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)

RESULTS ANNOUNCEMENT FOR THE SIX MONTHS ENDED 30 SEPTEMBER 2010

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 2010 together with the unaudited comparative figures for the corresponding six months ended 30 September 2009 as follows:

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the six months ended 30 September 2010

		Six months ended 30 September	
		2010	2009
		(Unaudited)	(Unaudited)
	Notes	***HK$'000***	*HK$'000*
Turnover	*4*	**473,225**	609,382
Cost of sales		**(457,433)**	(582,343)
Gross profit		**15,792**	27,039
Other revenue	*4*	**122**	161
Other gains	*5*	**18,684**	500
Selling and distribution costs		**(5,220)**	(1,219)
Administrative expenses		**(14,446)**	(19,625)
Profit from operating activities	*6*	**14,932**	6,856
Finance costs	*7*	**—**	(1,954)
Profit before taxation		**14,932**	4,902
Taxation	*8*	**(1,261)**	(2,522)
Profit for the period		**13,671**	2,380

	Notes	Six months ended 30 September 2010 (Unaudited) *HK$'000*	2009 (Unaudited) *HK$'000*
Other comprehensive income			
Exchange differences arising on translation of foreign operations		**727**	251
Other comprehensive income for the period, net of tax		**727**	251
Total comprehensive income for the period		**14,398**	2,631
Profit attributable to			
— Owners of the Company		**13,671**	2,380
— Non-controlling interests		**—**	—
		13,671	2,380
Total comprehensive income attributable to			
— Owners of the Company		**14,062**	2,631
— Non-controlling interests		**336**	—
		14,398	2,631
Earnings per share			
— Basic, HK cents	*10*	**0.22**	0.04
— Diluted, HK cents	*10*	**0.22**	0.07

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 30 September 2010

	Notes	At 30 September 2010 (Unaudited) HK$'000	At 31 March 2010 (Audited) HK$'000
ASSETS			
Non-current assets			
Property, plant and equipment		**1,896**	2,176
Prepaid lease payments		**906**	916
Investment property		**9,360**	9,360
Intangible asset		**43,000**	43,000
Exploration and evaluation assets		**8,481,756**	8,481,756
		8,536,918	8,537,208
Current assets			
Trade receivables	*11*	**110,519**	53,921
Prepayments, deposits and other receivables		**28,947**	16,162
Amounts due from minority shareholders		**16,728**	15,035
Cash and bank balances		**47,337**	119,668
		203,531	204,786
Total assets		**8,740,449**	8,741,994
EQUITY			
Capital and reserves			
Share capital		**122,269**	122,269
Reserves		**8,484,147**	8,470,085
Equity attributable to the owners of the Company		**8,606,416**	8,592,354
Non-controlling interests		**17,077**	15,035
Total equity		**8,623,493**	8,607,389
LIABILITIES			
Current liabilities			
Trade and other payables	*12*	**101,834**	74,036
Tax payable		**13,356**	30,779
Amounts due to related companies		**—**	15,700
Amount due to a director		**—**	12,324
		115,190	132,839
Non-current liability			
Deferred taxation		**1,766**	1,766
Total liabilities		**116,956**	134,605
Total equity and liabilities		**8,740,449**	8,741,994
Net current assets		**88,341**	71,947
Total assets less current liabilities		**8,625,259**	8,609,155

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the period ended 30 September 2010

1. BASIS OF PREPARATION

The unaudited condensed consolidated 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"). The unaudited condensed consolidated financial statements should be read in conjunction with the annual financial statements for the year ended 31 March 2010, which have been prepared in accordance with the Hong Kong Financial Reporting Standards ("HKFRSs").

These unaudited condensed consolidated financial statements are presented in HK dollars, unless otherwise stated. These unaudited condensed consolidated financial statements was approved for issue on 30 November 2010.

This condensed consolidated financial statements has not been audited.

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 2010, except for the impact of the adoption of the new and revised HKASs, HKFRSs and interpretations described below.

In the current interim period, the Group has applied for the first time, the following new and revised standards, amendments and interpretations ("new HKFRSs") issued by the HKICPA, which are effective for the Group's accounting period beginning on 1 April 2010.

HKFRSs (Amendment)	Amendment to HKFRS 5 as part of Impairments to HKFRS 2008
HKFRSs (Amendment)	Improvements to HKFRSs 2009
HKAS 27 (Revised)	Consolidated and Separate Financial Statements
HKAS 32 (Amendment)	Classification of Right Issues
HKAS 39 (Amendment)	Eligible Hedged Items
HKFRS 1 (Revised)	First-time Adoption of Hong Kong Financial Reporting Standards
HKFRS 1 (Amendment)	Additional Exemptions for First-Time Adopters
HKFRS 2 (Amendment)	Group Cash-settled Shared-based Payment Transactions
HKFRS 3 (Revised)	Business Combinations
HK(IFRIC) – Int 17	Distribution of Non-cash Assets to Owners

HKFRS 3 (Revised) Business Combinations continues to apply the acquisition method to business combinations but with some significant changes compared with HKFRS 3. For example, all payments to purchase a business are recorded at fair value at the acquisition date, with contingent payments classified as debt subsequently re-measured through the consolidated statement of comprehensive income. There is a choice on an acquisition-by-acquisition basis to measure the non-controlling interest in the acquiree either at fair value or at the non-controlling interest's proportionate share of the acquiree's net assets. All acquisition-related costs are expensed.

As the Group has adopted HKFRS 3 (Revised), it is required to adopt HKAS 27 (Revised) "Consolidated and Separated Financial Statements" at the same time. HKAS 27 (Revised) requires the effects of all transactions with non-controlling interests to be recorded in equity if there is no change in control and these transactions with no longer result in goodwill or gains and losses. The standard also specifies the accounting when control is lost. Any remaining interest in the entity is re-measured to fair value, and a gain or loss is recognised in profit or loss.

Save as described above, the new HKFRSs which are effective in this accounting period are not relevant to the Group's operation.

Impact of new and revised HKFRSs not yet effective

HKFRSs (Amendment)	Improvements to HKFRSs 2010[1]
HKAS 24 (Revised)	Related Party Disclosures[3]
HKFRS 1 (Amendment)	Limited Exemption from Comparative HKFRS 7 Disclosures for First-time Adopters[2]
HKFRS 7 (Amendment)	Financial Instruments: Disclosures[4]
HKFRS 9	Financial Instruments[5]
HK(IFRIC) — Int 14 (Amendment)	Prepayments of a Minimum Funding Requirement[3]
HK(IFRIC) — Int 19	Extinguishing Financial Liabilities with Equity Instruments[2]

1 Effective for annual periods beginning on or after 1 July 2010 and 1 January 2011, as appropriate
2 Effective for annual periods beginning on or after 1 July 2010
3 Effective for annual periods beginning on or after 1 January 2011
4 Effective for annual periods beginning on or after 1 July 2011
5 Effective for annual periods beginning on or after 1 January 2013

HKFRS 9 "Financial Instruments" introduces new requirements for the classification and measurement of financial assets and will be effective from 1 January 2013, with earlier application permitted. The standard requires all recognised financial assets that are within the scope of HKAS 39 Financial Instruments: Recognition and Measurement to be measured at either amortised cost or fair value. Specially, debt investments that (i) are held within a business model whose objective is to collect the contractual cash flows and (ii) have contractual cash flows that are solely payments of principal and interest on the principal outstanding are generally measured at amortised cost. All other debt investments and equity investments are measured fair value. The application of HKFRS 9 might affect the classification and measurement of the Group's financial assets.

The management is in the process of making an assessment of the impact of these new and revised, 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's operating and reportable segments under HKFRS 8 are as follows:

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

(b) the oil, gas exploration, exploitation and operation segment involves oil, gas exploration, exploitation and operation in Madagascar. During the periods ended 30 September 2010 and 2009, this segment did not generate any revenue or profit to the Group.

Segments revenue and results

	Six months ended 30 September					
	Supply and procurement operation		Oil, gas exploration, exploitation and operation		Consolidated	
	2010	2009	**2010**	2009	**2010**	2009
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*	***HK$'000***	*HK$'000*
	(Unaudited)	(Unaudited)	**(Unaudited)**	(Unaudited)	**(Unaudited)**	(Unaudited)
Segment revenue:						
Sales to external customers	**473,225**	609,382	**—**	—	**473,225**	609,382
Segment results	**10,578**	18,771	**(1,680)**	(2,633)	**8,898**	16,138
Other revenue					**122**	161
Fair value change on investment property					**—**	500
Gain on disposal of subsidiaries					**18,684**	—
Unallocated expenses					**(12,772)**	(9,943)
Profit from operating activities					**14,932**	6,856
Finance costs					**—**	(1,954)
Profit before taxation					**14,932**	4,902
Taxation					**(1,261)**	(2,522)
Profit for the period					**13,671**	2,380

Revenue reported above represents generated from external customers. There were no intersegment sales during the periods ended 30 September 2010 and 2009.

Segment profit represents the profit earned by each segment without allocation of interest income and corporate expenses including directors' salaries, finance costs and taxation. This is the measure reported to the chief operating decision maker for the purpose of resource allocation and assessment of segment performance.

Segments total assets

	Supply and procurement operation		**Oil, gas exploration, exploitation and operation**		**Consolidated**	
	30 September 2010	31 March 2010	**30 September 2010**	31 March 2010	**30 September 2010**	31 March 2010
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*	***HK$'000***	*HK$'000*
	(Unaudited)	(Audited)	**(Unaudited)**	(Audited)	**(Unaudited)**	(Audited)
Segment assets	**137,691**	168,914	**8,526,956**	8,528,008	**8,664,647**	8,696,922
Unallocated assets					**75,802**	45,072
Total assets					**8,740,449**	8,741,994

For the purpose of monitoring segment performance and allocating resources between segments, all assets are allocated to reportable segments other than investment property, amounts due from minority shareholders and other financial assets.

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	
	2010	2009
	HK$'000	*HK$'000*
	(Unaudited)	(Unaudited)
Turnover		
Sale of fuel oil related products and other products	**473,225**	609,382
Other revenue		
Bank interest income	**122**	161

5. OTHER GAINS

	Six months ended 30 September **2010** *HK$'000* **(Unaudited)**	2009 *HK$'000* (Unaudited)
Gain on disposal of subsidiaries *(Note 13)*	**18,684**	—
Fair value change on investment property	**—**	500
	18,684	500

6. PROFIT FROM OPERATING ACTIVITIES

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

	Six months ended 30 September **2010** *HK$'000* **(Unaudited)**	2009 *HK$'000* (Unaudited)
Cost of inventories sold	**457,433**	582,343
Depreciation of property, plant and equipment	**280**	348
Amortisation of prepaid lease payments	**10**	10
Minimum lease payments under operating lease in respect of rented premises	**1,396**	814
Staff costs (including directors' remuneration):		
Salaries and wages	**7,879**	7,207
Mandatory provident fund contributions	**140**	101

7. FINANCE COSTS

	Six months ended 30 September **2010** *HK$'000* **(Unaudited)**	2009 *HK$'000* (Unaudited)
Interest expenses on convertible notes 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 2009: 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	
	2010	2009
	HK$'000	*HK$'000*
	(Unaudited)	(Unaudited)
Current taxation		
Charge for the period — Overseas	**1,261**	2,550
Deferred taxation		
Convertible note	**—**	(148)
Revaluation of investment property	**—**	120
Total tax charged for the period	**1,261**	2,522

9. INTERIM DIVIDEND

The directors resolved not to declare the payment of any interim dividend in respect of the six months ended 30 September 2010 (30 September 2009: Nil).

10. EARNINGS PER SHARE

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

	Six months ended 30 September	
	2010	2009
	HK$'000	*HK$'000*
	(Unaudited)	(Unaudited)
Earnings		
Earnings attributable to the owners of the Company for the purposes of basic earnings per share	**13,671**	2,380
Effect of dilutive potential ordinary shares: Interest on convertible note (net of tax)	**—**	1,806
Adjusted earnings attributable to the owners of the Company for the purpose of diluted earnings per share	**13,671**	4,186

	Six months ended 30 September	
	2010	2009
	'000	*'000*
	(Unaudited)	(Unaudited)
Number of shares		
Weighted average number of ordinary shares for the purpose of basic earnings per share	**6,113,464**	6,075,852
Effect of dilutive potential ordinary shares:		
Convertible note	**—**	33,224
Share options	**29,000**	14,068
Weighted average number of ordinary shares for the purpose of diluted earnings per share	**6,142,464**	6,123,144

11. TRADE RECEIVABLES

Trade receivables, which generally have credit terms of 30 days (31 March 2010: 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.

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

	At 30 September 2010	At 31 March 2010
	HK$'000	*HK$'000*
	(Unaudited)	(Audited)
0 to 30 days	**110,519**	53,921

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.

There are no trade debtors which are past due but not impaired at 30 September 2010 (31 March 2010: Nil).

12. TRADE AND OTHER PAYABLES

	At 30 September 2010	At 31 March 2010
	HK$'000	*HK$'000*
	(Unaudited)	(Audited)
Trade payables	**73,108**	36,989
Other payables	**28,726**	37,037
	101,834	74,036

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

	At 30 September 2010 HK$'000 (Unaudited)	At 31 March 2010 HK$'000 (Audited)
0 to 30 days	**73,108**	36,989

The average credit period on purchases is 1 to 3 months. The Group has financial risk management policies in place to ensure that all payables are paid within the credit timeframe.

13. DISPOSAL OF SUBSIDIARIES

On 31 August 2010, the Group entered into sale and purchase agreements to disposal of its 100% equity interest 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$'000	Harvest Group HK$'000	Total HK$'000
Net assets disposed of:			
Other receivables	—	10	10
Cash and bank balances	—	6	6
Other payables	—	(12,169)	(12,169)
Tax payable	(6,531)	—	(6,531)
	(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			(6)
Net outflow of cash and cash equivalents			(6)

14. CAPITAL COMMITMENTS AND CONTINGENT LIABILITIES

(i) The Group is committed to inject the outstanding capital to the subsidiaries.

(ii) The Group entered into an investment and cooperation agreement (the "3113 Jointly Investment Agreement") with Shannxi Yanchang Petroleum (Group) Limited and ECO Energy (International) Investments Limited to jointly invest and develop the Oilfield Block 3113, and to share the oil and gas therein, hence a management committee was formed for such purpose by the parties (the "3113 Management Committee"). Please refer to the Company's circular dated 28 July 2008 for details.

In September 2010, the 3113 Management Committee had decided to further invest approximately US$45 million in the drilling exploitation of Oilfield Block 3113. Pursuant to the 3113 Jointly Investment Agreement, the Group is committed to invest approximately RMB93,543,000 (approximately of HK$109,470,000).

As at 30 September 2010, neither the Group nor the Company had any contingent liabilities (31 March 2010: Nil).

15. EVENTS AFTER THE REPORTING PERIOD

(i) On 20 October 2010, Bestwill Capital Holdings Limited, a wholly-owned subsidiary of the Company, entered into the termination agreement with Henan Gui Yuan Enterprise Limited and Mr. Jing Zhanbin to terminate the supplemental agreements in relation to the establishment of the joint venture in Zhengzhou City, the PRC. For further details, please refer to the Company's announcement dated 20 October 2010.

(ii) The Company entered into the subscription agreement with Reality Virtual Limited (the "Subscriber") on 4 November 2010 for the subscription by the Subscriber of 206,000,000 shares at HK$0.675 per subscription share. The subscription shares were issued under the general mandate granted to the directors by the shareholders at the annual general meeting of the Company held on 3 September 2010. For further details, please refer to the Company's announcement dated 4 November 2010.

MANAGEMENT DISCUSSION AND ANALYSIS

The Group is principally engaged in investments in the oil, gas and energy related business, oil and gas exploration and operation, trading of fuel oil.

DIVIDEND

The Board resolved not to declare any dividend for the six months ended 30 September 2010 (30 September 2009: Nil).

BUSINESS REVIEW AND OUTLOOK

For the financial period ended 30 September 2010, the Group recorded a turnover of approximately HK$473.2 million from the distribution of fuel oil. Turnover for the period had decreased by 22.3% as compared to HK$609.4 million in the last corresponding period ended 30 September 2009. The reason for such decrease is due to the drop in trading volume of the fuel oil where the gross profit margin was decreased to 3.3% (30 September 2009: 4.4%). The Group's profit attributable to equity holders was approximately HK$13.7 million (30 September 2009: HK$2.4 million), increased by 474.4%. The increase was mainly attributable to the gain on disposal of subsidiaries during the period, whereas the Group's trading business of polyurethane materials ("PU materials") lost its competitiveness and was not profitable under the fierce market competition, the Group decided to completely dispose of it. Basic earnings per share for the period is HK cent 0.22 (30 September 2009: HK cent 0.04).

The Group holds two oilfield blocks in Madagascar, namely Oilfield Block 2104 and Oilfield Block 3113. Oilfield Block 2104 is an onshore oilfield site with total area of 20,100 kilometers square in Madagascar. Five wells with depth in the range of 67.5 meters to 2,153 meters were drilled in Oilfield Block 2104, and oil and gas were discovered in three wells with depth in the ranges of 450 meters to 2,153 meters. Oilfield Block 3113 is an onshore oilfield site with total area of 8,320 kilometers square in Madagascar. The Group entered into an investment and cooperation agreement with Shannxi Yanchang Petroleum (Group) Limited and ECO Energy (International) Investments Limited to jointly invest and develop the Oilfield Block 3113, and to share the oil and gas therein, hence a management committee was formed for such purpose by the parties (the "3113 Management Committee"). The first batch well drilling in the Oilfield Block 3113 had completed and obtained good results where 31 oil reservoirs with total thickness of 85 meters had been discovered after drilling to the depth of 3,286 meters to 3,625.61 meters in the SKL-2 well and the oil in the reservoirs of the SKL-2 well is in the desirable category of light oil. The 3113 Management Committee had decided to further invest approximately US$45 million in the drilling exploitation of Oilfield Block 3113, and Zhongyuan Oilfield Drilling Company of China Petrochemical Corporation was contracted for the second batch 3 wells drilling project in the Oilfield Block 3113. The second batch drilling was commenced in September 2010, and the drilling of first well "SKL-2N" has so far reached over 2,000 meters of depth.

By virtue of the joint venture agreement entered in September 2009 ("JV Agreement") with Mr. Jing Zhanbin ("Mr. Jing") who carries on coal mining business in China, the Group established a Sino-foreign equity joint venture ("Zheng Zhou Joint Venture") with Mr. Jing to operate the coal trading business in Zhengzhou, PRC. Since the Zheng Zhou Joint Venture does not meet the PRC Government's approval requirements for obtaining the coal business licence, the Group entered into a termination agreement with Mr. Jing on 20 October 2010 to terminate the cooperation with Mr. Jing (the "Termination Agreement"). Pursuant to the Termination Agreement, the Zheng Zhou Joint Venture shall be deregistered, and the capital of HK$20 million contributed by the Group shall be returned to the Group after the deregistration. In addition, Mr. Jing and his company (Henan Gui Yuan Enterprise Limited) agreed to pay HK$20 million (or Renminbi equivalent) to the Group for the compensation of the economic loss of, and negative impact on, the failure of running the

Zheng Zhou Joint Venture and achieving the profit performance guaranteed. The HK$20 million compensation payment is guaranteed by Mr. Jing personally and shall be paid by 31 December 2010. Mr. Jing also unconditionally agreed to forfeit the share option granted to him in November 2009 under the JV Agreement which enable him to subscribe for 300 million new shares of the Company.

Having disposed of the PU material business and terminated the coal trading cooperation, the Group will focus on its oil and gas business, especially the oil exploitation in Madagascar. The Board is confident and optimistic in the oilfield blocks in Madagascar and will continue to exploit the oilfield blocks. The Board will also seek for other suitable business or investment opportunities for the expansion and growth of the Group's oil and gas business.

EMPLOYEES AND REMUNERATION POLICY

As at 30 September 2010, the Group's total number of staff was 43 (31 March 2010: 52). Salaries of employees are maintained at a competitive level. The staff costs for the period amounted to approximately HK$8.0 million (30 September 2009: HK$7.3 million). The employees' remuneration, promotion and salary are assessed based on work performance and the prevailing market conditions.

LIQUIDITY AND FINANCIAL RESOURCES

The Group funded its operation by its internal cash resources and cash generated from its operating activities. As at 30 September 2010, the Group had total assets of approximately HK$8,740.4 million (31 March 2010: HK$8,742.0 million) and current assets of approximately HK$203.5 million (31 March 2010: HK$204.8 million). Total liabilities of the Group were approximately HK$117.0 million (31 March 2010: HK$134.6 million), and current liabilities were approximately HK$115.2 million (31 March 2010: HK$132.8 million), which mainly represents the trade and other payables of approximately HK$101.8 million. The Group did not have any bank borrowings (31 March 2010: Nil) and the Group has a cash and bank balance of approximately HK$47.3 million (31 March 2010: HK$119.7 million). The Group has adequate working capital to finance its business operation. As at 30 September 2010, the Group's gearing ratio, measured on the basis of total liabilities as a percentage of total equity, was 1.36% (31 March 2010: 1.56%), the current ratio of the Group was 1.77 (31 March 2010: 1.54) and quick ratio was 1.77 (31 March 2010: 1.54).

Subsequent to 30 September 2010, the Company entered into a subscription agreement with an investment fund on 4 November 2010 for the subscription of 206,000,000 shares of the Company at HK$0.675 for each subscription share ("Share Subscription"). The Share Subscription was completed in November 2010, as a result, (i) 206,000,000 new shares of the Company were issued to the investment fund at HK$0.675 each ("Subscription Shares") under the general mandate granted to the Directors by the Shareholders at the annual general meeting of the Company held on 3 September 2010, and (ii) the Company raised approximately HK$139 million which are to be used on the oil and gas business and the exploitation of the oil blocks in Madagascar. The Subscription Shares are subject to a lock-up period of six months from the date of issue.

CAPITAL COMMITMENT

Given the Group had terminated the coal trading cooperation with Mr. Jing, the Zheng Zhou Joint Venture will be deregistered and the Group has no more capital commitment in the Zheng Zhou Joint Venture.

For the exploitation of the Oilfield Block 3113, the 3113 Management Committee further invested approximately US$45 million in the drilling exploitation, and in November 2010, the Group had contributed approximately HK$109.5 million for its part.

Save for the abovementioned, the Group has no other material commitment as at 30 September 2010.

PLEDGE OF ASSETS

As at 30 September 2010, none of the Group's asset was pledged (31 March 2010: Nil).

CONTINGENT LIABILITY

As at 30 September 2010, the Group did not have any contingent liabilities (31 March 2010: Nil)

FOREIGN EXCHANGE AND INTEREST RATE EXPOSURE

Since the Group's transactions and investment are mostly denominated in Hong Kong Dollars, United Stated Dollars, and Renminbi, the Group does not anticipate material foreign exchange exposure and risk, and no foreign exchange and interest rate risk management or related hedges were made, proper policy will be in place when the Board considers appropriate.

LITIGATION

As at 30 September 2010, the Group has no litigation.

MATERIAL ACQUISITION

The Group entered into an agreement in April 2010 for the acquisition of certain patents ("Patents Acquisition") in respect of the solar power pest control products at a total consideration of HK$140 million, while the Group later on noticed potential legal risk in associate with the Patents Acquisition, and the Group entered into a supplemental agreement on 16 June 2010 with the vendor to terminate the Patents Acquisition.

On 22 September 2010, the Group entered into a non-legally binding framework agreement with Taiyuan City Cheng Cheng Petroleum Limited (太原市誠成石油有限公司) ("Cheng Cheng Petroleum") for a possible investment of 65% equity interest in Cheng Cheng Petroleum by way of capital injection of RMB200 million. Detail terms of the investment is still in negotiation and no definitive agreement has been reached.

PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES OF THE COMPANY

During the six months ended 30 September 2010, 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 provision set out in the Code on Corporate Governance Practices ("CG Code") in Appendix 14 to the Rules Governing the Listing of Securities on the Stock Exchange (the "Listing Rules") throughout the six months ended 30 September 2010, except for the following:

1. code provision A.2.1 of the CG Code provides that the roles and responsibilities of chairman and chief executive officer should be divided. As Dr. Zhuo Ze Fan, Chairman of the Company, was only appointed as Chief Executive Officer of the Company on 25 November 2010, the roles and functions of the chief executive officer have been performed by the Board collectively prior to his appointment;

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 non-executive Directors of the Company, are 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; and

3. code provision A.3 of the CG Code provides that the Board should include a balanced composition of executive and non-executive directors. Following the retirement of Dr. Yu Sun Say, an independent non-executive Director, on 3 September 2010, the Board has only two independent non-executive Directors which fell below the minimum number required under Rule 3.10(1) of the Listing Rules. The Company has appointed Mr. Ng Tang as an independent non-executive Director on 25 November 2010 to meet the above requirement.

Save as mentioned above, in the opinion of the Directors, the Company had met with the CG Code during the six months ended 30 September 2010.

AUDIT COMMITTEE

The Company has an audit committee (the "Audit Committee") which comprises three independent non-executive Directors, namely, Mr. Leung Ting Yuk (as chairman), Mr. Ng Wing Ka and Mr. Ng Tang and was established in accordance with the requirements of the CG Code for the purposes of reviewing and provide supervision over the Group's financial reporting process and internal controls.

The unaudited condensed consolidated interim financial statements of the Group for the six months ended 30 September 2010 have been reviewed by the 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 confirmed that they have complied with the required standards as set out in the Model Code as its code of conduct regarding directors' securities transactions with the Company for the six months ended 30 September 2010.

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

Hong Kong, 30 November 2010

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

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