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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)

INTERIM RESULTS ANNOUNCEMENT FOR THE SIX MONTHS ENDED 30 SEPTEMBER 2009

The Board of Directors of United Energy Group Limited (the “Company”) hereby presents the unaudited condensed consolidated interim results of the Company and its subsidiaries (the “Group”) for the six months ended 30 September 2009 together with unaudited comparative figures for the corresponding period in 2008 as follows:–

CONDENSED CONSOLIDATED INTERIM INCOME STATEMENT

For the six months ended 30 September 2009

		Six months ended	
		30 September	
	<i>Note</i>	2009	2008
		(unaudited)	(unaudited)
		HK\$'000	HK\$'000
Turnover	4	11,592	5,170
Cost of sales and service rendered		(8,481)	(548)
Gross profit		3,111	4,622
Other income	5	52,129	27,316
Oil exploitation expenses		(25,453)	(25,272)
Administrative expenses		(56,712)	(221,710)
Loss from operations	5	(26,925)	(215,044)
Share of profit of associates		88,676	69,690
Loss on disposal of associates		(91,454)	–
Loss before tax		(29,703)	(145,354)
Income tax expense	6	–	(126)
Loss for the period		(29,703)	(145,480)
ATTRIBUTABLE TO:			
Equity holders of the Company		(30,640)	(147,022)
Minority interests		937	1,542
		(29,703)	(145,480)
LOSS PER SHARE			
Basic	7	(0.24) cents	(1.15) cents
Diluted	7	N/A	N/A

CONDENSED CONSOLIDATED INTERIM STATEMENT OF COMPREHENSIVE INCOME

For the six months ended 30 September 2009

	Six months ended	
	30 September	
	2009	2008
	(unaudited)	(unaudited)
	HK\$'000	HK\$'000
Loss for the period	<u>(29,703)</u>	<u>(145,480)</u>
Other comprehensive income:		
Currency translation differences	<u>888</u>	<u>11,317</u>
Other comprehensive income for the period	<u>888</u>	<u>11,317</u>
Total comprehensive loss for the period	<u>(28,815)</u>	<u>(134,163)</u>
Total comprehensive income/(loss) attributable to:		
Equity holders of the Company	<u>(29,752)</u>	<u>(140,105)</u>
Minority interests	<u>937</u>	<u>5,942</u>
	<u>(28,815)</u>	<u>(134,163)</u>

CONDENSED CONSOLIDATED INTERIM STATEMENT OF FINANCIAL POSITION
As at 30 September 2009

	<i>Note</i>	As at 30 September 2009 (unaudited) HK\$'000	As at 31 March 2009 (audited) HK\$'000
Non-current assets			
Property, plant and equipment	9	75,404	42,988
Intangible assets		213,308	–
Investment properties		136,364	136,054
Investment in associates	10	–	119,056
Other investment		167,739	–
		<u>592,815</u>	<u>298,098</u>
Current assets			
Inventories		638	–
Trade and other receivables	11	151,520	174,314
Due from a related company		12,870	–
Financial assets at fair value through profit or loss		25,563	23,804
Bank and cash balances		1,970,674	2,240,790
		<u>2,161,265</u>	<u>2,438,908</u>
Current liabilities			
Trade and other payables	12	14,006	22,060
Derivative financial instruments		–	7,727
Due to directors		6,088	6,161
		<u>20,094</u>	<u>35,948</u>
Net current assets		<u>2,141,171</u>	<u>2,402,960</u>
Total assets less current liabilities		<u>2,733,986</u>	<u>2,701,058</u>
Non-current liabilities			
Deferred tax liabilities		17,142	17,103
Net assets		<u>2,716,844</u>	<u>2,683,955</u>
Capital and reserves			
Share capital		127,771	127,771
Reserves		2,372,688	2,369,160
Equity attributable to equity holders of the Company		2,500,459	2,496,931
Minority interests		216,385	187,024
Total equity		<u>2,716,844</u>	<u>2,683,955</u>

NOTES TO INTERIM FINANCIAL STATEMENTS

For the six months ended 30 September 2009

1. General information

The Company was incorporated in the Cayman Islands and redomiciled to Bermuda as an exempted company with limited liability under the Company Act of Bermuda. The address of its registered office is Clarendon House, 2 Church Street, Hamilton HM11, Bermuda. The address of its principal place of business is Unit 2112, 21/F., Two Pacific Place, 88 Queensway, Hong Kong. The Company's shares are listed on the Main Board of The Stock Exchange of Hong Kong Limited (the "Stock Exchange").

2. Basis of preparation

The unaudited condensed consolidated interim financial information for the six months ended 30 September 2009 have been prepared in accordance with the requirements of the Rules Governing the Listing of Securities on the Stock Exchange (the "Listing Rules") and the Hong Kong Accounting Standard ("HKAS") No.34 "Interim Financial Reporting" and other relevant HKASs and Interpretations and the Hong Kong Financial Reporting Standards ("HKFRSs") issued by the Hong Kong Institute of Certified Public Accountants (the "HKICPA").

The consolidated financial statements have been prepared on 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 fair value.

3. Significant accounting policies

The accounting policies used in the condensed interim financial statements are consistent with those followed in the preparation of the Group's annual financial statements for the year ended 31 March 2009. The condensed interim financial statements should be read in conjunction with the Company's 2009 annual report.

In the current interim period, 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 periods beginning on 1 April 2009. HKFRSs comprise Hong Kong Financial Reporting Standards, Hong Kong Accounting Standards; and Interpretations. Except for HKFRS 8 and HKAS 1 (Revised), 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 period and prior periods. The principal effects of adopting HKFRS 8 and HKAS 1 (Revised) are as follows:

HKFRS 8 Operating Segments

This standard, which replaced HKAS 14 Segment Reporting, specifies how an entity should report information about its operating segments, based on information about the components of the entity that is available to the chief operating decision maker for the purposes of allocating resources to the segments and assessing their performance. The standard also requires the disclosure of information about the products and services provided by the segments, the geographical areas in which the Group operates, and revenue from the Group's major customers. HKFRS 8 amended certain disclosure items whereby the Group has restated comparative information accordingly.

HKAS 1 (Revised) Presentation of Financial Statements

This revised standards introduces changes in the presentation and disclosures of financial statements, which require owner and non-owner changes in equity to be separately presented. The statement of changes in equity will only include details of transactions with owner and all non-owner changes in equity will be presented in a single line. In addition, this standard also introduces the statement of comprehensive income, with all items of income and expense recognised in income statement, together with all other items of income and expense recognised directly in equity, to be presented either in one single statement, or in two linked statements. The Group has elected to present in two statements.

The Group has not applied the new HKFRSs that have been issued but 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.

4. Segment information

The Group's reportable segments are entity or group of entities that offer different products and services, which is the basis by which the chief operating decision maker ("CODM") makes decisions about resources to be allocated to the segments and assesses their performance.

The CODM assesses performance of four reportable segments: investment holding, oil exploitation, property investment and oilfield supporting services.

The following is an analysis of the Group's revenue and results by operating segments for the period under review:

For the six months ended 30 September 2009

	Investment holding <i>HK\$'000</i>	Oilfield supporting services <i>HK\$'000</i>	Property investment <i>HK\$'000</i>	Oil exploitation <i>HK\$'000</i>	Total <i>HK\$'000</i>
Turnover	–	11,592	–	–	11,592
Segment results	1,565	563	2,642	(28,883)	(24,113)
Unallocated corporate income					74
Unallocated corporate expenses					(5,664)
Loss before tax					(29,703)
Income tax expense					–
Loss for the period					<u>(29,703)</u>

For the six months ended 30 September 2008

	Investment holding <i>HK\$'000</i>	Oilfield supporting services <i>HK\$'000</i>	Property investment <i>HK\$'000</i>	Oil exploitation <i>HK\$'000</i>	Total <i>HK\$'000</i>
Turnover	–	–	5,170	–	5,170
Segment results	(109,959)	–	1,030	(28,423)	(137,352)
Unallocated corporate income					455
Unallocated corporate expenses					(8,457)
Loss before tax					(145,354)
Income tax expense					(126)
Loss for the period					<u>(145,480)</u>

5. Loss from operations

**For the six months
ended 30 September**
2009 **2008**
HK\$'000 **HK\$'000**

Loss from operations has been arrived at after charging
(crediting) the followings:

Other revenue:

Interest income	(5,472)	(26,843)
Foreign exchange gain	(32,618)	–
Fair value gain on derivative financial instruments	(7,727)	–
Gain on disposal of financial assets at fair value through profit or loss	(1,647)	–
Fair value gain on financial assets at fair value through profit or loss	(2,002)	–
Other income	(2,663)	(473)
	(52,129)	(27,316)

Staff costs, including directors' remuneration and retirement benefit scheme contributions	7,341	2,485
Equity settled share based payments	33,354	46,799
Loss on derivative financial instruments at fair value through profit or loss	–	67,356
Depreciation of plant and equipment	654	3,953
Auditors' remuneration	207	908

6. Income Tax Expense

**For the six months
ended 30 September**
2009 **2008**
HK\$'000 **HK\$'000**

PRC Income Tax	–	126
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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 relevant periods.

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.

7. Loss per share

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

	For the six months ended 30 September	
	2009	2008
Loss attributable to equity holders of the Company (HK\$'000)	<u>(30,640)</u>	<u>(147,022)</u>
Weighted average number of ordinary shares in issue	<u>12,777,091,632</u>	<u>12,777,091,632</u>
Basic loss per share (HK\$ cents)	<u>(0.24)</u>	<u>(1.15)</u>

No diluted loss per share for the six months ended 30 September 2009 is presented as the Company did not have any dilutive potential ordinary share during the two periods ended 30 September.

8. Dividends

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

9. Movements in property, plant and equipment

During the period, the Group acquired property, plant and equipment of approximately HK\$12,764,676 (2008: HK\$1,122,052).

10. Investment in Associates

During the period, the Group disposed of its 26.3% equity interest and 26.3% non-voting preference shares in Glimmer Stone Investments Limited for total cash consideration of HK\$116,277,514. The disposal was completed on 27 August 2009.

11. Trade and other receivables

	As at 30 September 2009 <i>HK\$'000</i>	As at 31 March 2009 <i>HK\$'000</i>
Consideration receivable	101,589	101,589
Amount due from a disposed associate	–	68,026
Deposits and prepayments	49,931	4,376
Others	–	323
	<hr/>	<hr/>
Total trade and other receivables	151,520	174,314

The consideration receivable represents an amount due from an independent third party derived from the disposal of an associated company. The amount is unsecured, interest-free and has been fully repaid on 12 October 2009.

12. Trade and other payables

	As at 30 September 2009 <i>HK\$'000</i>	As at 31 March 2009 <i>HK\$'000</i>
Accrual for operating expenses	13,321	18,580
Salary and welfare payables	295	1,576
Deposits received	–	1,706
Other tax payables	390	177
Others	–	21
	<hr/>	<hr/>
Total trade and other payables	14,006	22,060

MANAGEMENT DISCUSSION AND ANALYSIS

Financial Review

For the six months ended 30 September 2009, the Group's turnover was approximately HK\$11.59 million, which represented a significant increase of approximately 124% as compared to the turnover of approximately HK\$5.17 million for the last corresponding period in 2008. For the period ended 30 September 2009, the turnover represented services fees income derived from the new acquired oilfield supporting services business. For the period ended 30 September 2008, the turnover represented rental income and property management services fees income derived from a commercial building located in the PRC.

Other income increased by 91% to approximately HK\$52 million from 2008, the increase was mainly due to the increase in unrealized foreign exchange gain and fair value gain on derivative financial instruments. In 2008, the Group had no such gains.

Administrative expenses decreased from approximately HK\$222 million to approximately HK\$57 million. These expenses mainly included the non-cash expense of approximately \$33 million due to stock options granted per the share option scheme. The decrease in administrative expenses were mainly due to the foreign exchange loss and fair value loss on financial assets and derivative financial instruments in 2008.

In August 2009, the Group has successfully completed the disposal of an associate company which is an investment holding company for a consideration of approximately HK\$116 million. This has resulted in a loss of approximately HK\$2.78 million. The disposal could further improve the Group's financial position and the working capital condition.

In summary, loss attributable to equity holders of the Company was approximately HK\$31 million for the period ended 30 September 2009, representing a 79% decrease over the approximately HK\$147 million for the period ended 30 September 2008. This result is reflected in the basic loss per share which were 0.24 HK cents compared with 1.15 HK cents for the period ended 30 September 2008.

Business Review

For the six months ended 30 September 2009, the Group was mainly engaged in upstream oil and natural gas business, including exploitation, development, production of crude oil and natural gas, also provide patented technologies supporting services to oilfields and property investment and management in the PRC.

Property Letting and Management Business

During the period under review, half year of rent free continue granted to the tenant to repair work which had to be carried out on the property in relation to a defective fire protection system.

Oil Production Business

The past half year was the last half year of the Gaosheng project pilot's tests. During the period under review, we have successfully completed the work program of the pilot test and achieved the anticipated test results. An Overall Development Plan for Enhanced Oil Recovery has been drawn up according to the test results and has been endorsed by PetroChina. The ODP will then be submitted for approval by the State Development and Reform Commission.

Oilfield Supporting Services Business

Upon the acquisition of oilfield supporting services business, the Group is able to significantly expand its scope of oil field technical services. Three service contracts have been signed in Liao He oil field and Ji Lin oilfield. Among these, after many years of effective production, Du 66/48 project has begun scaled expansion of development towards surrounding areas. During the period under review, the oilfield supporting services business contributed an income of approximately HK\$12 million to the Group.

Material Acquisition and Disposal

On 9 April 2009, the Company entered into a sale and purchase agreement to acquire the entire issued share capital of Merry Year Investments Limited and its subsidiaries ("Merry Year Group") for a cash consideration of HK\$218,000,000. The acquisition was completed on 31 July 2009. Merry Year Group is principally engaged to provide patented technologies supporting services to oil and gas industry.

On 17 June 2009, United Energy International Holdings Limited, a newly incorporated subsidiary of the Company, Ferry Lirungan ("FL") and Madura Petroleum Limited ("Madura Petroleum") entered into a share purchase agreement for which the Group had agreed to acquire the entire issue share capital of PC (NAD) International Limited ("PCI") from Madura Petroleum for a cash consideration of US\$21,505,000 (equivalent to HK\$167,739,000). PCI holds a 10% participating interest in the Madura PSC contract relating to the right to join and assist BPMIGAS in accelerating the exploration for and development of the potential resources within the Madura Contract Area in Indonesia.

On 20 August 2009, the Company, Glimmer Stone Investments Limited, an associated company of the Company ("Glimmer Stone") and an independent third party ("Purchaser") entered into the Divestment Agreement pursuant to which (1) Glimmer Stone had agreed to redeem all the Redemption Shares held by the Company for a cash consideration of HK\$116,257,000; and (2) the Company had agreed to sell the Sale Shares to the Purchaser for a cash consideration of HK\$20,514. The disposal was completed on 27 August 2009.

Liquidity and Financial Resources

The Group continued to be in a strong financial position for the period under review with cash and cash equivalents amounting to HK\$1,971 million as at 30 September 2009 (31 March 2009: HK\$2,241 million), representing 91% of the total current assets.

As at 30 September 2009, the Group has total banking facilities of approximately HK\$4.68 million in respect of issuance of performance bond for guarantee of our Company's performance of its obligation to commitment to cover seismic survey cost in the first three years of exploration term as contemplated in the Production Sharing Contract for Madura Block, dated 13 November 2008. The Group's cash at banks with carrying value of approximately HK\$4.68 million were pledged for the banking facilities.

The Group had no long-term borrowings, therefore the gearing ratio is not applicable. The current ratio was 107.56 (31 March 2009: 67.85), based on current assets of approximately HK\$2,161 million (31 March 2009: HK\$2,439 million) and current liabilities of approximately HK\$20 million (31 March 2009: HK\$36 million).

Prospects

There are some positive signs that the global economic conditions are stabilising, especially the PRC economy has showed continuous growth, and improvements in economies have begun around the world. While the global energy demand increases, the Group is well positioned financially and strongly supported by its shareholders to take advantage of it to develop its upstream oil and natural gas business.

In order to support our business expansion, the Group has acquired an oilfield supporting services business which can provide patented technologies supporting services to oil fields. The oilfield supporting services business will gradually contribute income to the Group in the future.

Leveraging our relationships with major Chinese Oil and Gas E&P players and actively pursuing appropriate mergers and acquisitions opportunities, the Group's management strives to create higher value to its shareholders.

Employees

At as 30 September 2009, the Group employed a total of 130 full time employees in Hong Kong and PRC. Employees' remuneration package was reviewed periodically and determined with reference to the performance of the individual and the prevailing market practices. Remuneration package included basis salaries, year end bonus, medical and contributory provident fund.

Contingent Liabilities

The Group had no significant contingent liabilities during this period.

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 period under review. Euro fluctuated significantly and the Group recorded approximately HK\$33 million unrealized exchange gain from the appreciation of Euro during the period. During the period 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.

ARRANGEMENTS TO PURCHASE SHARES OR DEBENTURES

At no time during the period was the Company, its subsidiary or holding company, a party to any arrangements to enable the directors of the Company to acquire benefits by means of acquisition of shares in, or debt securities (including debentures) of, the Company or any other body corporate.

SUFFICIENCY OF PUBLIC FLOAT

The Company has maintained a sufficient public float throughout for the period ended 30 September 2009.

CORPORATE GOVERNANCE

The Company has applied the principles and complied with the code provisions as set out in the Code on Corporate Governance Practices (the "Code") contained in Appendix 14 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules") during the period ended 30 September 2009 except that:

1. The Code A.2.1 – the company does not have the post of chief executive officer; and
2. The Code A.4.1 – the independent non-executive Directors have not been appointed for any specific terms as they are subject to retirement by rotation at least once every three years in accordance with the Company's Bye-laws.

As mention in the Corporate Governance Report (the "CG Report") contained in the 2009 Annual Report that although the Company does not separate the duties between the chairman and chief executive officer, the executive function of the Company is performed by the executive directors and management of the Company. Thus, significant decision of the Company is made by the Board. The Board considers that such structure will not affect the balance of power and authority between the chairman and the executive directors.

Code provision A.4.1 of the Code provides that non-executive Directors should be appointed for a specific term, subject to re-election. As mention in the CG Report contained in the 2009 Annual Report that none of the non-executive Directors has entered into any service contracts with the Company or its subsidiaries. In view of the fact that the non-executive Directors are subject to retirement by rotation at least once every three years though they have no set term of office, the Board considers that the quality of good corporate governance will not be impaired.

COMPLIANCE WITH THE MODEL CODE OF THE LISTING RULES

The Company has adopted the Model Code as set out in Appendix 10 of the Listing Rules. Having made specific enquiry with the Directors, all the Directors confirmed that they have complied with the required standard as set out in the Model Code throughout this period.

The Company has also established written guidelines regarding securities transaction on no less exacting terms of the Model Code for senior management and specific individual who may have access to price sensitive information in relation to the securities of the Company.

AUDIT COMMITTEE

The Audit Committee of the Company is comprised of three independent non-executive directors, Messrs. Chau Siu Wai, San Fung and Zhu Chengwu. The Audit Committee has reviewed the Group's unaudited condensed consolidated interim financial statements for the period ended 30 September 2009 and has also discussed the internal control, the accounting principles and practices adopted by the Group.

PURCHASE, SALE OR REDEMPTION OF SHARES

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 the six months ended 30 September 2009.

PUBLICATION OF INTERIM REPORT

A detailed interim report containing all the information required by paragraph 46(1) to 46(9) of Appendix 16 of the Listing Rules will be dispatched to the shareholders and available on the Company's website at www.uegl.com.hk and the Stock Exchange's website at www.hkexnews.hk in due course.

On behalf of the Board

Zhang Hongwei

Chairman

Hong Kong, 1 December, 2009

As at the date of this announcement, the executive Directors are Mr. Zhang Hongwei (Chairman), Mr. Zhu Jun and Ms. Zhang Meiyong, and the independent non-executive Directors are Mr. Chau Siu Wai, Mr. San Fung and Mr. Zhu Chengwu.