value adjustment relating to previous acquisition of 7% equity interests of Madagascar Energy International Limited. The Group has acquired the remaining 93% equity interest during the year ended 31 March 2008.

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

	Six months ended 30 September	
	2011	2010
	(Unaudited)	(Unaudited)
	HK$'000	*HK$'000*
Net cash flows from/(used in) operating activities	**15,221**	(73,174)
Net cash flows (used in)/from investing activities	**(2,159)**	116
Increase/(decrease) in cash and cash equivalents	**13,062**	(73,058)
Cash and cash equivalents at beginning of the period	**103,000**	119,668
Effect of exchange rate changes on the balance of cash held in foreign currencies	**2,835**	727
Cash and cash equivalents at end of the period	**118,897**	47,337
Analysis of balances of cash and cash equivalents		
Cash and bank balances	**118,897**	47,337

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

1. BASIS OF PREPARATION

The unaudited condensed consolidated financial statements have been prepared in accordance with the Hong Kong Accounting Standard (the "HKAS") 34 "Interim financial reporting" issued by the Hong Kong Institute of Certified Public Accountants (the "HKICPA") and the applicable disclosure requirements of Appendix 16 to the Rules Governing the Listing of Securities (the "Listing Rules") on the Stock Exchange. The unaudited condensed consolidated financial statements should be read in conjunction with the annual financial statements for the year ended 31 March 2011, which have been prepared in accordance with the Hong Kong Financial Reporting Standards (the "HKFRSs").

These unaudited condensed consolidated financial statements are presented in HK dollars. All values are rounded to the nearest thousand, unless otherwise stated. These unaudited condensed consolidated financial statements were approved for issue on 30 November 2011.

2. SIGNIFICANT ACCOUNTING POLICIES

The unaudited condensed consolidated financial statements have been prepared on the historical cost basis, except for investment property and certain financial assets and liabilities that are measured at fair values.

The accounting policies used in the preparation of the unaudited condensed consolidated financial statements are consistent with those applied in the Group's annual financial statements for the year ended 31 March 2011, except for the impact of the adoption of the new standards, amendments and interpretations issued by the HKICPA (the "new HKFRSs") described below.

In the current interim period, the Group has applied, for the first time, a number of new HKFRSs issued by the HKICPA which are effective for the Group's accounting period beginning on 1 April 2011. A summary of the new HKFRSs are set out as below:

HKFRSs (Amendment)	Improvements to HKFRSs issued in 2010
HKAS 24 (Revised)	Related Party Disclosures
HKFRS 1 (Amendment)	Limited Exemption from Comparative HKFRS 7 – Disclosures for First-time Adopters
HK(IFRIC) – Int 14 (Amendment)	Prepayments of a Minimum Funding Requirement
HK(IFRIC) – Int 19	Extinguishing Financial Liabilities with Equity Instruments

The adoption of these new HKFRSs had no material impact on the results and financial positions of the Group.

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Impact of new and revised HKFRSs not yet effective

The Group has not early applied the following new HKFRSs that have been issued but are not yet effective.

HKAS 1 (Amendments)	Presentation of Items of Other Comprehensive Income[3]
HKAS 12 (Amendments)	Deferred Tax: Recovery of Underlying Assets[2]
HKAS 19 (as revised in 2011)	Employee Benefits[4]
HKAS 27 (as revised in 2011)	Separate Financial Statements[4]
HKAS 28 (as revised in 2011)	Investments in Associates and Joint Ventures[4]
HKFRS 1 (Amendment)	Severe Hyperinflation and Removal of Fixed Dates for First-time Adopters[1]
HKFRS 7 (Amendments)	Disclosure – Transfer of Financial Assets[1]
HKFRS 9	Financial Instruments[4]
HKFRS 10	Consolidated Financial Statements[4]
HKFRS 11	Joint Arrangements[4]
HKFRS 12	Disclosure of Interests in Other Entities[4]
HKFRS 13	Fair Value Measurement[4]
HK(IFRIC) – Int 20	Stripping Costs in the Production Phase of a Surface Mine[4]

1 *Effective for annual periods beginning on or after 1 July 2011*
2 *Effective for annual periods beginning on or after 1 January 2012*
3 *Effective for annual periods beginning on or after 1 July 2012*
4 *Effective for annual periods beginning on or after 1 January 2013*

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

HK(IFRIC) – Int 20 *Stripping Costs in the Production Phase of a Surface Mine* clarifies the requirements for accounting for stripping costs in the production phase of a surface mine. It clarifies when production stripping should lead to the recognition of an asset and how that asset should be measured, both initially and in subsequent periods. HK(IFRIC) – Int 20 is effective for annual periods beginning on or after 1 January 2013 with earlier application permitted.

The directors of the Company (the "Directors") are currently assessing the impact of these new HKFRSs but are not yet in a position to state whether they would have material financial impact on the Group's result of operations and financial position.

3. SEGMENT INFORMATION

The Group's operating and reportable segments are as follows:

(a) the supply and procurement operation segment involves trading of oil related products; and

(b) the oil and gas exploration, exploitation and operation segment involves oil and gas exploration, exploitation and operation of the oilfield blocks in Madagascar. During the six months ended 30 September 2011 and 2010, this segment did not generate any revenue or profit to the Group.

3. SEGMENT INFORMATION (CONTINUED)

Segments revenue and results

	Six months ended 30 September					
	Supply and procurement operation		Oil and gas exploration, exploitation and operation		Consolidated	
	2011	2010	**2011**	2010	**2011**	2010
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*	***HK$'000***	*HK$'000*
	(Unaudited)	(Unaudited)	**(Unaudited)**	(Unaudited)	**(Unaudited)**	(Unaudited)
Segment revenue:						
Sales to external customers	**321,869**	473,225	**-**	–	**321,869**	473,225
Segment results	**3,165**	10,578	**(5,129)**	(1,680)	**(1,964)**	8,898
Other revenue					**244**	122
Equity-settled share option expenses					**(152,643)**	–
(Loss)/gain on disposal of subsidiaries					**(210)**	18,684
Gain on reimbursement of share option expenses					**3,000**	–
Unallocated corporate expenses					**(15,412)**	(12,772)
(Loss)/profit before taxation					**(166,985)**	14,932
Taxation					**(391)**	(1,261)
(Loss)/profit for the period					**(167,376)**	13,671

Revenue reported was generated from external customers. There were no inter-segment sales during the six months ended 30 September 2011 and 2010.

Segment (loss)/profit represents the loss incurred or profit earned by each segment without allocation of other income and corporate expenses including staff costs, equity-settled share option expenses, (loss)/gain on disposal of subsidiaries and gain on reimbursement of share option expenses. This is the measure reported to the chief operating decision maker for the purpose of resource allocation and assessment of segment performance.

3. SEGMENT INFORMATION (CONTINUED)

Segments assets and liabilities

	Supply and procurement operation		Oil and gas exploration, exploitation and operation		Consolidated	
	30 September 2011	31 March 2011	**30 September 2011**	31 March 2011	**30 September 2011**	31 March 2011
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*	***HK$'000***	*HK$'000*
	(Unaudited)	(Audited)	**(Unaudited)**	(Audited)	**(Unaudited)**	(Audited)
Segment assets	**116,427**	155,789	**8,641,504**	8,641,443	**8,757,931**	8,797,232
Unallocated assets					**49,374**	68,656
Total assets					**8,807,305**	8,865,888
Segment liabilities	**50,219**	78,141	**5,461**	8,014	**55,680**	86,155
Unallocated liabilities					**6,322**	19,711
Total liabilities					**62,002**	105,866

For the purpose of monitoring segment performance and allocating resources between segments:

- all assets are allocated to reportable segments other than amount due from a non-controlling shareholder of a subsidiary and other financial assets.

- all liabilities are allocated to reportable segments other than other financial liabilities and deferred taxation.

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	
	2011	2010
	HK$'000	*HK$'000*
	(Unaudited)	(Unaudited)
Turnover		
Sale of fuel oil related products	**321,869**	473,225
Other revenue		
Bank interest income	**244**	122

5. OTHER GAINS AND LOSSES

	Six months ended 30 September	
	2011	2010
	HK$'000	*HK$'000*
	(Unaudited)	(Unaudited)
(Loss)/gain on disposal of subsidiaries *(Note 20)*	**(210)**	18,684
Reimbursement of share option expenses	**3,000**	–
	2,790	18,684

6. (LOSS)/PROFIT BEFORE TAXATION

The Group's (loss)/profit before taxation is arrived at after charging:

	Six months ended 30 September	
	2011	2010
	HK$'000	*HK$'000*
	(Unaudited)	(Unaudited)
Cost of inventories sold	**314,581**	457,433
Depreciation of property, plant and equipment	**519**	280
Amortisation of prepaid lease payments	**10**	10
Minimum lease payments under operating lease of rented premises	**1,933**	1,396
Staff costs (including Directors' remuneration):		
– Salaries and wages	**5,307**	7,879
– Mandatory provident fund contributions	**81**	140
Equity-settled share option expenses	**152,643**	–

7. TAXATION

No provision for Hong Kong profits tax has been made as the Group did not have assessable profits for the period (30 September 2010: 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	
	2011	2010
	HK$'000	*HK$'000*
	(Unaudited)	(Unaudited)
Current taxation		
Charge for the period – Overseas	**391**	1,261

8. INTERIM DIVIDEND

The Directors do not recommend the payment of any interim dividends in respect of the six months ended 30 September 2011 (30 September 2010: Nil).

9. (LOSS)/EARNINGS PER SHARE

The calculation of the basic and diluted (loss)/earnings per share attributable to owners of the Company is based on the following data:

	Six months ended 30 September	
	2011	2010
	HK$'000	*HK$'000*
	(Unaudited)	(Unaudited)
(Loss)/earnings		
(Loss)/earnings attributable to owners of the Company for the purposes of basic and diluted (loss)/earnings per share	**(167,376)**	13,671

9. (LOSS)/EARNINGS PER SHARE (CONTINUED)

	Number of shares Six months ended 30 September	
	2011	2010
	'000	*'000*
	(Unaudited)	(Unaudited)
Number of shares		
Weighted average number of ordinary shares for the purpose of basic (loss)/earnings per share	**6,319,464**	6,113,464
Effect of dilutive potential ordinary shares: Share options	**–**	29,000
Weighted average number of ordinary shares for the purpose of diluted (loss)/earnings per share	**6,319,464**	6,142,464

Diluted loss per share for the six months ended 30 September 2011 was the same as the basic loss per share. The Company's outstanding share options were not included in the calculation of diluted loss per share because the effect of the Company's outstanding share options was anti-dilutive.

10. PROPERTY, PLANT AND EQUIPMENT

	Furniture, fixtures and equipment *HK$'000*	**Motor vehicles** *HK$'000*	**Total** *HK$'000*
Cost			
At 31 March 2011 and 1 April 2011(Audited)	1,456	4,211	5,667
Additions	301	714	1,015
At 30 September 2011 (Unaudited)	1,757	4,925	6,682
Accumulated depreciation			
At 31 March 2011 and 1 April 2011 (Audited)	541	1,545	2,086
Charged for the period	67	452	519
At 30 September 2011 (Unaudited)	608	1,997	2,605
Net book value			
At 30 September 2011 (Unaudited)	**1,149**	**2,928**	**4,077**
At 31 March 2011 (Audited)	915	2,666	3,581

11. INVESTMENT PROPERTY

	HK$'000
Fair value	
At 31 March 2011 (Audited) and 30 September 2011 (Unaudited)	**7,800**

The Directors consider that the carrying amount of the investment property is fairly stated as at 30 September 2011.

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

The Group's investment property is situated outside Hong Kong and is held under long term lease.

12. INTANGIBLE ASSET

	Petroleum related business licence
	HK$'000
Cost	
At 31 March 2011 (Audited) and 30 September 2011 (Unaudited)	249,842
Impairment	
At 31 March 2011 (Audited) and 30 September 2011 (Unaudited)	209,842
Carrying amount	
At 30 September 2011 (Unaudited)	**40,000**
At 31 March 2011 (Audited)	40,000

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

12. INTANGIBLE ASSET (CONTINUED)

The Directors 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 2011 and hence no further impairment is required.

For the year ended 31 March 2011, the Group carried out a review of the recoverable amount of its intangible asset, having regard to its petroleum related business licence. The review led to the recognition of an impairment loss of approximately HK$3,000,000 that has been recognised in profit or loss. The recoverable amount of the intangible asset has been determined based on approved cash flow projections covering twelve-year period, as the Directors consider that it will take longer period to commence and realise the future economic benefits of the petroleum related business. 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 17.26%.

13. EXPLORATION AND EVALUATION ASSETS

	Total
	HK$'000
Cost	
At 31 March 2011 and 1 April 2011 (Audited)	12,238,815
Additions	63,839
At 30 September 2011 (Unaudited)	12,302,654
Accumulated impairment	
At 31 March 2011 (Audited) and 30 September 2011 (Unaudited)	3,757,059
Carrying amount	
At 30 September 2011 (Unaudited)	**8,545,595**
At 31 March 2011 (Audited)	8,481,756

13. EXPLORATION AND EVALUATION ASSETS (CONTINUED)

Notes:

i. The exploration and evaluation assets represent the oil and gas exploration, exploitation and operations rights and profit sharing rights (the "Exploration Rights") at the Oilfield Block 2104 and the Oilfield Block 3113 in Madagascar, onshore sites for oil and gas exploration, exploitation and operation, and expenditure paid for provision of services on activities relating to evaluation of the technical feasibility and commercial viability of extracting oil and gas in the Oilfield Block 2104 and the Oilfield Block 3113.

ii. The Group entered into an investment and cooperation agreement with Shaanxi Yanchang Petroleum (Group) Co., Limited ("Yanchang Petroleum") and ECO Energy (International) Investments Limited ("ECO") on exploration, exploitation and operation in the Oilfield Block 3113. Pursuant to the investment and cooperation agreement, the capital investment of the Oilfield Block 3113 shall be contributed by Yanchang Petroleum, the Group and ECO in the proportion of 40%, 31% and 29% respectively.

iii. 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 reporting date. The Directors are of the opinion that no further impairment of exploration and evaluation assets was required as at 30 September 2011 and 31 March 2011.

The Group is required to assess at each reporting date any indicator that a previously recognised 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 Directors are of the opinion that the current short-term oil price movements do not result in an impairment or a reversal of impairment for the long-life Exploration Rights in the Oilfield Block 2104 and the Oilfield Block 3113.

14. INTEREST IN JOINTLY CONTROLLED OPERATION

The Group had entered into a joint venture agreement in the form of a jointly controlled operation to jointly invest and manage the exploration, exploitation and operations of the Oilfield Block 3113. The Group has a 31% interest in the joint venture.

For the six months ended 30 September 2011, the aggregate amount of assets, liabilities, income and expenses recognised in the condensed consolidated financial statements in relation to interest in jointly controlled operation are as follows:

	At 30 September 2011 *HK$'000* **(Unaudited)**	At 31 March 2011 *HK$'000* (Audited)
Assets	**161,117**	161,117
Liabilities	**–**	–

	Six months ended 30 September	
	2011 *HK$'000* **(Unaudited)**	2010 *HK$'000* (Unaudited)
Income	**–**	–
Expenses	**–**	–

15. TRADE RECEIVABLES

Trade receivables, which generally have credit terms of 30 days (31 March 2011: 30 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. Trade receivables are non-interest-bearing.

An aged analysis of trade receivables, based on the invoice date, is as follows:

	At 30 September 2011 ***HK$'000*** **(Unaudited)**	At 31 March 2011 *HK$'000* (Audited)
0 to 30 days	**49,709**	91,166

Based on past experience, the Directors believe that no impairment loss is necessary in respect of these balances as there has not been a significant change in credit quality and these balances have been settled subsequent to the end of the reporting period. There is no trade receivables which are past due but not impaired at 30 September 2011 (31 March 2011: Nil). The Group does not hold any collaterals or other credit enhancements over these balances.

16. AMOUNT DUE FROM A NON-CONTROLLING SHAREHOLDER OF A SUBSIDIARY

Name of non-controlling shareholder	Highest balance during the period HK$'000	**At 30 September 2011 HK$'000 (Unaudited)**	At 31 March 2011 HK$'000 (Audited)
陝西僑商投資有限公司	1,422	**-**	1,422

The balance as at 31 March 2011 represented outstanding capital to be injected by a non-controlling shareholder to Shaanxi Sino Union Energy Limited ("Shaanxi Sino Union"), a subsidiary of the Group, within two years since the incorporation date of Shaanxi Sino Union.

The Company has acquired the remaining 5% equity interests in Shaanxi Sino Union from a non-controlling shareholder during the period *(Note 19)*.

17. SHARE CAPITAL

	Number of shares		Share capital	
	30 September 2011	31 March 2011	**30 September 2011**	31 March 2011
	'000	*'000*	***HK$'000***	*HK$'000*
			(Unaudited)	(Audited)
Authorised:				
Ordinary shares of HK$0.02 each	**100,000,000**	100,000,000	**2,000,000**	2,000,000
Issued and fully paid:				
At beginning of period/year	**6,319,464**	6,113,464	**126,389**	122,269
Issue of ordinary shares	**-**	206,000	**-**	4,120
At the end of period/year, ordinary shares of HK$0.02 each	**6,319,464**	6,319,464	**126,389**	126,389

17. SHARE CAPITAL (CONTINUED)

Share Options

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.

17. SHARE CAPITAL (CONTINUED)

Share Options (Continued)

Share Option Scheme (Continued)

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.

(i) The Group recognises the fair value of share options granted as an expense in profit or loss over the vesting period with a corresponding increase being recognised in share option reserve. The share option 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 profit or loss of the respective periods.

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

There were no movements in the Company's share options under the Scheme during the six months ended 30 September 2011.

17. SHARE CAPITAL (CONTINUED)

Share Options (Continued)

Options pursuant to the specific mandate granted on 8 June 2011

During the six months ended 30 September 2011, the Company granted an option to Yanchang Petroleum to subscribe for 1,000,000,000 new shares at the exercise price of HK$0.716 per option share. The share options may be exercised in whole or in part within 24 months from 8 June 2011.

The fair value of the share options granted under the specific mandate was approximately HK$151,300,000 during the period.

The fair value of the share options granted during the period was priced using Binomial Option Pricing Model. The variables and assumptions used in computing the fair value of the share options are based on the Directors' best estimate. The value of a share option varies with different variable of certain subjective assumptions.

Expected volatility was determined by using the historical volatility of the Company's share price.

17. SHARE CAPITAL (CONTINUED)

Share Options (Continued)

Options pursuant to the specific mandate granted on 8 June 2011 (Continued)

Inputs into the model:

Grant date share price	HK$0.660
Exercise price	HK$0.716
Expected volatility	45.965%
Option life	2 years
Dividend yield	0%
Risk-free interest rate	0.655%

At 30 September 2011, the number of shares granted and remained outstanding under the specific mandate was 1,000,000,000, representing approximately 15.82% of the existing issued share capital of the Company.

18. TRADE AND OTHER PAYABLES

	At 30 September 2011 ***HK$'000*** **(Unaudited)**	At 31 March 2011 *HK$'000* (Audited)
Trade payables	**33,926**	61,327
Other payables	**11,502**	28,356
	45,428	89,683

18. TRADE AND OTHER PAYABLES (CONTINUED)

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

	At 30 September 2011 ***HK$'000*** **(Unaudited)**	At 31 March 2011 *HK$'000* (Audited)
0 to 30 days	**33,926**	61,327

The trade payables are non-interest-bearing and have an average credit period on purchase of one to three months.

19. ACQUISITION OF ADDITIONAL INTEREST IN A SUBSIDIARY

On 30 May 2011, the Group entered into a sale and purchase agreement with the non-controlling shareholder to acquire the remaining 5% equity interests in Shaanxi Sino Union at a consideration of RMB1,200,000 (equivalent to approximately HK$1,467,000). A difference of approximately HK$1,157,000 between the amount due to the non-controlling interest and the fair value of the consideration paid was recognised in the equity.

20. DISPOSAL OF SUBSIDIARIES

In September 2011, the Group entered into a sale and purchase agreement to dispose its 100% equity interests in Bestwill Capital Holdings Limited and its subsidiaries to an independent third party for cash consideration of HK$1.

Summary of the effects of the disposal is as follows:

	HK$'000 (Unaudited)
Net assets disposed of:	
Cash and bank balances	204
Other payables	(62)
	142
Release of exchange reserve	68
Loss on disposal	(210)
Total consideration	–
Satisfied by:	
Cash	–
Net cash outflow arising on disposal:	
Cash consideration	–
Cash and bank balances disposed of	(204)
Net outflow of cash and cash equivalents	(204)

20. DISPOSAL OF SUBSIDIARIES (CONTINUED)

On 31 August 2010, the Group entered into a sale and purchase agreement to dispose its 100% equity interests in Market Reach Group Limited and its subsidiaries (collectively referred to as the "Market Group") and Harvest Star Investment Limited and its subsidiaries (collectively referred to as the "Harvest Group") to an independent third party for cash consideration of HK$1 respectively. Summary of the effects of the disposal is as follows:

	Market Group *HK$'000* (Audited)	Harvest Group *HK$'000* (Audited)	Total *HK$'000* (Audited)
Net assets disposed of:			
Other receivables	–	10	10
Cash and bank balances	–	6	6
Tax payable	(6,531)	(12,169)	(18,700)
	(6,531)	(12,153)	(18,684)
Gain on disposal			18,684
Total consideration			–
Satisfied by:			
Cash			–
Net cash outflow arising on disposal:			
Cash consideration			–
Cash and bank balances disposed of			(6)
Net outflow of cash and cash equivalents			(6)

21. COMMITMENTS

As at 30 September 2011, the Group had no commitment. As at 31 March 2011, the Group was committed to inject its outstanding registered capital to Shaanxi Sino Union of approximately RMB22,750,000 (equivalent to approximately HK$26,249,000).

22. CONTINGENT LIABILITIES

As at 30 September 2011, the Group had no contingent liabilities (31 March 2011: Nil).

23. MATERIAL RELATED PARTIES TRANSACTIONS

Save as disclosed elsewhere in the condensed consolidated financial statements, during the period ended 30 September 2011, the Group had entered into the following transactions with related parties which, in the opinion of the Directors, were carried out in the ordinary and usual course of the Group's business.

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

Key management personnel

	Six months ended 30 September	
	2011	2010
	HK$'000	*HK$'000*
	(Unaudited)	(Unaudited)
Salaries and allowance	**1,191**	4,000
Mandatory provident fund contributions	**6**	32
	1,197	4,032

24. EVENTS AFTER THE REPORTING PERIOD

(i) On 26 July 2011, the Group entered into a sale and purchase agreement with an independent third party to acquire the entire issued share capital of Forever Peace Investment Limited at an aggregate consideration of approximately HK$296,277,000. The aggregate consideration shall be satisfied by (i) approximately HK$36,280,000 (equivalent to approximately RMB30,000,000) by way of cash as refundable deposit; (ii) approximately HK$84,654,000 (equivalent to approximately RMB70,000,000) by way of the promissory note; (iii) approximately HK$149,232,000 (equivalent to approximately RMB136,488,000) by way of 226,109,400 consideration shares, credited as fully paid at the issue price of HK$0.730 per consideration share; (iv) 210,000,000 options at the exercise price of HK$0.730 per option share granted by the Company after the completion with fair value of approximately HK$27,161,000; and (v) net of HK$1,050,000 payable by the vendor to the Company as consideration for the 210,000,000 options.

The transaction was completed on 1 November 2011 (the "completion date"). As at the date of approval of these condensed interim financial statements, the Company is still under progress in determining the fair value of promissory note issued, the fair value of the options granted and any intangible assets obtained through the acquisition as at the completion date. For further details, please refer to the Company's circular dated on 13 October 2011.

(ii) On 1 November 2011, the Group entered into a supplemental agreement with Yanchang Petroleum to further govern the sale and purchase of refined oil. For further details, please refer to the Company's circular dated on 18 November 2011.

(iii) The financial year end date of the Company has been changed from 31 March to 31 December. Accordingly, the forthcoming financial year end date of the Company will be 31 December 2011.

MANAGEMENT DISCUSSION AND ANALYSIS

FINANCIAL REVIEW

During the period under review, the Group's operating segments comprise (i) supply and procurement of fuel oil and (ii) oil and gas exploration, exploitation and operation. All the turnover of the Group for the period was derived from fuel oil trading business in the PRC.

For the six months ended 30 September 2011, the Group recorded a turnover of approximately HK$321,869,000 (30 September 2010: HK$473,225,000) from trading of fuel oil which contributed trading profit of approximately HK$3,165,000 (30 September 2010: HK$10,578,000). The decrease in trading profit was mainly due to the combined effect of drop in both turnover and profit margin of trading fuel oil.

In the absence of one-off gain on disposal of subsidiaries related to polyurethane materials business amounted to approximately HK$18,684,000 arising in the previous period, other gains in the current period reduced to approximately HK$2,790,000 arising mainly from share option expenses reimbursed by Yanchang Petroleum in respect of the 1,000,000,000 share options granted to Yanchang Petroleum during the period.

The increase in administrative expenses of approximately HK$6,356,000 was mainly due to the inclusion of HK$4,278,000 training and administration fee paid during the period to Office Des Mines Nationales Et Des Industries Strategiques ("OMNIS") of Madagascar in relation to the development of the Oilfield Blocks 3113 and 2104.

The turnaround from a profit of approximately HK$13,671,000 last period to a loss of approximately HK$167,376,000 this period was mainly attributable to the one-off non-cash accounting charge of equity-settled share option expenses amounted to approximately HK$152,643,000 arising from granting share options during the period including 1,000,000,000 share options granted to Yanchang Petroleum.

BUSINESS REVIEW

Drilling works in the oilfield blocks in Madagascar

The Group has made good progress in the exploration works of the Oilfield Block 3113. During the period under review, the second batch of 3 wells (namely SKL-2n, BKM-1 and BKM-2) drilling works have already been completed successfully and encouraging drilling results have also been obtained. Based on the logging results on oil and gas, whereas 37 reservoirs with total thickness of approximately 79 m, 8 reservoirs with total thickness of approximately 46 m, and 15 reservoirs with total thickness of approximately 31 m have been found in SKL-2n, BKM-1 and BKM-2, respectively. Oil in the reservoirs is in the desirable light oil category. In this regard, OMNIS has been greatly satisfied and has confirmed the well drilling technology and results related to the Oilfield Block 3113.

The drilling project has come to the evaluation stage and has been put forward to the Oilfield Block 3113 Management Committee for review and discussion. According to the requirements of the evaluation and next step exploration plan in relation to the Oilfield Block 3113, the need for single-well evaluation studies will be processed. Having studied, considered and compared the data of the 3 wells, Shaanxi Yanchang Petroleum International Exploration & Development Engineering Company Limited has recognized that the choice of BKM-2 for single-well evaluation would be more meaningful; and that would have a better understanding of hydrocarbon migration pattern in the Oilfield Block 3113, so as to provide guidance for the next step exploration plan of the said oilfield block.

Regarding the Oilfield Block 2104, drilling works of 5 wells had been completed, while oil and gas were discovered in 3 wells with depth range of 450 m to 2,153 m. No further works have been carried out during the period under review. The Group will proceed onto the drilling works in the Oilfield Block 2104 in due course.

Granting of 1,000,000,000 share options to Yanchang Petroleum

In order to tighten the relationship as shareholder and business partner of the Company, so as to further strengthen the business co-operation and open up more business opportunities in future with Yanchang Petroleum, the Company granted Yanchang Petroleum 1,000,000,000 share options with the right to subscribe for up to a maximum of 1,000,000,000 shares of the Company at the exercise price of HK$0.716 each pursuant to a share option agreement entered into on 29 April 2011. The grant of share options will provide incentive to Yanchang Petroleum for its further involvement in the business growth of the Group in the long run, with an aim to increase shareholders' value and return. The Directors are of the view that more close support and involvement from Yanchang Petroleum will benefit the development of the Group's oil, gas and energy related business both in the PRC and overseas; and that the exercise of share options, if any, by Yanchang Petroleum will improve the financial position of the Group.

Acquisition of refined oil business in Henan Province of the PRC

The Company has for long been committed to expand its oil, gas and energy related business in order to create better investment value and return for its shareholders. Therefore the Group entered into a sale and purchase agreement with an independent third party, Golden Soar Investments Limited ("Golden Soar") on 26 July 2011, to acquire from Golden Soar 70% equity interests in Henan Xinyuan Petrochemical Storage and Transportation Limited ("Henan Xinyuan") beneficially owned by Golden Soar (the "Acquisition").

Henan Xinyuan is mainly engaged in the wholesale, retail, storage and transportation of refined oil (gasoline, diesel oil, paraffin fuel oil, lubricating oil, grease and asphalt) and has been granted a valid licence for the distribution and sale of refined oil in the PRC. Henan Xinyuan currently has land parcels in aggregate of 209 mu, 120,000 cubic meters of storage tanks area, a private railway line of 2,500 metres, a retail network with 11 gas stations and around 60 employees with distribution and sale capacity of handling up to 2,000,000 tonnes of refined oil yearly.

Henan Xinyuan, under the application of Yanchang Petroleum, has been approved by PetroChina Company Limited（中國石油天然氣股份有限公司）to construct a sub-pipeline connecting the Zhengzhou distribution station of the Lanzhou-Zhengzhou-Changsha refined oil major pipeline. The total length of the sub-pipeline will be 23 kilometres and after completion, will improve the transportation and sale of refined oil in Henan Province, which together with the dedicated oil railway of Henan Xinyuan, will benefit the overall management and operation of the refined oil wholesales and distribution business of Henan Xinyuan. The construction of such sub-pipeline is expected to commence in late 2011 and be completed by or before mid 2013. Apart from reducing the transportation cost for refined oil, it will also provide oil products transportation service for other oil corporate customers in the Henan region so as to broaden income stream of Henan Xinyuan.

The current annual demand of refined oil in Henan Province is estimated at approximately 10,000,000 tonnes. With the anticipated growth in demand and increasing market penetration of refined oil in the Henan region, it is expected that Henan Xinyuan could achieve the operating performance of 1,000,000 tonnes in terms of sales volume in 2012, and with the completion of additional oil storage facilities, Henan Xinyuan could achieve and reach the operating performance of 1,500,000 tonnes in terms of sales volume in 2013.

Subsequent to the period end, the Acquisition has been completed on 1 November 2011 and the acquisition of Henan Xinyuan will enable the Group to further enhance its fuel oil business, strengthen its trading position and enlarge its distribution network in the PRC.

Supply of refined oil to Henan Xinyuan from Yanchang Petroleum

In order to meet the above sales targets, Henan Xinyuan and Yanchang Petroleum entered into an agreement and a supplemental agreement respectively on 26 July 2011 and 1 November 2011, pursuant to which Yanchang Petroleum has agreed to supply to Henan Xinyuan the refined oil with the most favourable price as compared to that quoted to independent third party customers of Yanchang Petroleum. With sufficient and stable supply of refined oil from Yanchang Petroleum, Henan Xinyuan, which owns dedicated oil storage facilities, railway and oil pipeline, could rapidly enhance its business development and operation to cope with the enormous demand of refined oil in Henan Province and the PRC. Leveraging on the bulk volume and stable supply of refined oil from Yanchang Petroleum, the Board believes that without significant increase in both financial and human resources, Henan Xinyuan could achieve the expected level of performance.

Change of financial year end date of the Company

With effective from 1 November 2011, the financial year end date of the Company has been changed from 31 March to 31 December in order to align (i) with those of the Company's operating subsidiaries in the PRC upon the completion of the Acquisition; and (ii) with that of Yanchang Petroleum, being a substantial shareholder of the Company, enables the Company to better co-ordinate its business development with Yanchang Petroleum in the future.

The change of financial year end date would enable the Group to have conterminous year end date, thereby facilitating the preparation of the Group's consolidated financial statements and saving costs accordingly. Thus, the forthcoming financial year end date of the Company will be 31 December 2011.

OUTLOOK

As the crude oil price has reached the current high level of around US$100 per barrel, which in turn will benefit the Group's oil distribution and sale business as well as enhance the valuation of the Group's oilfield blocks in Madagascar. The Directors are of the opinion that with continuous support from Yanchang Petroleum, the oil and gas business and the development of the oilfield blocks in Madagascar will have optimistic future. Besides, in view of the enormous demand of refined oil in the Henan region and the PRC, the Directors believe that the newly acquired refined oil business in Henan Province will have bright prospect, contribute substantial profit and bring in additional cash flow to the Group. Given the strengthening business co-operation and strategic relationship with Yanchang Petroleum, the Company has confidence and capabilities to further enhance and expand the Group's business.

LIQUIDITY AND FINANCIAL RESOURCES

The Group funded its operation by its internal resources and cash generated from its operating activities for the six months ended 30 September 2011.

As at 30 September 2011, the Group had total assets of approximately HK$8,807,305,000 (31 March 2011: HK$8,865,888,000) and current assets of approximately HK$208,946,000 (31 March 2011: HK$331,854,000). Total liabilities of the Group were approximately HK$62,002,000 (31 March 2011: HK$105,866,000), and current liabilities were approximately HK$60,657,000 (31 March 2011: HK$104,521,000).

The Group did not have any outstanding bank borrowings as at 30 September 2011 (31 March 2011: Nil) and does not have any borrowing requirements at present. As at 30 September 2011, the Group had a cash and bank balance of approximately HK$118,897,000 (31 March 2011: HK$103,000,000). The Group has sufficient working capital to finance its business operation.

As at 30 September 2011, the extreme low gearing ratio of 0.7% (31 March 2011: 1.2%), measured on the basis of total liabilities as a percentage of total equity, together with the satisfactory current ratio of 344.5% (31 March 2011: 317.5%), measured on the basis of current assets as a percentage of current liabilities, reflects that the Group has maintained in a healthy liquidity and financial position.

TREASURY MANAGEMENT AND POLICES

The Group adopts a prudent approach for its cash management and risk control. The objective of the Group's treasury policies is to minimise risks and exposures due to the fluctuations in foreign currency exchange rates and interest rates. In order to achieve better risk control and efficient fund management, the Group's treasury activities are centralized.

Cash has been generally placed in short-term deposits denominated in Hong Kong dollar, US dollar and Renminbi. In view of no borrowing requirements at present and current low interest rates, the Group does not foresee any significant interest rate risks. Since the Group's transactions and investment are mostly denominated in Hong Kong dollar, United Stated dollar and Renminbi, the Group does not anticipate any material foreign exchange exposures and risks.

During the period under review, no hedging transactions related to foreign exchange and interest risks had been made, proper steps will be in place when the management considers appropriate.

MATERIAL ACQUISITIONS AND DISPOSALS

The Group entered into an agreement with Golden Soar on 26 July 2011, to acquire from Golden Soar 70% equity interests in Henan Xinyuan which is principally engaged in the wholesale, retail, storage and transportation of refined oil business and has been granted a valid licence for the distribution and sale of refined oil in the PRC for an aggregate consideration of approximately HK$296,277,000.

Save as the aforesaid, the Group had no other material acquisitions and disposals during the period under review.

SIGNIFICANT INVESTMENTS

The Group did not hold any significant investments during the period under review.

CAPITAL COMMITMENT

The Group did not have any material commitments as at 30 September 2011. As at 31 March 2011, the Group was committed to inject its outstanding registered capital to Shaanxi Sino Union of approximately RMB22,750,000 (equivalent to approximately HK$26,249,000).

PLEDGE OF ASSETS

As at 30 September 2011, none of the Group's assets had been pledged (31 March 2011: Nil).

CONTINGENT LIABILITY

As at 30 September 2011, the Group did not have any significant contingent liabilities (31 March 2011: Nil).

LITIGATION

As at 30 September 2011, the Group had no litigation.

EMPLOYEES AND REMUNERATION POLICY

As at 30 September 2011, the Group's total number of staff was 42 (31 March 2011: 48). Salaries of employees are maintained at a competitive level with total staff costs (excluding the equity-settled share option expenses) for the six months ended 30 September 2011 amounted to approximately HK$5,388,000 (30 September 2010: HK$8,019,000). Remuneration policy is based on principle of equality, motivation, performance and prevailing market practice and remuneration packages are normally reviewed on an annual basis. Other staff benefits including provident fund, medical insurance coverage and share option scheme are offered to the employees. During the period, no (30 September 2010: Nil) share options were granted to the eligible participants under the Company's share option scheme and there were outstanding share options of 41,000,000 as at 30 September 2011 (30 September 2010: 41,000,000).

INTERIM DIVIDEND

The Board resolved not to declare the payment of interim dividend for the six months ended 30 September 2011 (30 September 2010: Nil).

OTHER INFORMATION

DIRECTORS' INTERESTS IN SHARE CAPITAL

At 30 September 2011, 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 Issuers (the "Model Code") were as follows:–

Interests and short positions in shares, underlying shares and debentures of the Company

Name of Director	Nature of Interest	Long position/ Short position	Number of ordinary shares of the Company held	Approximate percentage of the issued ordinary share capital of the Company
Dr. Zhuo Ze Fan	Interest of controlled corporation *(Note)*	Long position	1,638,045,555	25.92%
Mr. Liu Xingyuan	Beneficial Interest	Long position	324,110,000	5.13%

Note: These shares are held through by Shaanxi Daqinling Energy and Investment Group Limited, a company wholly and beneficially owned by Dr. Zhuo Ze Fan.

Save as disclosed above, as at 30 September 2011, 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.

DIRECTORS' RIGHTS TO ACQUIRE SHARES OR DEBENTURES

Apart from as disclosed under the heading "Share Option Scheme" below, at no time during the period for the six months ended 30 September 2011 was the Company or any of its subsidiaries a party to any arrangements to enable the Company's Directors, their respective spouse or children under 18 years of age to acquire benefits by means of the acquisition of shares in or debentures of the Company or any other body corporate.

SUBSTANTIAL SHAREHOLDERS

As at 30 September 2011, 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:–

Name	Capacity	Long position/ Short position	Number of ordinary shares of the Company held	Approximate percentage of the issued ordinary share capital of the Company
Yanchang Petroleum *(Note 1)*	Interest of controlled corporation	Long position	1,917,019,547	30.34%
Yanchang Petroleum Group (Hong Kong) Co., Limited ("Yanchang Petroleum HK")	Directly beneficially owned	Long position	917,019,547	14.51%

Name	Capacity	Long position/ Short position	Number of ordinary shares of the Company held	Approximate percentage of the issued ordinary share capital of the Company
Golden Soar *(Note 2)*	Directly beneficially owned	Long position	436,109,400	6.90%
Ms. Yang Jing *(Note 2)*	Interest of controlled corporation	Long position	436,109,400	6.90%

Note 1: Included in the shareholding in which Yanchang Petroleum is interested, Yanchang Petroleum is beneficially interested in 917,019,547 Shares (which held these Shares through its direct wholly-owned subsidiary, Yanchang Petroleum HK) and is deemed to be interested in 1,000,000,000 Shares under the SFO by virtue of a share option agreement dated 29 April 2011 under which the Company has granted to Yanchang Petroleum the right to subscribe for up to a maximum of 1,000,000,000 Shares at the exercise price of HK$0.716 each within the exercise period as stated in the said share option agreement.

Note 2: Ms. Yang Jing owns 100% interests in Golden Soar. Pursuant to a sale and purchase agreement dated 26 July 2011 (the "Acquisition Agreement") entered into between Sino Union Energy International Limited (a wholly-owned subsidiary of the Company) (as the purchaser) and Golden Soar (as the vendor), the Company has conditionally agreed to issue and allot 226,109,400 consideration shares to Golden Soar at the issue price of HK$0.730 per consideration share as stipulated in the Acquisition Agreement; and to grant to Golden Soar the right to subscribe for 210,000,000 option shares at the exercise price of HK$0.730 per option share within the exercise period as stipulated in the Acquisition Agreement upon completion. As such, both Golden Soar and Ms. Yang Jing were accordingly deemed to be interested in these Shares and underlying Shares under the SFO.

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 2011.

SHARE OPTION SCHEME

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

PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES OF THE COMPANY

For the six months ended 30 September 2011, neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the Company's listed securities.

CORPORATE GOVERNANCE PRACTICE

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 provisions set out in the Code on Corporate Governance Practices (the "CG Code") in Appendix 14 of the Listing Rules throughout the six months ended 30 September 2011, except for the following deviations:

1. code provision A.2.1 of the CG Code provides that the roles and responsibilities of chairman ("Chairman") and chief executive officer ("CEO") should be separate. Currently, Dr. Zhuo assumes the roles of both the Chairman and the CEO. Dr. Zhuo has substantial experience in commerce, investments, mergers and acquisitions covering a wide range of businesses which include petroleum, chemical and metal mining, and owns several patents of device and was granted various awards and prizes in the PRC that is essential to fulfilling the role of the Chairman. At the same time, Dr. Zhuo has the appropriate management

skills and business acumen that are the pre-requisites for assuming the role of the CEO in the day-to-day management of the Group. The Board is composed of eight executive Directors (including the Chairman) and three independent non-executive Directors with a balance of skills and experience appropriate for the requirements of the Group. The Board considers that there is no need to segregate the roles of the Chairman and the CEO as the balance of power and authority is already ensured by the current structure. The Board believes that the combination of the roles of the Chairman and the CEO which are performed by the same individual would be beneficial to the overall corporate performance of the Group;

2. code provision A.4.1 of the CG Code provides that the non-executive Directors should be appointed for a specific term. Messrs. Leung Ting Yuk and Ng Wing Ka, the independent non-executive Directors, were not appointed for a specific term but they are subject to retirement by rotation at least once every three years in accordance with the Bye-laws of the Company; and

3. code provision A.4.2 of the CG Code provides that all Directors appointed to fill a casual vacancy should be subject to election by shareholders at the first general meeting after their appointment. In accordance with the Bye-laws of the Company, any Director appointed to fill a casual vacancy shall hold office only until the next following annual general meeting ("AGM") of the Company and shall then be eligible for re-election. The Board considers that such a deviation is not material as casual vacancy seldom happens and duration between appointment to fill casual vacancy and the immediate following AGM of the Company is less than one year and is considered to be short.

AUDIT COMMITTEE

The Audit Committee currently comprises the three independent non-executive Directors, namely Mr. Leung Ting Yuk, Mr. Ng Wing Ka and Mr. Ng Tang. Mr. Leung Ting Yuk is the chairman of the Audit Committee. The Audit Committee has reviewed the accounting principles and policies adopted by the Company and discussed with management the internal control and financial reporting matters. The Audit Committee has reviewed the unaudited interim financial statements of the Group for the six months ended 30 September 2011.

MODEL CODE FOR SECURITIES TRANSACTION BY DIRECTORS

The Company has adopted the Model Code as set out in Appendix 10 to the Listing Rules as its own code regarding its Directors' securities transactions on the Company's Shares.

Having made specific enquiry of all Directors, they confirmed that they have complied with the required standards as set out in the Model Code as their code of conduct regarding Directors' securities transactions with the Company for the six months ended 30 September 2011.

DISCLOSURE ON CHANGE OF INFORMATION OF DIRECTOR(S) PURSUANT TO RULE 13.51B(1) OF THE LISTING RULES

1. On 24 June 2011, Mr. Ng Tang (an independent non-exective Director) resigned as an executive director of China Best Group Holding Limited, a company listed on Main Board of the Stock Exchange.

2. With effect from May 2011, Dr. William Rakotoarisaina (an executive Director and vice-chairman of the Company) has been provided quarter with monthly rental value amounted to HK$16,000.

3. With effect from July 2011, Mr. Liu Xingyuan (an executive Director) has been provided quarter with monthly rental value amounted to HK$39,000.

4. On 29 November 2011, Dr. Zhuo Ze Fan (an executive Director, Chairman and CEO of the Company) has been appointed as a director of Henan Xinyuan, an indirect non wholly-owned subsidiary of the Company.

5. On 29 November 2011, Mr. Feng Da Wei (an executive Director) has been appointed as the chairman of the board of directors and the authorized representative of Henan Xinyuan.

6. On 29 November 2011, Ms. Xie Yiping (an executive Director) has been appointed as a director and the financial controller of Henan Xinyuan.

By Order of the Board
Sino Union Energy Investment Group Limited
Dr. Zhuo Ze Fan
Chairman

Hong Kong, 30 November 2011