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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)

ANNOUNCEMENT OF UNAUDITED INTERIM RESULTS FOR THE SIX MONTHS ENDED 30 SEPTEMBER 2011

The board (the “Board”) of directors (the “Director(s)”) 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 comparative figures as follows:

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

		Six months ended 30 September	
		2011	2010
		(Unaudited)	(Unaudited)
	<i>Notes</i>	HK\$'000	HK\$'000
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

		Six months ended	
		30 September	
		2011	2010
		(Unaudited)	(Unaudited)
Notes		HK\$'000	HK\$'000
Other comprehensive income			
	Exchange differences arising on translation of foreign operations	<u>2,881</u>	<u>727</u>
	Other comprehensive income for the period, net of tax	<u>2,881</u>	<u>727</u>
	Total comprehensive (loss)/income for the period	<u>(164,495)</u>	<u>14,398</u>
(Loss)/profit attributable to			
	– Owners of the Company	(167,376)	13,671
	– Non-controlling interests	<u>–</u>	<u>–</u>
		<u>(167,376)</u>	<u>13,671</u>
Total comprehensive (loss)/income attributable to			
	– Owners of the Company	(164,495)	14,062
	– Non-controlling interests	<u>–</u>	<u>336</u>
		<u>(164,495)</u>	<u>14,398</u>
(Loss)/earnings per share			
	– Basic, HK cents	<u>9</u> <u>(2.65)</u>	<u>0.22</u>
	– Diluted, HK cents	<u>9</u> <u>(2.65)</u>	<u>0.22</u>

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

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

		At 30 September 2011 (Unaudited) <i>HK\$'000</i>	At 31 March 2011 (Audited) <i>HK\$'000</i>
	<i>Notes</i>		
LIABILITIES			
Current liabilities			
Trade and other payables	12	45,428	89,683
Tax payable		15,229	14,838
		<u>60,657</u>	<u>104,521</u>
Non-current liability			
Deferred taxation		<u>1,345</u>	<u>1,345</u>
Total liabilities		<u>62,002</u>	<u>105,866</u>
Total equity and liabilities		<u><u>8,807,305</u></u>	<u><u>8,865,888</u></u>
Net current assets		<u><u>148,289</u></u>	<u><u>227,333</u></u>
Total assets less current liabilities		<u><u>8,746,648</u></u>	<u><u>8,761,367</u></u>

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.

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*

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.

Segments revenue and results

	Six months ended 30 September					
	Supply and		Oil and gas exploration,		Consolidated	
	procurement operation		exploitation and operation			
	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	<u>321,869</u>	<u>473,225</u>	<u>–</u>	<u>–</u>	<u>321,869</u>	<u>473,225</u>
Segment results	<u>3,165</u>	<u>10,578</u>	<u>(5,129)</u>	<u>(1,680)</u>	<u>(1,964)</u>	<u>8,898</u>
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					<u>(15,412)</u>	<u>(12,772)</u>
(Loss)/profit before taxation					<u>(166,985)</u>	<u>14,932</u>
Taxation					<u>(391)</u>	<u>(1,261)</u>
(Loss)/profit for the period					<u><u>(167,376)</u></u>	<u><u>13,671</u></u>

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.

Segments assets and liabilities

	Supply and procurement operation		Oil and gas exploration, exploitation and operation		Consolidated	
	30 September	31 March	30 September	31 March	30 September	31 March
	2011	2011	2011	2011	2011	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
	<i>HK\$'000</i>	<i>HK\$'000</i>
	(Unaudited)	(Unaudited)
Turnover		
Sale of fuel oil related products	<u>321,869</u>	<u>473,225</u>
Other revenue		
Bank interest income	<u>244</u>	<u>122</u>

5. OTHER GAINS AND LOSSES

	Six months ended	
	30 September	
	2011	2010
	<i>HK\$'000</i>	<i>HK\$'000</i>
	(Unaudited)	(Unaudited)
(Loss)/gain on disposal of subsidiaries	(210)	18,684
Reimbursement of share option expenses	<u>3,000</u>	<u>—</u>
	<u>2,790</u>	<u>18,684</u>

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
	<i>HK\$'000</i>	<i>HK\$'000</i>
	(Unaudited)	(Unaudited)
(Loss)/earnings		
(Loss)/earnings attributable to owners of the Company		
for the purposes of basic and diluted (loss)/earnings per share	<u>(167,376)</u>	<u>13,671</u>
Number of shares		
	Six months ended 30 September	
	2011	2010
	<i>'000</i>	<i>'000</i>
	(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	<u>—</u>	<u>29,000</u>
Weighted average number of ordinary shares for the purpose of diluted (loss)/earnings per share	<u>6,319,464</u>	<u>6,142,464</u>

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. 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 <i>HK\$'000</i> (Unaudited)	At 31 March 2011 <i>HK\$'000</i> (Audited)
Assets	161,117	161,117
Liabilities	<u>–</u>	<u>–</u>
	Six months ended 30 September 2011 <i>HK\$'000</i> (Unaudited)	2010 <i>HK\$'000</i> (Unaudited)
Income	–	–
Expenses	<u>–</u>	<u>–</u>

11. 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 <i>HK\$'000</i> (Unaudited)	At 31 March 2011 <i>HK\$'000</i> (Audited)
0 to 30 days	<u><u>49,709</u></u>	<u><u>91,166</u></u>

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.

12. TRADE AND OTHER PAYABLES

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

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

	At 30 September 2011 <i>HK\$'000</i> (Unaudited)	At 31 March 2011 <i>HK\$'000</i> (Audited)
0 to 30 days	<u><u>33,926</u></u>	<u><u>61,327</u></u>

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

13. 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 Energy Limited (“Shaanxi Sino Union”) of approximately RMB22,750,000 (equivalent to approximately HK\$26,249,000).

14. CONTINGENT LIABILITIES

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

15. 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\$0.73 per consideration share; (iv) 210,000,000 options at the exercise price of HK\$0.73 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 Shaanxi Yanchang Petroleum (Group) Co., Limited (“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 States 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.

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).

EMPLOYEES AND REMUNERATION POLICIES

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).

PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES OF THE COMPANY

During 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.

MODEL CODE FOR SECURITIES TRANSACTIONS 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, the Directors confirmed that they had 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.

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.

PUBLICATION OF INTERIM RESULTS ANNOUNCEMENT AND INTERIM REPORT

This interim results announcement for the period ended 30 September 2011 is published on the websites of The Stock Exchange of Hong Kong Limited (www.hkexnews.hk) and the Company (www.sueig.com). The Company's interim report for 2011 will be despatched to the shareholders of the Company and available on the above websites in due course.

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

Hong Kong, 30 November 2011

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