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UNITED ENERGY GROUP LIMITED (聯合能源集團有限公司)

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

(Stock Code: 467)

ANNUAL RESULTS ANNOUNCEMENT FOR THE YEAR ENDED 31 MARCH 2009

KEY FINANCIAL HIGHLIGHTS

	2009 <i>HK\$'000</i>	2008 <i>HK\$'000</i>	Change
RESULTS			
Turnover	<u>5,178</u>	<u>4,893</u>	<u>6%</u>
Loss before tax	(569,099)	(108,302)	425%
Income tax credit	10,174	3,823	166%
Less: Loss attributable to minority interests	<u>(8,487)</u>	<u>(2,982)</u>	<u>185%</u>
Loss attributable to equity holders of the Company	<u>(550,438)</u>	<u>(101,497)</u>	<u>442%</u>
Basic loss per share	<u>(4.31 HK cents)</u>	<u>(0.84 HK cents)</u>	<u>413%</u>

	2009 <i>HK\$'000</i>	2008 <i>HK\$'000</i>	Change
KEY ITEMS IN CONSOLIDATED STATEMENT OF FINANCIAL POSITION			
Equity attributable to equity holders of the Company	2,496,931	2,941,737	(15%)
Total assets	2,737,006	3,203,681	(15%)
Net assets per share	<u>HK\$0.21</u>	<u>HK\$0.26</u>	<u>(16%)</u>

The Board of Directors of United Energy Group Limited (the “Company”) hereby to present the audited consolidated results of the Company and its subsidiaries (the “Group”) for the year ended 31 March 2009 as follows:–

CONSOLIDATED INCOME STATEMENT

	<i>Note</i>	2009 <i>HK\$'000</i>	2008 <i>HK\$'000</i>
Turnover	3	5,178	4,893
Cost of sales and service rendered		<u>(605)</u>	<u>(754)</u>
Gross profit		4,573	4,139
Other income	5	50,626	55,573
Oil exploitation expenses		(66,412)	(76,875)
Administrative expenses		<u>(606,317)</u>	<u>(97,776)</u>
Loss from operations	6	(617,530)	(114,939)
Share of profits/(losses) of associates		12,604	(758)
Gain on deemed disposal of a subsidiary		–	7,395
Gain on disposal of an associate		<u>35,827</u>	<u>–</u>
Loss before tax		(569,099)	(108,302)
Income tax credit	7	<u>10,174</u>	<u>3,823</u>
Loss for the year		<u>(558,925)</u>	<u>(104,479)</u>
Attributable to:			
Equity holders of the Company		(550,438)	(101,497)
Minority interests		<u>(8,487)</u>	<u>(2,982)</u>
		<u>(558,925)</u>	<u>(104,479)</u>
Loss per share			
Basic	8	<u>(4.31 cents)</u>	<u>(0.84 cents)</u>
Diluted	8	<u>N/A</u>	<u>N/A</u>

CONSOLIDATED BALANCE SHEET

	<i>Note</i>	2009 <i>HK\$'000</i>	2008 <i>HK\$'000</i>
Non-current assets			
Property, plant and equipment		42,988	36,703
Investment properties		136,054	177,600
Investments in associates		119,056	86,403
		<u>298,098</u>	<u>300,706</u>
Current assets			
Inventories		–	–
Trade and other receivables	9	174,314	716,350
Due from an associate		–	66,552
Financial assets at fair value through profit or loss		23,804	6,613
Bank and cash balances		2,240,790	2,113,460
		<u>2,438,908</u>	<u>2,902,975</u>
Current liabilities			
Trade and other payables	10	22,060	34,005
Derivative financial instruments		7,727	–
Current tax liabilities		–	4
Due to directors		6,161	5,534
Due to related companies		–	3,774
		<u>35,948</u>	<u>43,317</u>
Net current assets		<u>2,402,960</u>	<u>2,859,658</u>
Total assets less current liabilities		<u>2,701,058</u>	<u>3,160,364</u>
Non-current liabilities			
Deferred tax liabilities		17,103	27,209
NET ASSETS		<u><u>2,683,955</u></u>	<u><u>3,133,155</u></u>
Capital and reserves			
Share capital		127,771	127,771
Reserves		2,369,160	2,813,966
Equity attributable to equity holders of the Company		2,496,931	2,941,737
Minority interests		187,024	191,418
TOTAL EQUITY		<u><u>2,683,955</u></u>	<u><u>3,133,155</u></u>

Notes:

1. BASIS OF PREPARATION AND ACCOUNTING POLICIES

These consolidated financial statements have been prepared in accordance with Hong Kong Financial Reporting Standards (“HKFRSs”) issued by the Hong Kong Institute of Certified Public Accountants (the “HKICPA”). In addition, the consolidated financial statements include applicable disclosures required by the Rules Governing the Listing of Securities on the Stock Exchange of Hong Kong Limited (the “Listing Rules”) and by the Hong Kong Companies Ordinance.

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

The preparation of financial statements in conformity with HKFRSs requires the use of certain key assumptions and estimates. It also requires the directors to exercise its judgements in the process of applying the accounting policies.

Application of Merger Accounting

Pursuant to the sale and purchase agreement dated 8 August 2007, the Company issued 4,360,248,448 shares at par value of HK\$0.01 each as consideration to acquire 51%, 34% and 15% equity interest in United Petroleum & Natural Gas Investments Limited (“United Petroleum”) from United Energy Holdings Limited (“United Energy”), United Petroleum & Natural Gas Holdings Limited (“United Petroleum Holdings”) and Kowin Limited respectively (the “Acquisition”). In addition, the Company issued 166,859,809 shares at par value of HK\$0.01 each to United Energy for acquiring the loan of HK\$268,644,000 due to United Energy by United Petroleum before the completion of the Acquisition. Details of the Acquisition were set out in the Company’s circular dated 17 September 2007. The Acquisition was completed on 16 October 2007. United Energy and United Petroleum Holdings were wholly owned by Mr. Zhang Hongwei.

As the Company and United Petroleum were both ultimately controlled by Mr. Zhang Hongwei before and after the Acquisition, the Acquisition was accounted for as a business combination of entities under common control. The financial statements of the Group for the year ended 31 March 2008 were prepared based on the principles of merger accounting in accordance with the Accounting Guideline 5 “Merger Accounting for Common Control Combinations” issued by the HKICPA, as if the Acquisition had occurred from the date when the combining entities first came under the control of Mr. Zhang Hongwei.

The consolidated financial statements for the year ended 31 March 2008 incorporate the financial statements of the combining entities as if they had been combined from the date when they first came under the control of the controlling party.

2. ADOPTION OF NEW AND REVISED HKFRSs

In the current year, the Group has adopted all the new and revised HKFRSs issued by the HKICPA that are relevant to its operations and effective for its accounting year beginning on 1 April 2008. HKFRSs comprise Hong Kong Financial Reporting Standards; Hong Kong Accounting Standards; and Interpretations. The adoption of these new and revised HKFRSs did not result in substantial changes to the Group’s accounting policies and amounts reported for the current year and prior years.

The Group has not applied the new HKFRSs that have been issued but are not yet effective. The Group has already commenced an assessment of the impact of these new HKFRSs but is not yet in a position to state whether these new HKFRSs would have a material impact on its results of operations and financial position.

3. TURNOVER

The Group's turnover which represents rental income and property management service fees income are as follows:

	2009 <i>HK\$'000</i>	2008 <i>HK\$'000</i>
Rental income	3,295	3,114
Property management service fees income	<u>1,883</u>	<u>1,779</u>
	<u><u>5,178</u></u>	<u><u>4,893</u></u>

4. SEGMENT INFORMATION

(a) Primary reporting format – business segments

The Group is organised into four main business segments:

- Property development – The property development segment engages in development of commercial properties for sales;
- Property investment – The property investment segment invests in commercial properties for their rental income, property management service fees income and value appreciation potential;
- Wholesale of household building materials – The wholesale of household building materials segment engages in trading of household building materials on indent basis;
- Oil exploitation – The oil exploitation segment engages in activities relating to the production of crude oil.

	Property development <i>HK\$'000</i>	Property investment <i>HK\$'000</i>	Wholesale of household building materials <i>HK\$'000</i>	Oil exploitation <i>HK\$'000</i>	Consolidated <i>HK\$'000</i>
Year ended 31 March 2009					
Total revenue	<u>–</u>	<u>5,178</u>	<u>–</u>	<u>–</u>	<u>5,178</u>
Segment results	<u>–</u>	<u>(41,529)</u>	<u>(710)</u>	<u>(176,956)</u>	<u>(219,195)</u>
Other income					50,626
Unallocated expenses					<u>(448,961)</u>
Loss from operations					(617,530)
Gain on disposal of an associate	35,827				<u>35,827</u>
Loss before share of profits of associates					(581,703)
Share of profits/(losses) of associates					
– Property development	(6,360)				(6,360)
– Others					18,964
					<u>12,604</u>
Loss before tax					<u>(569,099)</u>
At 31 March 2009					
Segment assets	–	150,674	345,344	256,380	752,398
Investment in an associate	–	–	–	–	119,056
Unallocated assets					<u>1,865,552</u>
Total assets					<u>2,737,006</u>
Segment liabilities	–	2,795	696	13,311	16,802
Unallocated liabilities					<u>36,249</u>
Total liabilities					<u>53,051</u>
Other segment information:					
Capital expenditure	–	–	–	17,560	17,560
Depreciation	–	32	4	12,012	12,048
Equity-settled share-based payments	–	–	–	–	113,445
Other non-cash expenses	–	45,300	–	93,639	138,939
Unallocated amounts	–	–	–	–	209,793
	<u>–</u>	<u>45,300</u>	<u>–</u>	<u>93,639</u>	<u>348,732</u>

	Property development <i>HK\$'000</i>	Property investment <i>HK\$'000</i>	Wholesale of household building materials <i>HK\$'000</i>	Oil exploitation <i>HK\$'000</i>	Consolidated <i>HK\$'000</i>
Year ended 31 March 2008					
Total revenue	<u>–</u>	<u>4,893</u>	<u>–</u>	<u>–</u>	<u>4,893</u>
Segment results	<u>(16,201)</u>	<u>154</u>	<u>(125)</u>	<u>(95,502)</u>	(111,674)
Other income					55,573
Unallocated expenses					<u>(58,838)</u>
Loss from operations					(114,939)
Share of losses of an associate	(758)				(758)
Gain on deemed disposal of a subsidiary	7,395				<u>7,395</u>
Loss before tax					<u>(108,302)</u>
At 31 March 2008					
Segment assets	66,551	203,841	270,256	244,086	784,734
Investment in an associate	86,403	–	–	–	86,403
Unallocated assets					<u>2,332,544</u>
Total assets					<u>3,203,681</u>
Segment liabilities	–	18,897	119	12,701	31,717
Unallocated liabilities					<u>38,809</u>
Total liabilities					<u>70,526</u>
Other segment information:					
Capital expenditure	5,184	–	–	41,211	46,395
Depreciation	166	31	3	7,778	7,978
Equity-settled share-based payments	<u>–</u>	<u>–</u>	<u>–</u>	<u>–</u>	<u>35,194</u>

(b) Secondary reporting format – geographical segments

More than 90% of the Group's turnover and operating profit is earned within the PRC and all major operating assets of the Group are located in the PRC. Therefore, no geographical segment is presented.

5. OTHER INCOME

	2009 <i>HK\$'000</i>	2008 <i>HK\$'000</i>
Net gain on disposals of financial assets at fair value through profit or loss	–	11,521
Interest income	49,544	38,807
Gain on disposals of property, plant and equipment	–	4
Management fees income	998	–
Net foreign exchange gains	–	3,777
Others	84	1,464
	<u>50,626</u>	<u>55,573</u>

6. LOSS FROM OPERATIONS

Loss from operations is arrived at after charging the following:

	2009 <i>HK\$'000</i>	2008 <i>HK\$'000</i>
Auditor's remuneration		
– Current	891	753
– Under-provision in prior year	–	61
	891	814
Depreciation	12,048	7,978
Directors' emoluments	40,481	16,448
Operating lease rentals paid in respect of rented premises (<i>Note</i>)	4,294	3,159
Research and development expenditures	3,917	12,726
Staff costs including directors' emoluments		
Salaries, bonuses and allowances (<i>Note</i>)	18,281	11,109
Retirement benefits scheme contributions	238	426
Equity-settled share-based payments	113,445	35,194
	131,964	46,729
Direct operating expenses of investment properties that generate rental income	648	3,987
Net foreign exchange losses	61,705	–
Fair value loss on derivative financial instruments	7,727	–
Fair value loss on financial assets at fair value through profit or loss	202,066	–
Fair value loss on investment properties	45,300	–
Allowances for inventories	93,639	–
	<u>93,639</u>	<u>–</u>

Note: The amount includes the accommodation benefits provided to a director and staff amounting to HK\$1,002,000 (2008: HK\$228,000) included in the staff costs.

7. INCOME TAX CREDIT

	2009 <i>HK\$'000</i>	2008 <i>HK\$'000</i>
Current tax – PRC enterprise income tax		
Provision for the year	492	680
Under-provision in prior years	<u>11</u>	<u>10</u>
	503	690
Deferred tax	<u>(10,677)</u>	<u>(4,513)</u>
	<u><u>(10,174)</u></u>	<u><u>(3,823)</u></u>

No provision for profits tax in the Bermuda, the British Virgin Islands or Hong Kong is required as the Group has no assessable profit arising in or derived from these jurisdictions for the year ended 31 March 2009 (2008: Nil).

PRC enterprise income tax is calculated at the applicable rates based on estimated taxable income earned by the companies with certain tax preference, based on existing legislation, interpretation and practices in respect thereof.

8. LOSS PER SHARE

Basic loss per share is calculated based on loss attributable to equity holders of the Company during the year divided by the weighted average number of ordinary shares in issue. The calculation of the basic loss per share is based on the following:

	2009 <i>HK\$'000</i>	2008 <i>HK\$'000</i>
Loss attributable to equity holders of the Company		
Loss attributable to equity holders of the Company for the purpose of calculating basic loss per share	<u><u>(550,438)</u></u>	<u><u>(101,497)</u></u>
	2009	2008
Number of shares		
Weighted average number of ordinary shares for the purpose of calculating basic loss per share	<u><u>12,777,091,632</u></u>	<u><u>12,033,780,157</u></u>

No diluted loss per share are presented as the Company did not have any dilutive potential ordinary sharing during the two years ended 31 March 2009.

9. TRADE AND OTHER RECEIVABLES

	2009 <i>HK\$'000</i>	2008 <i>HK\$'000</i>
Loan receivables (<i>note a</i>)	–	666,395
Consideration receivable (<i>note b</i>)	101,589	–
Receivables arising from dealing in listed securities	–	48,638
Deposits and prepayments	4,376	1,267
Amount due from a disposed associate	68,026	–
Others	323	50
	<hr/>	<hr/>
Total trade and other receivables	<u>174,314</u>	<u>716,350</u>

- (a) The loan receivables in 2008 represent advances to an independent third party, carrying interest at 8% per annum and secured by the borrower's investment in 70% equity interests of a sino-foreign equity joint venture established in the PRC and principally engaged in operation of hotel and related business. The loan receivables have been fully repaid during the year.
- (b) The consideration receivable represents an amount due from an independent third party derived from the disposal of Shenyang Dadongfang Property Development Company Limited. The amount is unsecured, interest-free and repayable on or before 20 July 2009.

10. TRADE AND OTHER PAYABLES

	2009 <i>HK\$'000</i>	2008 <i>HK\$'000</i>
Receipts in advance	–	16,175
Accrual for operating expenses	18,580	15,939
Salary and welfare payables	1,576	95
Deposits received	1,706	1,119
Other tax payables	177	652
Others	21	25
	<hr/>	<hr/>
Total trade and other payables	<u>22,060</u>	<u>34,005</u>

DIVIDEND

The Directors do not recommend the payment of a final dividend for the year ended 31 March 2009.

CLOSURE OF REGISTER

The register of members will be closed from Tuesday, 4 August 2009 to Thursday, 6 August 2009 (both days inclusive) during which period no transfer of share will be registered. In order to qualify for the attending the annual general meeting of the Company will be held on 6 August 2009, all share transfers, accompanied by the relevant share certificates must be lodged with the Company's Branch Share Registrar, Tricor Secretaries Limited at 26/F., Tesbury Centre, 28 Queen's Road East, Hong Kong, for registration, not later than 4:00 p.m. on Monday, 3 August 2009.

MANAGEMENT DISCUSSION AND ANALYSIS

Financial Review

During the year under review, the Group's turnover was approximately HK\$5.18 million, which represented a slight increase of approximately 6% as compared to the turnover of approximately HK\$4.89 million for the year of 2008. The turnover represented rental income and property management services fees income derived from a commercial building located in the PRC.

Other income decreased by 9% to approximately HK\$51 million from 2008, mainly comprising an interest income of approximately HK\$50 million and a provision of administrative services income of approximately HK\$1 million.

Gain on disposal of an associate represents benefit from disposal of an associate company. In January 2009, the Group has successfully completed the disposal of an associate company which engaged in the business of property development for a consideration of approximately HK\$102 million. This has resulted in a gain of approximately HK\$36 million.

Administrative expenses increased by HK\$509 million or 520% over the year of 2008 to HK\$606 million. The increases in 2009 included the non-cash expense of approximately HK\$78 million due to the share options granted per the share option scheme, and the non-cash loss of approximately HK\$8 million as a result of fair value adjustment of the call and put options entered into on its investment in one of its associate companies. This non-cash loss was entirely offset by the non-cash gain of approximately HK\$19 million attributable to the Group's equitable results of the same associate company. In addition, the increased in administrative expenses were also comprised an increase of HK\$24 million in legal and professional fees, representing an increase of 227% as compared to last year was mainly due to certain professional advisory fees related to its proposed investment in Transmeridian Exploration Incorporated ("Transmeridian"), an increase of HK\$197 million in the amount of provision for reduction in the value of its holding of the Senior Notes of Transmeridian, an increase of HK\$94 million in the amount of provision for reduction in the value of oil production related equipment purchased from Transmeridian, an increase in the amount of the Group made provision for exchange loss of HK\$62 million during the year.

In addition, the Group's investment properties were revalued as at 31 March 2009 on an open market value existing use basis. The net decrease in fair value of investment properties, which has been debited directly to income statement, amounted to approximately HK\$45 million.

In summary, loss attributable to equity holders of the Company was approximately HK\$550 million for the year ended 31 March 2009 (2008: HK\$101 million). The substantial increase in loss by approximately 442% was principally due to the increase in administrative expenses.

The Group's Audit Committee has reviewed the audited consolidated financial statements for the year ended 31 March 2009. The Audit Committee has reviewed with management the accounting principles and practices adopted by the Group, as well as internal control and financial reporting matters, and found them to be satisfactory.

Business Review

During the year under review, the Group was mainly engaged in property investment and management and oil and gas business in the PRC with focus on oil and gas.

Property Development Business

To focus on the oil and gas business, the Board decided to disposal of the property development business. The completion of the disposal in January 2009 and realized a gain of approximately HK\$36 million. The disposal could further improve the Group's financial position and the working capital condition.

Property Letting and Management Business

During the year under review, half year of rent free granted to the tenant to repair work which had to be carried out on the property in relation to a defective fire protection system. However, the property letting and management business still contributed an income of approximately HK\$5.18 million to the Group.

Oil Production Business

In the financial year of 2009, even though being faced with snow storm, severe earthquake, and global financial crisis, the company is still developing steadily. With the effort of the Company, the pilot tests have pushed forward as planned and achieved the anticipated results.

We have completed one overhaul well; completed the final phases of Gao 3 gas injection station and #17 metering station; completed the construction of the gas injection, water supply, and waste water pipeline for the 48 t/h coal boiler; purchased 9 air compressors and installed 5 of them with associated construction; steam injection of the year for the steam flood process was 151.3 thousand cubic feet; and lit 6 wells for the fire flood process. Each item in the overall budget has been implemented, and accounting for the addition of fire flood pilot testing, RMB44.39million has been saved in the overall annual budget.

The rising cost of oil presented a challenge for the cost control of our steam flood pilot test. In response, we have on the one hand, improved the composition of fuel in our steam flood pilot tests by employing coal boilers to conserve fuel costs; and implemented the new oil displacement technique of CO₂ plus steam section plug. On the other hand, we have begun experimenting with the new fire flood oil extraction technology, expanding from 3 wells in the beginning of the year to 6 wells in total.

Pilot test results indicate that both steam flood and fire flood are effective in enhancing oil recovery. From the perspective of costs, despite various attempts, we were only able to make small reductions in the cost of fuel for the steam flood process. In comparison, the fire flood process exhibits much advantage in this regard. Due to the limited time of fire flood pilot tests, we have applied for a half year extension of testing time to obtain more sufficient and comprehensive testing data. However, without a doubt, the fire flood method will be the prevailing choice for overall development plan in the future.

Prospects

The global financial crisis amid increased uncertainties in the global economic environment, the Directors still hold a positive view regarding the prospect of the oil and gas market in the world within the next few decades, therefore, the Group will continue and enhance its existing oil resources business.

Leveraging our relationships with major Chinese E&P players, the Group will continue to expand into new markets internationally, targeting areas such as Central Asia and Southeast Asia. We will also maintain our aggressive growth strategy of acquiring reserves and increasing production through both organic and merger and acquisition initiatives.

In 2009, the Group will continue to explore new investment opportunities around the world, hoping to further expand the Group's scale, widen its asset base and increase its profitability through merger and acquisitions, with the aim to bring stable, long-term high returns to our shareholders.

Acquisitions

The Group continued its aggressive acquisition strategy throughout the year under review.

During the year, pursuant to investment agreement dated 6 June 2008, the Company acquired a 26.3% equity interest in Glimmer Stone Investments Limited ("Glimmer") for a cash consideration of HK\$100,092,014. The Glimmer is an investment holding company and incorporated in British Virgin Islands.

Subsequent to the end of the financial year, on 9 April 2009, the Company has committed to acquire from an independent third party 100% equity interest in Merry Year Investments Limited ("Merry Year") for a cash consideration of HK\$218,000,000. Merry Year is an investment holding company and incorporated in the British Virgin Islands. The sole assets of Merry Year includes its 70% shareholding interest in Universe Energy International Investments Limited ("Universe Energy") and Universe Energy's 100% shareholding interest in Universe Oil & Gas (China), LLC ("Universe Oil"). Universe

Oil is principally engaged in the oilfield services business and incorporated in China. It will help the Company to diversify the business portfolio of the Group. A refundable deposit payment for the consideration of approximately HK\$80,000,000 was made in April 2009.

Termination of Proposed Investment in Transmeridian

On 11 June 2008 and amended and restated as of 22 September 2008, the Company and Transmeridian Exploration Incorporated entered into an Investment Agreement whereby the Company would invest an aggregate consideration of approximately US\$212 million (equivalent to approximately HK\$1,654 million) in Transmeridian. The Company's acquisition of majority interest compliments its strategic focus on the upstream oil and natural gas business – diversifying the geographic base of our resources and increasing overall reserves. The approval of the shareholders of the Company for the proposed investment in Transmeridian was obtained at the Special General Meeting of the Company on 16 October 2008

On 15 November 2008, the Company and Transmeridian mutually agreed to terminate Investment Agreement. No monetary consideration will be paid by either party in connection with the Termination Agreement. In addition, the Company is not owed, nor does it owe, any sums in relation to the Transaction Agreements. The entry by the Company into the Termination Agreement and the related termination of the Transaction Agreements has no material adverse impact on the interests of the Company and the Shareholders.

Arbitration

On 26 June 2008, the Company purchased US\$12 million of oil production equipment from Transmeridian. Transmeridian has failed to make delivery of such equipment. The Company has engaged legal advisors and is currently pursuing arbitration proceedings in Singapore under the Rules of Arbitration of the International Chamber of Commerce. Although the Board considers the relevant equipment purchase contract to be valid and binding, consistent with prudent accounting practices, the Company made full provision for this in the financial statements.

Liquidity and Financial Resources

The Group maintained its strong financial position for the year under review, with cash and cash equivalents amounting to HK\$2,241 million as at 31 March 2009 (2008: HK\$2,113 million).

The Group had no long-term borrowings, therefore the gearing ratio is not applicable. The current ratio was about 67.85 (2008: 67.02), based on current assets of HK\$2,439 million (2008: 2,903 million) and current liabilities of HK\$36 million (2008: 43 million).

Capital Structure

There had been no material change in the capital structure of the Group since 31 March 2008.

Orders

In line with its business nature, the Group did not have any order records as at 31 March 2009.

Employees

As at 31 March 2009, the Group employed a total of 50 full time employees, located in Hong Kong and the PRC.

Employees' remuneration packages have been reviewed periodically and determined with reference to the performance of the individual and prevailing market practices. Remuneration packages include base salaries, year end bonus, medical benefits and a contributory provident fund.

Contingent Liabilities

The Group had no significant contingent liabilities as at 31 March 2009.

Exposure to Fluctuations in Exchange Rates and Related Hedges

The Group's monetary assets and transactions are mainly denominated in Hong Kong dollars, United States dollars, Renminbi and Euro. The exchange rates of United States dollars and Renminbi against Hong Kong dollars were relatively stable during the year under review. Euro fluctuated significantly and the Group made provision for exchange loss of HK\$62 million during the year. During the year under review, the Group did not use financial instruments for hedging purposes. The Group continues to monitor the exposures to Euro and will take necessary procedures to reduce the fluctuations in exchange rates at reasonable costs.

PURCHASE, SALE OR REDEMPTION OF SHARES

As at 31 March 2009, the Company has not redeemed any of its shares nor any of its subsidiaries has purchased or sold any of the Company's shares during this year.

AUDIT COMMITTEE

The Audit Committee has reviewed the audited consolidated financial statements for the year ended 31 March 2009 and discussed with management the accounting principles and practices adopted by the Group as well as internal control and financial reporting matters.

OTHER COMMITTEE

Besides the Audit Committee, the Board has also established Remuneration Committee. Each Committee has its defined scope of duties and written terms of reference.

MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS

The Group has adopted the code of conduct with respect to the dealings in securities of the Company by the Directors as set out in Appendix 10 of the Listing Rules (the “Model Code”).

Having made specific enquiry with all Directors, each of whom has confirmed compliance with the required standard set out in the Model Code during the year ended 31 March 2009.

CODE OF CORPORATE GOVERNANCE PRACTICES

The Company has complied with the code provision set out in Appendix 14 of the Listing Rules for the year ended 31 March 2009 except as disclosed below:

Code provision A.2.1 The Company does not have the post of chief executive officer and the executive function of the Company is performed by the executive directors and management. Thus significant decision of the Company is made by the Board.

Code provision A.4.1 There is no specific term on the appointment of non-executive directors but they will subject to retirement by rotation at least every three years in accordance with the Company’s Bye-laws.

PUBLICATION OF ANNUAL REPORT

The 2009 annual report will be despatched to the shareholders and available on the Company’s website at www.uegl.com.hk and HKExnews website at www.hkexnews.hk in due course.

By Order of the Board
Zhang Hongwei
Chairman

Hong Kong, 3 July 2009

As at the date of this announcement, the Board comprises three executive Directors namely Mr. Zhang Hongwei, Mr. Zhu Jun and Ms Zhang Meiyang and three independent non-executive Directors, Mr. San Fung, Mr. Chau Siu Wai and Mr. Zhu Chengwu.