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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 9 MONTHS ENDED 31 DECEMBER 2009

KEY FINANCIAL HIGHLIGHTS

	For the nine months ended 31 December 2009 <i>HK\$'000</i>	For the twelve months ended 31 March 2009 <i>HK\$'000</i>	Change
RESULTS			
Turnover	<u>25,357</u>	<u>5,178</u>	<u>390%</u>
Loss before tax	(56,035)	(569,099)	(90%)
Income tax (expense)/credit	(2,585)	10,174	(125%)
Less: Gain/(loss) attributable to minority interests	<u>2,916</u>	<u>(8,487)</u>	<u>134%</u>
Loss attributable to shareholders of the Company	<u>(61,536)</u>	<u>(550,438)</u>	<u>(89%)</u>
Basic loss per share	<u>(0.48 HK cents)</u>	<u>(4.31 HK cents)</u>	<u>(89%)</u>

	For the nine months ended 31 December 2009 <i>HK\$'000</i>	For the twelve months ended 31 March 2009 <i>HK\$'000</i>	Change
KEY ITEMS IN CONSOLIDATED STATEMENT OF FINANCIAL POSITION			
Equity attributable to shareholders of the Company	2,497,137	2,496,931	N/A
Total assets	2,934,038	2,737,006	7.2%
Net assets per share	<u>HK\$0.22</u>	<u>HK\$0.21</u>	<u>4.8%</u>

The Board of Directors (the “Board”) of United Energy Group Limited (the “Company”) hereby to present the audited consolidated results of the Company and its subsidiaries (the “Group”) for the 9 months ended 31 December 2009 as follows:-

CONSOLIDATED INCOME STATEMENT

		For the nine months ended 31 December 2009 HK\$'000	For the twelve months ended 31 March 2009 HK\$'000
	<i>Note</i>		
Turnover	3	25,357	5,178
Cost of sales and services rendered		<u>(13,621)</u>	<u>(605)</u>
Gross profit		11,736	4,573
Other income	4	103,636	50,626
Oil exploitation expenses		(58,813)	(66,412)
Administrative expenses		<u>(109,816)</u>	<u>(606,317)</u>
Loss from operations		(53,257)	(617,530)
Share of profits of associates		88,676	12,604
(Loss)/gain on disposals of associates		<u>(91,454)</u>	<u>35,827</u>
Loss before tax		(56,035)	(569,099)
Income tax (expense)/credit	7	<u>(2,585)</u>	<u>10,174</u>
Loss for the period/year	6	<u>(58,620)</u>	<u>(558,925)</u>
Attributable to:			
Shareholders of the Company		(61,536)	(550,438)
Minority interests		<u>2,916</u>	<u>(8,487)</u>
		<u>(58,620)</u>	<u>(558,925)</u>
Loss per share			
Basic	8	<u>(0.48 cents)</u>	<u>(4.31 cents)</u>
Diluted	8	<u>N/A</u>	<u>N/A</u>

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

	For the nine months ended 31 December 2009 <i>HK\$'000</i>	For the twelve months ended 31 March 2009 <i>HK\$'000</i>
Loss for the period/year	<u>(58,620)</u>	<u>(558,925)</u>
Other comprehensive income:		
Exchange differences on translating foreign operations	480	10,562
Exchange difference on releasing foreign currency translation reserve upon the disposal of an associate	<u>–</u>	<u>(14,282)</u>
Other comprehensive income for the period/year, net of tax	<u>480</u>	<u>(3,720)</u>
Total comprehensive income for the period/year	<u><u>(58,140)</u></u>	<u><u>(562,645)</u></u>
Attributable to:		
Shareholders of the Company	(61,277)	(558,251)
Minority interests	<u>3,137</u>	<u>(4,394)</u>
	<u><u>(58,140)</u></u>	<u><u>(562,645)</u></u>

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

		At 31 December 2009 HK\$'000	At 31 March 2009 HK\$'000
Non-current assets			
Property, plant and equipment		67,699	42,988
Investment properties		147,654	136,054
Intangible assets		549,969	–
Investments in associates		–	119,056
		765,322	298,098
Current assets			
Inventories		7,227	–
Trade and other receivables	9	35,017	174,314
Financial assets at fair value through profit or loss		3,800	23,804
Pledged bank deposits		4,680	–
Bank and cash balances		2,117,992	2,240,790
		2,168,716	2,438,908
Current liabilities			
Trade and other payables	10	26,700	22,060
Due to directors		7,446	6,161
Derivative financial instruments		–	7,727
Current tax liabilities		1,087	–
		35,233	35,948
Net current assets		2,133,483	2,402,960
Total assets less current liabilities		2,898,805	2,701,058
Non-current liabilities			
Deferred tax liabilities		106,084	17,103
NET ASSETS		2,792,721	2,683,955
Capital and reserves			
Share capital		127,771	127,771
Reserves		2,369,366	2,369,160
Equity attributable to shareholders of the Company		2,497,137	2,496,931
Minority interests		295,584	187,024
TOTAL EQUITY		2,792,721	2,683,955

Note

1. ADOPTION OF NEW AND REVISED HONG KONG FINANCIAL REPORTING STANDARDS

In the current period, the Group has adopted all the new and revised Hong Kong Financial Reporting Standards (“HKFRSs”) issued by the Hong Kong Institute of Certified Public Accountants (the “HKICPA”) that are relevant to its operations and effective for its accounting period beginning on 1 April 2009. HKFRSs comprise Hong Kong Financial Reporting Standards (“HKFRS”); Hong Kong Accounting Standards (“HKAS”); and Interpretations. The adoption of these new and revised HKFRSs did not result in significant changes to the Group’s accounting policies, presentation of the Group’s financial statements and amounts reported for the current period and prior years except as stated below.

a. Presentation of financial statements

HKAS 1 (Revised) “Presentation of Financial Statements” affects certain disclosures and presentation of the financial statements. The balance sheet is renamed as the statement of financial position and the cash flow statement is renamed as the statement of cash flows. All income and expenses arising from transactions with non-owners are presented in the income statement and statement of comprehensive income, and the total carried to the statement of changes in equity. The owner changes in equity are presented in the statement of changes in equity. HKAS 1 (Revised) also requires disclosures of the reclassification adjustments and tax effects relating to each component of other comprehensive income for the period. HKAS 1 (Revised) has been applied retrospectively.

b. Operating segments

HKFRS 8 “Operating Segments” requires operating segments to be identified on the basis of internal reports about components of the Group that are regularly reviewed by the chief operating decision maker in order to allocate resources to the segment and to assess its performance. Previously, HKAS 14 “Segment Reporting” required an entity to identify two sets of segments (business and geographical), using a risks and rewards approach, with the entity’s “system of internal financial reporting to key management personnel” serving as the starting point for the identification of such segments. HKFRS 8 results in a redesignation of the Group’s reportable segments, but has had no impact on the reported results or financial position of the Group. HKFRS 8 has been applied retrospectively.

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.

2. BASIS OF PREPARATION AND ACCOUNTING POLICIES

These financial statements have been prepared in accordance with HKFRSs issued by the HKICPA, accounting principles generally accepted in Hong Kong and the applicable disclosures required by the Rules Governing the Listing of Securities (the “Listing Rules”) on The Stock Exchange of Hong Kong Limited 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.

During the period, the Company changed its financial year end date from 31 March to 31 December in order to conform to the financial year end date of its subsidiaries. The current period financial statements cover a nine months period ended 31 December 2009 and the comparative financial statements cover a twelve months period ended 31 March 2009. The comparative amounts are therefore not entirely comparable.

3. TURNOVER

The Group’s turnover which represents revenue from production of crude oil and provision of patented technologies supporting services to oilfields, rental income and property management service fees income are as follows:

	For the nine months ended 31 December 2009 HK\$’000	For the twelve months ended 31 March 2009 HK\$’000
Revenue from production of crude oil and provision of patented technologies supporting services to oilfields	25,357	–
Rental income	–	3,295
Property management service fees income	–	1,883
	<u>25,357</u>	<u>5,178</u>

4. OTHER INCOME

	For the nine months ended 31 December 2009 HK\$'000	For the twelve months ended 31 March 2009 HK\$'000
Fair value gain on financial assets		
at fair value through profit or loss	1,981	–
Fair value gain on derivative financial instruments	7,727	–
Fair value gain on investment properties	11,355	–
Interest income	7,704	49,544
Management fee income	–	998
Net foreign exchange gains	28,560	–
Net gain on disposals of financial assets		
at fair value through profit or loss	42,179	–
Other payables written back	4,047	–
Others	83	84
	<u>103,636</u>	<u>50,626</u>

5. SEGMENT INFORMATION

The Group has adopted HKFRS 8 “Operating Segments” with effect from 1 April 2009. HKFRS 8 is a disclosure standard that requires operating segments to be identified on the basis of internal reports about components of the Group that are regularly reviewed by the chief operating decision maker for the purpose of allocation resources to segments and assessing their performance. In contrast, the predecessor standard (HKAS 14 “Segment Reporting”) required an entity to identify two sets of segments (business and geographical) using a risks and returns approach. In the past, the Group’s primary reporting format was business segments. The application of HKFRS 8 has resulted in a redesignation of the Group’s reportable segments as compared with the primary reportable segments determined in accordance with HKAS 14.

In prior years, segment information reported externally was analysed on the basis of the Group’s operating divisions, including property development, property investment, wholesale of household building materials and oil exploitation. However, information reported to the chief operating decision maker, executive directors of the Company, for the purpose of resources allocation and performance assessment specifically focuses on oil exploitation and property investment in the People’s Republic of China (“the PRC”).

The Group’s reportable segments under HKFRS 8 are therefore as follows:

1. Oil exploitation – engages in activities relating to the production of crude oil and provision of patented technologies supporting services to oilfields.
2. Property investment – invests in commercial properties for their rental income, property management service fees income and value appreciation potential.

The Group’s reportable segments are strategic business units that offer different products and services. They are managed separately because each business requires different technology and marketing strategies.

Segment profit or loss do not include the following items:

- other income (except for the fair value gain on investment properties)
- corporate expenses
- share of profits of associates
- (loss)/gain on disposals of associates

Segment assets do not include the following items:

- other assets
- investments in associates
- financial assets at fair value through profit or loss
- pledged bank deposits
- bank and cash balances

Segment liabilities do not include the following items:

- other liabilities
- due to directors
- derivative financial instruments
- current tax liabilities

Segment non-current assets do not include the following items:

- investments in associates

Information about reportable segment profit or loss, assets and liabilities:

	Property investment <i>HK\$'000</i>	Oil exploitation <i>HK\$'000</i>	Total <i>HK\$'000</i>
Period ended 31 December 2009			
Turnover from external customers	-	25,357	25,357
Segment profit/(loss)	7,174	(72,120)	(64,946)
Depreciation and amortisation	11	29,379	29,390
Other material item of income and expense:			
Income tax credit/(expense)	3,326	(1,828)	1,498
Other material non-cash item:			
Fair value gain on investment properties	11,355	-	11,355
Impairment loss on intangible assets	-	8,895	8,895
Additions to segment non-current assets	-	613,651	613,651
At 31 December 2009			
Segment assets	147,682	657,956	805,638
Segment liabilities	<u>20,715</u>	<u>108,851</u>	<u>129,566</u>

	Property investment <i>HK\$'000</i>	Oil exploitation <i>HK\$'000</i>	Total <i>HK\$'000</i>
Year ended 31 March 2009			
Turnover from external customers	5,178	–	5,178
Segment loss	(30,852)	(176,957)	(207,809)
Depreciation and amortisation	29	11,139	11,168
Other material item of income and expense:			
Income tax credit	10,677	–	10,677
Other material non-cash items:			
Fair value loss on investment properties	45,300	–	45,300
Allowance for inventories	–	93,639	93,639
At 31 March 2009			
Segment assets	136,077	44,942	181,019
Segment liabilities	<u>19,899</u>	<u>13,311</u>	<u>33,210</u>
Reconciliations of reportable segment profit or loss, assets and liabilities:			
	For the nine months ended 31 December 2009 <i>HK\$'000</i>	For the twelve months ended 31 March 2009 <i>HK\$'000</i>	
Profit or loss			
Total loss of reportable segments	(64,946)	(207,809)	
Unallocated amounts:			
Other income (except for the fair value gain on investment properties)	92,281	50,626	
Corporate expenses	(83,177)	(450,173)	
Share of profits of associates	88,676	12,604	
(Loss)/gain on disposals of associates	(91,454)	35,827	
Consolidated loss for the period/year	<u>(58,620)</u>	<u>(558,925)</u>	

	For the nine months ended 31 December 2009 HK\$'000	For the twelve months ended 31 March 2009 HK\$'000
Assets		
Total assets of reportable segments	805,638	181,019
Unallocated amounts:		
Other assets	1,928	172,337
Investments in associates	–	119,056
Financial assets at fair value through profit or loss	3,800	23,804
Pledged bank deposits	4,680	–
Back and cash balances	2,117,992	2,240,790
	<u>2,934,038</u>	<u>2,737,006</u>
Liabilities		
Total liabilities of reportable segments	129,566	33,210
Unallocated amounts:		
Other liabilities	3,218	5,953
Due to directors	7,446	6,161
Derivative financial instruments	–	7,727
Current tax liabilities	1,087	–
	<u>141,317</u>	<u>53,051</u>

Geographical information

The turnover and operating profit generated by the Group for the period ended 31 December 2009 and year ended 31 March 2009 were entirely attributable to the customers based in the PRC. In addition, majority of the Group's non current assets are located in the PRC. Accordingly, no geographical analysis is presented.

Turnover from major customers:

	For the nine months ended 31 December 2009 HK\$'000	For the twelve months ended 31 March 2009 HK\$'000
Oil exploitation segment		
Customer a	25,357	–
Property investment segment		
Customer b	<u>–</u>	<u>5,178</u>

6. LOSS FOR THE PERIOD/YEAR

Loss for the period/year is arrived at after charging the following:

	For the nine months ended 31 December 2009 HK\$'000	For the twelve months ended 31 March 2009 HK\$'000
Amortisation of intangible assets (<i>note b</i>)	18,010	–
Auditor's remuneration		
– Current	1,066	891
– Under-provision in prior year	40	–
	1,106	891
Depreciation	11,564	12,048
Directors' emoluments	20,162	40,481
Loss on disposals of property, plant and equipment	10	–
Operating lease rentals paid in respect of rented premises (<i>note a</i>)	2,605	4,294
Research and development expenditures	2,223	3,917
Staff costs including directors' emoluments		
Salaries, bonuses and allowances (<i>note a</i>)	12,751	18,281
Retirement benefits scheme contributions	317	238
Equity-settled share-based payments	54,251	113,445
	67,319	131,964
Direct operating expenses of investment properties that generate rental income	–	648
Direct operating expenses of investment properties that did not generate rental income	734	–
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
Impairment loss on intangible assets (<i>note c</i>)	8,895	–

Note a: The amount includes the accommodation benefits provided to a director and staff amounting to approximately HK\$1,200,000 (for the year ended 31 March 2009: HK\$1,002,000) included in the staff costs.

Note b: The amortisation charge of approximately HK\$14,432,000 (for the year ended 31 March 2009: Nil) and HK\$3,578,000 (for the year ended 31 March 2009: Nil) are included in the oil exploitation expenses and costs of sales and services rendered respectively.

Note c: The impairment loss on intangible assets for the period is included in administrative expenses in the consolidated income statement.

7. INCOME TAX EXPENSE/(CREDIT)

	For the nine months ended 31 December 2009 HK\$'000	For the twelve months ended 31 March 2009 HK\$'000
Current tax – PRC enterprise income tax		
Provision for the period/year	1,087	492
Under-provision in prior years	–	11
	<u>1,087</u>	<u>503</u>
Deferred tax	1,498	(10,677)
	<u>2,585</u>	<u>(10,174)</u>

No provision for profits tax in the Bermuda, Bahamas, British Virgin Islands or Hong Kong is required as the Group has no assessable profit arising in or derived from these jurisdictions for the period ended 31 December 2009 and the year ended 31 March 2009.

PRC enterprise income tax (“EIT”) 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.

Universe Oil & Gas (China) LLC (“Universe”), being a foreign investment enterprise is entitled to an exemption from EIT for two years starting from its first profit-making year, followed by a 50% tax relief for the following three years. Universe was entitled to and enjoyed the first exemption year in 2007 and a 50% tax relief for the three years ended 31 December 2011. Therefore, the applicable income tax rate of Universe for the period ended 31 December 2009 is 12.5%.

8. LOSS PER SHARE

Basic loss per share is calculated based on loss attributable to shareholders of the Company during the period/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:

	For the nine months ended 31 December 2009 HK\$'000	For the twelve months ended 31 March 2009 HK\$'000
Loss attributable to shareholders of the Company		
Loss attributable to shareholders of the Company for the purpose of calculating basic loss per share	<u>(61,536)</u>	<u>(550,438)</u>

For the nine months ended 31 December 2009 HK\$'000	For the twelve months ended 31 March 2009 HK\$'000
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Number of shares

Weighted average number of ordinary shares for the purpose of calculating basic loss per share	<u>12,777,091,632</u>	<u>12,777,091,632</u>
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No diluted loss per share are presented as the Company did not have any dilutive potential ordinary sharing during the period ended 31 December 2009 and year ended 31 March 2009.

9. TRADE AND OTHER RECEIVABLES

	At 31 December 2009 HK\$'000	At 31 March 2009 HK\$'000
Trade receivables (<i>note a</i>)	13,778	–
Other receivables (<i>note b</i>)	<u>21,239</u>	<u>174,314</u>
Total trade and other receivables	<u>35,017</u>	<u>174,314</u>

(a) Trade receivables

The Group's trading terms with customers are mainly on credit. The credit term is about 30 days. The Group seeks to maintain strict control over its outstanding receivables. Overdue balances are reviewed regularly by the directors.

The aging analysis of trade receivables, based on the invoice date, is as follows:

	At 31 December 2009 HK\$'000	At 31 March 2009 HK\$'000
0 to 30 days	<u>13,778</u>	<u>–</u>

The trade receivables are neither past due nor impaired as at 31 December 2009 (31 March 2009: Nil).

All trade receivables are denominated in Renminbi.

(b) Other receivables

	At 31 December 2009 <i>HK\$'000</i>	At 31 March 2009 <i>HK\$'000</i>
Advances to a joint venture partner	16,380	–
Consideration receivable (<i>note i</i>)	–	101,589
Deposits and prepayments	2,195	4,376
Advances to staff	2,280	–
Amount due from a disposed associate	–	68,026
Others	384	323
	<hr/>	<hr/>
Total other receivables	<u>21,239</u>	<u>174,314</u>

- (i) The consideration receivable represents an amount due from an independent third party derived from the disposal of Dadongfang for the year ended 31 March 2009. The amount is unsecured, interest-free and had been fully repaid during the period.

10. TRADE AND OTHER PAYABLES

	At 31 December 2009 <i>HK\$'000</i>	At 31 March 2009 <i>HK\$'000</i>
Accrual for operating expenses	15,643	18,580
Salary and welfare payables	2,544	1,576
Deposits received	947	1,706
Other tax payables	1,194	177
Others	6,372	21
	<hr/>	<hr/>
Total trade and other payables	<u>26,700</u>	<u>22,060</u>

DIVIDEND

The Directors do not recommend the payment of a final dividend for the 9 months ended 31 December 2009 (for the year ended 31 March 2009: Nil).

CLOSURE OF REGISTER

The register of members will be closed from Friday, 4 June 2010 to Tuesday, 8 June 2010 (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 8 June 2010, 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 Thursday, 3 June 2010.

MANAGEMENT DISCUSSION AND ANALYSIS

Financial Review

For the 9 months ended 31 December 2009, the Group's turnover was approximately HK\$25.4 million, which represented a significant increase of approximately 390.3% as compared to the turnover of approximately HK\$5.18 million for the year ended 31 March 2009. The turnover during the period under review represented services fees income derived from the newly acquired oilfield supporting service business. For the year ended 31 March 2009, the turnover only represented rental income and property management services fees income derived from a commercial building located in the PRC.

For the 9 months ended 31 December 2009, other income increased by approximately 104.7% to approximately HK\$103.6 million (For the year ended 31 March 2009: approximately HK\$50.6 million). The increase was mainly due to increase in realized foreign exchange gain, net gain on disposals of financial assets at fair value through profit or loss, unrealized fair value gain on investment properties and expiry of derivative financial instruments.

Administrative expenses decreased from approximately HK\$606 million for the year ended 31 March 2009 to approximately HK\$110 million for the 9 months ended 31 December 2009. These expenses mainly included the non-cash expense of approximately \$54.3 million due to stock options granted per the share option scheme. The decrease in administrative expenses for the period under review was mainly due to significant decrease in the last year one-off provisions for the 9 months ended 31 December 2009.

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. The initial investment cost in June 2008 was approximately HK\$100 million. After taking into account of the profit shared from this associate company, this has resulted in a loss on disposal of approximately HK\$91 million for the period. However, the disposal had further improved the Group's financial position and the working capital condition.

In summary, loss attributable to shareholders of the Company was approximately HK\$61.5 million for the 9 months ended 31 December 2009, representing a 88.8% decrease over the loss attributable to shareholders of the Company of approximately HK\$550.4 million for the year ended 31 March 2009. This result is reflected in the basic loss per share which were 0.48 HK cents as compared with the basic loss per share of 4.31 HK cents for the year ended 31 March 2009.

The Group's Audit Committee has reviewed the audited consolidated financial statements for the 9 months ended 31 December 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.

Material Acquisition and Disposal

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

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 in provision of patented technologies supporting services to oilfields. For the 9 months ended 31 December 2009, this newly acquired oilfield supporting service business contributed services fees income of approximately HK\$25.4 million to the turnover of the Group.

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 approximately US\$21,505,000 (equivalent to approximately 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.

Terminated Investment in Transmeridian and the Arbitration

On 26 June 2008, the Company purchased approximately US\$12 million of oil equipment (the "Equipment") from Transmeridian Exploration Incorporated ("Transmeridian"). Transmeridian has failed to make delivery of the Equipment. Transmeridian commenced voluntary reorganization cases under Chapter 11 of the United States Bankruptcy Code in the United States Bankruptcy Court for the Southern District of Texas, Houston Division (the "Bankruptcy Court") and the Chapter 11 Cases are being jointly administered under In re Transmeridian Exploration Incorporated (the "Bankruptcy Cases"). In connection with the Bankruptcy Cases, the Bankruptcy Court has entered a Confirmation Order confirming the Debtors' First Amended Jointed Consolidated Plan of Liquidation approves a global settlement provides that the Company may take title to and possession of the Equipment (the "Global Settlement"). According to the Global Settlement, on 3 February 2010, the Company received a distribution amount of approximately US\$3.2 million from Transmeridian Exploration Liquidating Trust in relation to its claims for the Equipment. This amount will be credited in its forthcoming financial statement.

On 17 November 2009, the Group received a distribution amount of approximately HK\$62 million from the Indenture Trustee in relation to its holding of Senior Notes of Transmeridian (which filed Chapter 11, and by order entered 19 August 2009 by the Bankruptcy Court in the jointly-administered Chapter 11 of the Bankruptcy Cases) and recorded a gain of approximately HK\$41 million which has been credited in its financial statements for the 9 months ended 31 December 2009.

As at the date of this announcement, the legal proceedings with Transmeridian is still going on and not yet dismissed and settled completely.

Segment Information

Particulars of the Group's segment information are set out in note 5 to this announcement.

Liquidity and Financial Resources

The Group maintained its strong financial position for the period under review, with cash and cash equivalents amounting to approximately HK\$2,118 million as at 31 December 2009 (31 March 2009: approximately HK\$2,240.8 million).

As at 30 September 2009, the Group has banking facilities of approximately HK\$4.68 million in respect of issuance of performance bond for guarantee of our Group'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.

As at 26 January 2010, the Group has another banking facilities of approximately HK\$468 million (equivalent to approximately US\$60 million) in respect of issuance of another performance bond for guarantee of United Petroleum & Natural Gas Investments Limited, a wholly-owned subsidiary of the Company, performance of its obligation in the development period of the EOR Contract in Gaosheng project dated 15 September 2006. The Group's cash at banks with carrying value of approximately HK\$468 million (equivalent to approximately US\$60 million) were pledged for the banking facilities.

The Group had no long-term borrowings, therefore the gearing ratio is not applicable. As at 31 December 2009, the current ratio was approximately 61.61 (31 March 2009: approximately 67.94), based on current assets of approximately HK\$2,168.7 million (31 March 2009: approximately 2,438.9 million) and current liabilities of approximately HK\$35.2 million (31 March 2009: approximately 35.9 million).

Capital Structure

There had been no material change in the capital structure of the Group since 31 March 2009.

Orders

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

Employees

As at 31 December 2009, the Group employed a total of 137 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 December 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 and Renminbi. The exchange rates of United States dollars and Renminbi against Hong Kong dollars were relatively stable during the period under review. During the period under review, the Group did not use financial instruments for hedging purposes.

Major Customers and Suppliers

The Group's largest and five largest customers represented 100% of total turnover, as the Group had one customer only.

Save for the expense of oilfield supporting business and operating expenses paid, the Group did not make any significant purchases during the period under review.

PURCHASE, SALE OR REDEMPTION OF SHARES

As at 31 December 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 period.

AUDIT COMMITTEE

The Audit Committee has reviewed the audited consolidated financial statements for the 9 months ended 31 December 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 9 months ended 31 December 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 9 months ended 31 December 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 be 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, 26 April 2010

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.