

Hong Kong Exchanges and Clearing Limited and The Stock Exchange of Hong Kong Limited take no responsibility for the contents of this announcement, make no representation as to its accuracy or completeness and expressly disclaim any liability whatsoever for any loss howsoever arising from or in reliance upon the whole or any part of the contents of this announcement.

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 DECEMBER 2010

KEY FINANCIAL HIGHLIGHTS

| | For the twelve months ended 31 December 2010 HK\$'000 | For the nine months ended 31 December 2009 HK\$'000 (Restated) | Change |
|---|--|---|---------------|
| RESULTS | | | |
| Continuing operations | | | |
| Turnover | <u>22,373</u> | <u>25,357</u> | (11.8)% |
| Profit before tax | <u>289,267</u> | 327,819 | (11.8)% |
| Income tax expense | <u>(146,003)</u> | <u>(98,791)</u> | 47.8% |
| Profit for the year/period from continuing operations | 143,264 | 229,028 | (37.5)% |
| Discontinued operation | | | |
| (Loss)/profit for the year/period from discontinued operations | <u>(41,196)</u> | <u>10,948</u> | (476.3)% |
| Profit for the year/period | 102,068 | 239,976 | (57.5)% |
| Less: (Loss)/gain attributable to non-controlling interests | <u>(10,188)</u> | <u>2,916</u> | (449.4)% |
| Profit attributable to owners of the Company | <u>112,256</u> | <u>237,060</u> | (52.7)% |
| Basic earnings per share | <u>0.88 HK cents</u> | <u>1.86 HK cents</u> | (52.7)% |

| | For the twelve months ended 31 December 2010 <i>HK\$'000</i> | For the nine months ended 31 December 2009 <i>HK\$'000</i> (Restated) | Change |
|--|---|--|---------------|
| KEY ITEMS IN CONSOLIDATED STATEMENT OF FINANCIAL POSITION | | | |
| Equity attributable to owners of the Company | 5,125,420 | 5,047,845 | 1.54% |
| Total assets | 6,861,514 | 6,334,982 | 8.31% |
| Net assets | 5,523,076 | 5,343,429 | 3.36% |
| Net assets per share | HK\$0.43 | HK\$0.42 | 2.38% |

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 year ended 31 December 2010 as follows:–

CONSOLIDATED INCOME STATEMENT

| | <i>Note</i> | For the twelve months ended 31 December 2010 HK\$'000 | For the nine months ended 31 December 2009 HK\$'000 (Restated) |
|--|-------------|--|---|
| Continuing operations | | | |
| Turnover | 4 | 22,373 | 25,357 |
| Cost of sales and services rendered | | <u>(27,656)</u> | <u>(12,887)</u> |
| Gross (loss)/profit | | (5,283) | 12,470 |
| Other income | 5 | 813,201 | 585,265 |
| Oil exploitation expenses | | (258,761) | (157,443) |
| Administrative expenses | | <u>(259,368)</u> | <u>(109,695)</u> |
| Profit from operations | | 289,789 | 330,597 |
| Finance costs | 7 | (522) | – |
| Share of profits of associates | | – | 88,676 |
| Loss on disposals of associates | | <u>–</u> | <u>(91,454)</u> |
| Profit before tax | | 289,267 | 327,819 |
| Income tax expense | 9 | (146,003) | (98,791) |
| Profit for the year/period from continuing operations | | 143,264 | 229,028 |
| Discontinued operations | | | |
| (Loss)/profit for the year/period from discontinued operations | 10 | <u>(41,196)</u> | <u>10,948</u> |
| Profit for the year/period | 8 | <u>102,068</u> | <u>239,976</u> |

CONSOLIDATED INCOME STATEMENT (CONT'D)

| | | For the twelve months ended 31 December 2010 | For the nine months ended 31 December 2009 |
|---|--------------|---|---|
| | <i>Note</i> | <i>HK\$'000</i> | <i>HK\$'000</i> <i>(Restated)</i> |
| Attributable to: | | | |
| Owners of the Company | | | |
| Profit from continuing operations | | 154,152 | 229,287 |
| (Loss)/profit from discontinued operations | | (41,896) | 7,773 |
| | | <hr/> | <hr/> |
| Profit attributable to owners of the Company | | 112,256 | 237,060 |
| | | <hr/> | <hr/> |
| Non-controlling interests | | | |
| Loss from continuing operations | | (10,888) | (259) |
| Profit from discontinued operations | | 700 | 3,175 |
| | | <hr/> | <hr/> |
| (Loss)/profit attributable to non-controlling interests | | (10,188) | 2,916 |
| | | <hr/> | <hr/> |
| | | 102,068 | 239,976 |
| | | <hr/> | <hr/> |
| Earnings per share | | | |
| From continuing and discontinued operations | | | |
| Basic | <i>11(a)</i> | 0.88 cents | 1.86 cents |
| | | <hr/> | <hr/> |
| Diluted | <i>11</i> | N/A | N/A |
| | | <hr/> | <hr/> |
| From continuing operations | | | |
| Basic | <i>11(b)</i> | 1.21 cents | 1.79 cents |
| | | <hr/> | <hr/> |
| Diluted | <i>11</i> | N/A | N/A |
| | | <hr/> | <hr/> |

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

| | For the twelve months ended 31 December 2010 <i>HK\$'000</i> | For the nine months ended 31 December 2009 <i>HK\$'000</i> <i>(Restated)</i> |
|--|--|---|
| Profit for the year/period | 102,068 | 239,976 |
| Other comprehensive income: | | |
| Exchange differences on translating foreign operations | 31,887 | 480 |
| Exchange differences on releasing foreign currency translation reserve to income statement upon the disposal of a subsidiary | (11,890) | – |
| Other comprehensive income for the year/period, net of tax | 19,997 | 480 |
| Total comprehensive income for the year/period | 122,065 | 240,456 |
| Attributable to: | | |
| Owners of the Company | 122,507 | 237,319 |
| Non-controlling interests | (442) | 3,137 |
| | 122,065 | 240,456 |

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

| | <i>Note</i> | At 31 December 2010 <i>HK\$'000</i> | At 31 December 2009 <i>HK\$'000</i> <i>(Restated)</i> | At 1 April 2009 <i>HK\$'000</i> <i>(Restated)</i> |
|--|-------------|---|--|--|
| Non-current assets | | | | |
| Property, plant and equipment | | 182,048 | 67,699 | 42,988 |
| Investment properties | | – | 147,654 | 136,054 |
| Intangible assets | | 4,518,718 | 3,950,913 | 3,002,816 |
| Investment in associates | | – | – | 119,056 |
| Other assets | | 780,000 | – | – |
| | | 5,480,766 | 4,166,266 | 3,300,914 |
| Current assets | | | | |
| Inventories | | 1,455 | 7,227 | – |
| Trade and other receivables | 12 | 145,637 | 35,017 | 174,314 |
| Financial assets at fair value through profit or loss | | 3,387 | 3,800 | 23,804 |
| Pledged bank deposits | | 385,097 | 4,680 | – |
| Bank and cash balances | | 845,172 | 2,117,992 | 2,240,790 |
| | | 1,380,748 | 2,168,716 | 2,438,908 |
| Current liabilities | | | | |
| Trade and other payables | 13 | 223,384 | 26,700 | 22,060 |
| Due to directors | | 6,501 | 7,446 | 6,161 |
| Derivative financial instruments | | – | – | 7,727 |
| Bank loan | | 23,676 | – | – |
| Current tax liabilities | | 721 | 1,087 | – |
| | | 254,282 | 35,233 | 35,948 |
| Net current assets | | 1,126,466 | 2,133,483 | 2,402,960 |
| Total assets less current liabilities | | 6,607,232 | 6,299,749 | 5,703,874 |
| Non-current liabilities | | | | |
| Deferred tax liabilities | | 1,084,156 | 956,320 | 767,807 |
| NET ASSETS | | 5,523,076 | 5,343,429 | 4,936,067 |
| Capital and reserves | | | | |
| Share capital | | 127,771 | 127,771 | 127,771 |
| Reserves | | 4,997,649 | 4,920,074 | 4,621,272 |
| Equity attributable to owners of the Company | | 5,125,420 | 5,047,845 | 4,749,043 |
| Non-controlling interests | | 397,656 | 295,584 | 187,024 |
| TOTAL EQUITY | | 5,523,076 | 5,343,429 | 4,936,067 |

NOTES TO THE FINANCIAL STATEMENTS

1. GENERAL INFORMATION

The Company was incorporated in the Cayman Islands and redomiciled to Bermuda as an exempted company with limited liability under the Companies 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 2505, 25/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.

During the year, the Company was primarily involved in investment holding.

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

In the current year, 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 year beginning on 1 January 2010. 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 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. SIGNIFICANT ACCOUNTING POLICIES

These financial statements have been prepared in accordance with HKFRSs, accounting principles generally accepted in Hong Kong and the applicable disclosures required by the Rules Governing the Listing of Securities 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 and financial assets at fair value through profit or loss which are carried at their fair values.

Pursuant to a resolution of the board of directors of the Company passed on 29 December 2009, the Company's financial year end date was changed from 31 March to 31 December. Accordingly, the comparative amounts shown in the consolidated income statement, consolidated statement of comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows and related notes covering the Group's nine months of operation from 1 April 2009 to 31 December 2009 are not entirely comparable with the amounts for the current financial year which covered the Group's twelve months of operation.

Change in accounting policy

In previous years, the Group adopted the merger accounting method to account for business combinations involving entities under common control of Mr. Zhang Hong Wei, the ultimate controlling party of the Group. During the year, the directors reviewed the appropriateness and practicality of the change of accounting method for business combinations taking into account acquisition method as allowed under the HKFRS 3 (Revised) “Business Combinations” (“HKFRS 3”) issued by the HKICPA. The directors consider that acquisition method is more appropriate and would provide reliable and more relevant information regarding the conditions on the Group’s financial position, financial performance or cash flows in connection with certain business combinations in prior years. Accordingly, the Group changed its accounting policy to apply the acquisition method in accordance with HKFRS 3 to account for the acquisition of entire equity interest in United Petroleum & Natural Gas Investments Limited on 16 October 2007 which was previously accounted for under the merger accounting method. Details of the accounting policy for business combination under the acquisition method are set out in note 3(b).

The change in accounting policy has been applied retrospectively and resulted in changes in the consolidated amounts reported in the financial statements as follows:

Effect of changes in accounting policy on the consolidated income statement:

| | For the twelve months ended 31 December 2010 HK\$’000 | For the nine months ended 31 December 2009 HK\$’000 | |
|---|--|---|-----------------------------|
| Increase in other income | (753,056) | (496,758) | |
| Increase in oil exploitation expenses | 154,000 | 98,630 | |
| Increase in income tax expenses | 149,764 | 99,532 | |
| | <u>3.52</u> | <u>2.34</u> | |
| Increase in earnings per share (HK cents) | | | |
| | At 31 December 2010 HK\$’000 | At 31 December 2009 HK\$’000 | At 1 April 2009 HK\$’000 |
| Effect of changes in accounting policy on the consolidated statement of financial position: | | | |
| Increase in intangible assets | 4,000,000 | 3,400,944 | 3,002,816 |
| Increase in deferred tax liabilities | (1,000,000) | (850,236) | (750,704) |
| Increase in reserves | 3,000,000 | 2,550,708 | 2,252,112 |

4. TURNOVER

The Group’s turnover represents revenue from provision of patented technology supporting services to oilfields which generated from the continuing operations.

5. OTHER INCOME

| | For the twelve months ended 31 December 2010 HK\$'000 | For the nine months ended 31 December 2009 HK\$'000 (Restated) |
|---|--|--|
| 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 | 14,017 | 7,704 |
| Management fees income | 1,086 | – |
| Net foreign exchange gains | 12,654 | 28,560 |
| Net gain on disposals of financial assets at fair value through profit or loss | – | 42,179 |
| Other payables written back | – | 4,047 |
| Rental income | 88 | – |
| Reversal of allowance on inventories | 26,905 | – |
| Reversal of impairment losses on other receivables | 3,653 | – |
| Reversal of impairment losses on intangible assets | 753,056 | 496,758 |
| Others | 5,230 | 84 |
| | 816,689 | 600,395 |
| Representing: | | |
| Continuing operations | 813,201 | 585,265 |
| Discontinued operation (note 10) | 3,488 | 15,130 |
| | 816,689 | 600,395 |

6. SEGMENT INFORMATION

In prior years, the Group's reportable segments were divided into oil exploitation and property investment.

During the year, the directors reviewed the nature and financial effects of the Group's business activities and the internal reportable conditions and considered that it is more appropriate to separate the business activities relating to the provision of patented technology supporting services to oilfields from the oil exploitation segment to form a single segment. Comparative figures have been restated to conform with the current year's presentation.

The Group's reportable segments are therefore as follows:

- Oil exploitation – engages in activities relating to the production of crude oil.
- Oilfields supporting services – engages in activities relating to the provision of patented technology supporting services to oilfields.
- Property investment – invests in commercial properties for their rental income, property management service fees income and value appreciation potential (discontinued operations).

6. SEGMENT INFORMATION *(Cont'd)*

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 and certain other income included in the oil exploitation segment)
- corporate expenses
- share of profits of associates
- loss on disposals of associates
- loss on disposal of a subsidiary
- finance costs

Segment assets do not include the following items:

- other assets
- intangible assets – participating interest in oil exploitation project
- 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
- bank loan
- current tax liabilities (except for current tax liabilities included in the oil exploitation and oilfields supporting services segments)

6. SEGMENT INFORMATION (Cont'd)

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

| | (Discontinued operations) Property investment <i>HK\$'000</i> | Oil exploitation <i>HK\$'000</i> | Oilfields supporting services <i>HK\$'000</i> | Total <i>HK\$'000</i> |
|---|---|--|--|--------------------------|
| Year ended 31 December 2010 | | | | |
| Turnover from external customers | – | – | 22,373 | 22,373 |
| Segment (loss)/profit | (1,076) | 365,821 | (40,744) | 324,001 |
| Depreciation and amortisation | – | 172,640 | 44,609 | 217,249 |
| Other material item of income and expense: | | | | |
| Income tax expense/(credit) | 3 | 149,764 | (3,926) | 145,841 |
| Other material non-cash items: | | | | |
| Impairment losses on intangible assets | – | – | 4,131 | 4,131 |
| Reversal of impairment losses on intangible assets | – | 753,056 | – | 753,056 |
| Additions to segment non-current assets | – | 119,597 | 16,240 | 135,837 |
| At 31 December 2010 | | | | |
| Segment assets | – | 4,225,375 | 431,303 | 4,656,678 |
| Segment liabilities | – | 1,172,545 | 88,624 | 1,261,169 |

6. SEGMENT INFORMATION (Cont'd)

| | (Discontinued operations) Property investment <i>HK\$'000</i> | Oil exploitation <i>HK\$'000</i> <i>(Restated)</i> | Oilfields supporting services <i>HK\$'000</i> <i>(Restated)</i> | Total <i>HK\$'000</i> <i>(Restated)</i> |
|--|---|---|---|---|
| Period ended 31 December 2009 | | | | |
| Turnover from external customers | – | – | 25,357 | 25,357 |
| Segment profit/(loss) | 7,174 | 238,795 | (1,422) | 244,547 |
| Depreciation and amortisation | 11 | 107,340 | 17,826 | 125,177 |
| Other material items of income and expense: | | | | |
| Income tax expense/(credit) | 3,326 | 99,532 | (937) | 101,921 |
| Other material non-cash items: | | | | |
| Fair value gain on investment properties | 11,355 | – | – | 11,355 |
| Reversal of impairment losses on intangible assets | – | 496,758 | – | 496,758 |
| Additions to segment non-current assets | – | 2,987 | 442,926 | 445,913 |
| At 31 December 2009 | | | | |
| Segment assets | 147,682 | 3,437,850 | 448,670 | 4,034,202 |
| Segment liabilities | <u>20,715</u> | <u>858,411</u> | <u>101,567</u> | <u>980,693</u> |

6. SEGMENT INFORMATION (Cont'd)

Reconciliations of reportable segment profit or loss, assets and liabilities:

| | For the twelve months ended 31 December 2010 HK\$'000 | For the nine months ended 31 December 2009 HK\$'000 (Restated) |
|--|--|--|
| Profit or loss | | |
| Total profit of reportable segments | 324,001 | 244,547 |
| Unallocated amounts: | | |
| Other income (except for the fair value gain on investment properties and certain other income included in the oil exploitation segment) | 60,560 | 92,281 |
| Corporate expenses | (238,363) | (94,074) |
| Finance costs | (522) | – |
| Share of profits of associates | – | 88,676 |
| Loss on disposals of associates | – | (91,454) |
| Loss on disposal of a subsidiary | (43,608) | – |
| Elimination of discontinued operations | 41,196 | (10,948) |
| | <hr/> | <hr/> |
| Consolidated profit for the year /period from continuing operations | 143,264 | 229,028 |
| | <hr/> | <hr/> |
| Assets | | |
| Total assets of reportable segments | 4,656,678 | 4,034,202 |
| Unallocated amounts: | | |
| Other assets | 820,964 | 18,308 |
| Intangible assets – participating interest in oil exploitation project | 150,216 | 156,000 |
| Financial assets at fair value through profit or loss | 3,387 | 3,800 |
| Pledged bank deposits | 385,097 | 4,680 |
| Bank and cash balances | 845,172 | 2,117,992 |
| | <hr/> | <hr/> |
| Consolidated total assets | 6,861,514 | 6,334,982 |
| | <hr/> | <hr/> |
| Liabilities | | |
| Total liabilities of reportable segments | 1,261,169 | 980,693 |
| Unallocated amounts: | | |
| Other liabilities | 46,925 | 3,218 |
| Due to directors | 6,501 | 7,446 |
| Bank loan | 23,676 | – |
| Current tax liabilities (except for current tax liabilities included in the oil exploitation and oilfields supporting services segments) | 167 | 196 |
| | <hr/> | <hr/> |
| Consolidated total liabilities | 1,338,438 | 991,553 |
| | <hr/> | <hr/> |

6. SEGMENT INFORMATION (*Cont'd*)

Geographical information

The turnover and operating profit generated by the Group for the year ended 31 December 2010 and period ended 31 December 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 twelve months ended 31 December 2010 HK\$'000 | For the nine months ended 31 December 2009 HK\$'000 |
|---|--|--|
| Oilfields supporting services segment Customer A | <u>22,373</u> | <u>25,357</u> |

7. FINANCE COSTS

| | For the twelve months ended 31 December 2010 HK\$'000 | For the nine months ended 31 December 2009 HK\$'000 |
|---|--|--|
| From continuing operations – Interest on bank loan | <u>522</u> | <u>–</u> |

8. PROFIT FOR THE YEAR/PERIOD

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

| | Continuing operations | | Discontinued operations | | Total | |
|--|---|---|---|---|---|---|
| | For the twelve months ended 31 December 2010 HK\$'000 | For the nine months ended 31 December 2009 HK\$'000 (Restated) | For the twelve months ended 31 December 2010 HK\$'000 | For the nine months ended 31 December 2009 HK\$'000 | For the twelve months ended 31 December 2010 HK\$'000 | For the nine months ended 31 December 2009 HK\$'000 (Restated) |
| Amortisation of intangible assets (note a) | 197,393 | 116,640 | - | - | 197,393 | 116,640 |
| Auditor's remuneration | | | | | | |
| - Current | 1,050 | 1,066 | - | - | 1,050 | 1,066 |
| - Under-provision in prior year | - | 40 | - | - | - | 40 |
| | 1,050 | 1,106 | - | - | 1,050 | 1,106 |
| Depreciation | 25,962 | 11,553 | - | 11 | 25,962 | 11,564 |
| Directors' emoluments | 19,158 | 20,162 | - | - | 19,158 | 20,162 |
| Loss on disposals of property, plant and equipment | 9 | 10 | - | - | 9 | 10 |
| Operating lease charges | | | | | | |
| - Hire of office equipments and motor vehicles | 110 | - | - | - | 110 | - |
| - Land and buildings (note b) | 3,389 | 2,605 | - | - | 3,389 | 2,605 |
| | 3,499 | 2,605 | - | - | 3,499 | 2,605 |
| Research and development expenditures | 5,371 | 2,223 | - | - | 5,371 | 2,223 |
| Staff costs including directors' emoluments | | | | | | |
| Salaries, bonuses and allowances (note b) | 21,876 | 12,751 | - | - | 21,876 | 12,751 |
| Retirement benefits scheme contributions | 672 | 317 | - | - | 672 | 317 |
| Equity-settled share-based payments | 36,017 | 54,251 | - | - | 36,017 | 54,251 |
| | 58,565 | 67,319 | - | - | 58,565 | 67,319 |
| Other equity-settled share-based payments | 80,885 | - | - | - | 80,885 | - |
| Direct operating expenses of investment properties that did not generate rental income | - | - | 739 | 734 | 739 | 734 |
| Fair value loss on financial assets at fair value through profit or loss | 413 | - | - | - | 413 | - |
| Impairment losses on advances to oil exploitation project | 47,580 | - | - | - | 47,580 | - |
| Impairment losses on intangible assets (note c) | 4,131 | 8,895 | - | - | 4,131 | 8,895 |

Note a: The amortisation charges of approximately HK\$188,521,000 (for the period ended 31 December 2009: HK\$113,062,000 (as restated)) and HK\$8,872,000 (for the period ended 31 December 2009: HK\$3,578,000) are included in the oil exploitation expenses and costs of sales and services rendered respectively.

Note b: The amount includes the accommodation benefits provided to directors amounting to approximately HK\$280,000 (for the period ended 31 December 2009: HK\$1,200,000) included in the staff costs.

Note c: The impairment losses on intangible assets of approximately HK\$4,131,000 (for the period ended 31 December 2009: Nil) and Nil (for the period ended 31 December 2009: HK\$8,895,000) are included in the oil exploitation expenses and administrative expenses respectively.

9. INCOME TAX EXPENSE

| | For the twelve months ended 31 December 2010 HK\$'000 | For the nine months ended 31 December 2009 HK\$'000 (Restated) |
|--|--|--|
| Current tax – PRC enterprise income tax | | |
| Provision for the year/period | 952 | 1,087 |
| Under-provision in prior periods | 331 | – |
| | 1,283 | 1,087 |
| Deferred tax | 144,723 | 101,030 |
| | 146,006 | 102,117 |
| Representing: | | |
| Continuing operations | 146,003 | 98,791 |
| Discontinued operations (<i>note 10</i>) | 3 | 3,326 |
| | 146,006 | 102,117 |

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 year ended 31 December 2010 and the period ended 31 December 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. Accordingly, the applicable income tax rate of Universe for the year ended 31 December 2010 is 12.5%.

10. DISCONTINUED OPERATIONS

Pursuant to a disposal agreement dated 13 September 2010 entered into between United Energy International Investments Limited (“UEIIL”), a subsidiary of the Company, and an independent third party (the “Purchaser”), UEIIL disposed of the entire equity interest in a 71% owned subsidiary, Shenyang Shengtaicheng Property Development Company Limited (“Shengtaicheng”) at a consideration of approximately HK\$37,924,000 (equivalent to RMB32,750,000).

Shengtaicheng was engaged in the property investment business during the year ended 31 December 2010. The disposal was completed on 20 September 2010 and the Group discontinued its property investment business in PRC thereafter.

The (loss)/profit for the year/period from the discontinued operations is analysed as follows:

| | For the twelve months ended 31 December 2010 HK\$'000 | For the nine months ended 31 December 2009 HK\$'000 |
|---|--|--|
| Profit from discontinued operations | 2,412 | 10,948 |
| Loss on disposal of discontinued operations | <u>(43,608)</u> | <u>–</u> |
| | <u>(41,196)</u> | <u>10,948</u> |

The results of the discontinued operations for the period from 1 January 2010 to 20 September 2010, which have been included in consolidated profit or loss, are as follows:

| | Period from 1 January 2010 to 20 September 2010 HK\$'000 | For the nine months ended 31 December 2009 HK\$'000 |
|-------------------------------------|---|--|
| Turnover | – | – |
| Cost of sales and services rendered | <u>(739)</u> | <u>(734)</u> |
| Gross loss | (739) | (734) |
| Other income | 3,488 | 15,130 |
| Administrative expenses | <u>(334)</u> | <u>(122)</u> |
| Profit before tax | 2,415 | 14,274 |
| Income tax expense | <u>(3)</u> | <u>(3,326)</u> |
| Profit for the period | <u>2,412</u> | <u>10,948</u> |

During the period, the disposed subsidiary paid approximately HK\$33,547,000 (for the period ended 31 December 2009: HK\$100,317,000) in respect of operating activities and received approximately HK\$3,317,000 (for the period ended 31 December 2009: HK\$1,162,000) in respect of investing activities.

No tax charge or credit arose on loss on disposal of the discontinued operations.

11. EARNINGS PER SHARE

(a) From continuing and discontinued operations

Basic earnings per share

The calculation of basic earnings per share attributable to owners of the Company is based on the profit for the year attributable to owners of the Company of approximately HK\$112,256,000 (for the period ended 31 December 2009: HK\$237,060,000 (as restated)) and the weighted average number of ordinary shares of 12,777,091,632 (2009: 12,777,091,632) in issue during the year/period.

(b) From continuing operations

Basic earnings per share

The calculation of basic earnings per share from continuing operations attributable to owners of the Company is based on the profit for the year from continuing operations attributable to owners of the Company of approximately HK\$154,152,000 (for the period ended 31 December 2009: HK\$229,287,000 (as restated)) and the denominator used is the same as that detailed above for basic/earnings per share from continuing and discontinued operations.

(c) (Loss)/earnings per share from discontinued operation

Basic loss per share from the discontinued operation for the year ended 31 December 2010 is HK0.33 cents per share (for the period ended 31 December 2009: earnings per share of HK0.06 cents (as restated)) based on the loss for the year from discontinued operation attributable to the owners of the Company of approximately HK\$41,896,000 (for the period ended 31 December 2009: profit of HK\$7,773,000 (as restated)) and the denominator used is the same as that detailed above for basic/earnings per share from continuing and discontinued operations.

No diluted earnings per share are presented as the Company did not have any dilutive potential ordinary sharing during the year ended 31 December 2010 and period ended 31 December 2009.

12. TRADE AND OTHER RECEIVABLES

| | 2010 <i>HK\$'000</i> | 2009 <i>HK\$'000</i> |
|-------------------------------------|-------------------------|-------------------------|
| Trade receivables (<i>note a</i>) | 11,386 | 13,778 |
| Other receivables (<i>note b</i>) | 134,251 | 21,239 |
| | <hr/> | <hr/> |
| Total trade and other receivables | 145,637 | 35,017 |
| | <hr/> | <hr/> |

(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:

| | 2010 <i>HK\$'000</i> | 2009 <i>HK\$'000</i> |
|---------------|-------------------------|-------------------------|
| 0 to 30 days | 6,352 | 13,778 |
| 31 to 60 days | 5,034 | – |
| | <hr/> | <hr/> |
| | 11,386 | 13,778 |
| | <hr/> | <hr/> |

As of 31 December 2010, trade receivables of approximately HK\$5,034,000 (2009: Nil) were past due but not impaired. These relate to a single customer who has no recent history of default. The ageing analysis of these trade receivables is as follows:

| | 2010 <i>HK\$'000</i> | 2009 <i>HK\$'000</i> |
|----------------|-------------------------|-------------------------|
| Up to 3 months | 5,034 | – |
| | <hr/> | <hr/> |

All trade receivables are denominated in RMB.

(b) Other receivables

| | 2010 <i>HK\$'000</i> | 2009 <i>HK\$'000</i> |
|--|-------------------------|-------------------------|
| Amounts due from joint venture partners | 71,102 | 16,380 |
| Consideration receivable (<i>note i</i>) | 37,924 | – |
| Deposits and prepayments | 21,113 | 2,195 |
| Advances to staff | 3,926 | 2,280 |
| Others | 186 | 384 |
| | <hr/> | <hr/> |
| | 134,251 | 21,239 |
| | <hr/> | <hr/> |

- (i) The consideration receivable represents an amount due from the Purchaser of 71% equity interests in Shengtaicheng which were disposed of during the year. The amount is unsecured and interest-free and had been fully settled after the reporting period.

13. TRADE AND OTHER PAYABLES

| | 2010 <i>HK\$'000</i> | 2009 <i>HK\$'000</i> |
|--------------------------------|-------------------------|-------------------------|
| Accrual for operating expenses | 170,726 | 15,643 |
| Salary and welfare payables | 2,570 | 2,544 |
| Deposits received | 3,560 | 947 |
| Temporary receipts | 22,139 | – |
| Other tax payables | 1,720 | 1,194 |
| Consideration payable | 21,161 | – |
| Others | 1,508 | 6,372 |
| | <hr/> | <hr/> |
| Total trade and other payables | 223,384 | 26,700 |

DIVIDEND

The Directors do not recommend the payment of a final dividend for the year ended 31 December 2010 (for the 9 months ended 31 December 2009: Nil).

CLOSURE OF REGISTER

The register of members will be closed from Friday, 20 May 2011 to Wednesday, 25 May 2011 (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 25 May 2011, 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, 19 May 2011.

MANAGEMENT DISCUSSION AND ANALYSIS

Financial Review

For the year ended 31 December 2010, the Group's turnover was approximately HK\$22,373,000, which represented a significant decrease of approximately 11.8% as compared to the turnover of approximately HK\$25,357,000 for the 9 months ended 31 December 2009. The turnover during the period under review represented services fees income derived from the oilfield supporting service business. The decrease in turnover was mainly due to heavy rainfall and flooding during the year in Northern China which suspends business operation for a period of time.

In previous years, the Group adopted the merger accounting method to account for business combinations mainly involving combining the entities under common control of Mr. Zhang Hong Wei, the ultimate controlling party of the Group. During the year, the directors reviewed the appropriateness and practicality a change of the method of accounting for business combinations under common control taking into account of acquisition method as allowed under the HKFRS 3 (Revised) "Business Combinations" issued by the HKICPA. After disposal of property assets and turning the Group into a comprehensive energy corporation, the

directors consider that acquisition accounting is more appropriate and would provide reliable and more relevant information in respect of the Group's business combinations as it can better reflect the underlying economic substance of major assets of the Group. Accordingly, the Group changed its accounting policy to apply the core principle of acquisition accounting to account for the acquisition of entire equity interest in United Petroleum & Natural Gas Investments Limited ("United Petroleum") on 16 October 2007. Under the acquisition method, identifiable assets and liabilities of United Petroleum are measured at the acquisition-date fair values.

The change in accounting policy has been applied retrospectively and resulted in changes in the consolidated amounts reported in the financial statements as follows:

| | For the twelve months ended 31 December 2010 HK\$'000 | For the nine months ended 31 December 2009 HK\$'000 |
|---|--|---|
| Increase in other income | 753,056 | 496,758 |
| Increase in oil exploitation expenses | 154,000 | 98,630 |
| Increase in income tax expenses | 149,764 | 99,532 |
| Increase in intangible assets | 4,000,000 | 3,400,944 |
| Increase in deferred tax liabilities | 1,000,000 | 850,236 |
| Increase in reserves | 3,000,000 | 2,550,708 |
| Increase in earnings per share (HK cents) | 3.52 | 2.34 |

For the year ended 31 December 2010, other income increased by approximately 38.9% to approximately HK\$813,201,000 (For the 9 months ended 31 December 2009 (restated): approximately HK\$585,265,000). The increase in other income was mainly due to increase in reversal of impairment losses on intangible assets after change in accounting policy with adoption of acquisition accounting for business combination.

Administrative expenses increased from approximately HK\$109,695,000 for the 9 months ended 31 December 2009 (restated) to approximately HK\$259,368,000 for the year ended 31 December 2010. These expenses for the year ended 31 December 2010 mainly included the non-cash expense of approximately \$116,902,000 due to equity-settled share-based payment transactions from share options granted to the employees per the share option scheme and unlisted warrants granted to the consultants on 19 July 2010 and the impairment losses on advances to an oil exploitation project of approximately HK\$47,580,000.

In July 2010, the enhancing oil recovery plan ("EOR Plan") under Gaosheng Project of the Group has been approved by the National Development and Reform Commission ("NDRC") and the EOR Project will proceed to Development Period. The EOR Project was operated by United Petroleum, a wholly-owned subsidiary of the Group, with the cooperation of China National Petroleum Corporation ("CNPC"). Development includes design, drilling, construction, installation of specific EOR operations and the related research work and production activities. The development costs for such operations shall be borne by CNPC and the Group in the proportion of 30% by CNPC and 70% by the Group. As at 31 December

2010, the value of the oil exploitation rights under the Gaosheng Project owned by United Petroleum was of approximately HK\$4,000,000,000 (31 December 2009 (restated): approximately HK\$3,400,944,000) which was reflected in the consolidated statement of financial position as intangible assets and reversal of impairment losses on intangible assets of approximately HK\$753,056,000 for the year ended 31 December 2010 (for the 9 months ended 31 December 2009 (restated): approximately HK\$496,758,000) reflected in the consolidated income statement.

Oil exploitation expenses increased from approximately HK\$157,443,000 for the 9 months ended 31 December 2009 (restated) to approximately HK\$258,761,000 for the year ended 31 December 2010. The increase was mainly due to increase in amortisation charges on intangible assets of approximately HK\$154,000,000 after change in accounting policy with adoption of acquisition accounting for business combination (for the 9 months ended 31 December 2009 (restated): approximately HK\$98,630,000) and newly incurred development fee due to commencement of the Development Period of EOR Project during the year.

On 19 July 2010, the Company entered into the service agreements with two consultants respectively to engage them as consultants for provision of business development strategies and advisory services including seeking (i) suitable energy projects for the development or diversification of the business of the Company; and (ii) suitable business partners/investors for the Company for fund raising projects. Under the Service Agreements, the Company agreed to issue to each of them unlisted warrants in the amount of HK\$400,000,000. Upon full exercise of the warrants to be issued to both consultants in the aggregate amount of HK\$800,000,000 at the price of HK\$0.8 per share, a total of 1,000,000,000 new warrant shares will be issued by the Company. As at the date of this announcement, the two consultants have not exercised the unlisted warrants.

On 13 September 2010, the Group entered into the disposal agreement with an independent third party for the disposal of its 71% owned subsidiary, Shenyang Shengtaicheng Property Development Co., Ltd. (“Shengtaicheng”), which is principally engaged in property letting and management business. Consideration for the disposal is RMB32,750,000 (equivalent to approximately HK\$37,924,000). For the year ended 31 December 2010, loss from discontinued operation of Shengtaicheng was approximately HK\$41,196,000. For the 9 months ended 31 December 2009, profit from discontinued operations of Shengtaicheng was approximately HK\$10,948,000. The Group will concentrate its available resources on its core energy business after the disposal.

In summary, profit attributable to shareholders of the Company was approximately HK\$112,256,000 for the year ended 31 December 2010, representing a 52.65% decrease over the profit attributable to shareholders of the Company of approximately HK\$237,060,000 for the year ended 31 March 2009. This result is reflected in the basic earnings per share which was 0.88 HK cents as compared with the basic earnings per share of 1.86 HK cents for the 9 months ended 31 December 2009 (restated).

The Group’s Audit Committee has reviewed the audited consolidated financial statements for the year ended 31 December 2010. 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

In December 2010, the Group entered into an agreement with BP to acquire its oil and gas business in Pakistan for the consideration of US\$775,000,000 (equivalent to approximately HK\$6,006,250,000). The Group is the first non-state owned Hong Kong listed company to acquire upstream oil and gas assets in of an oil major. As of September 2010, the acquired assets by the Group comprise 120 producing crude oil and natural gas wells with a current average net production of 35,000 barrels of oil equivalent per day. The acquired assets by the Group comprise 120 producing crude oil and natural gas wells with reserves approximately 79 mmboe and a current average net production of 35,000 barrels of oil equivalent per day.

In addition, on 5 March 2010, Shengtaicheng was demerged into two companies, Shengtaicheng and United Energy Technology (China) Limited (“UET”). Before the demerger, Shengtaicheng was principally engaged in property letting and management business and was a joint venture company 71% owned by United Energy International Investments Limited (“UEII”), a wholly-owned subsidiary of the Company, and 29% owned by Guangzhou Yinchuang Investment Co., Ltd. (“Guangzhou Yinchuang”), a third party. After the demerger, the shareholdings ratio of these two companies remains unchanged. Shengtaicheng and UET were still 71% owned by UEII and 29% owned by Guangzhou Yinchuang. UET will be principally engaged in the business of introduction, development and application of energy-saving development technology, resources regeneration and consolidated application technology. Shengtaicheng was still engaged in property letting and management business.

On 13 September 2010, the Group entered into the disposal agreement with an independent third party for the consideration of RMB32,750,000 (equivalent to approximately HK\$37,640,000) for the disposal of 71% shareholdings in Shengtaicheng. Assets of Shengtaicheng mainly consist of a commercial property in Shenyang City, Liaoning Province, the PRC. Since the business of Shengtaicheng had been inactive due to the defective fire protection system and problematic quality of the property and the business of Shengtaicheng was not consistent with the current principal business of the Group in upstream oil and natural gas, the Group decided to dispose of Shengtaicheng in order to concentrate its available resources on the principal business of the Group and with a view to streamlining the business structure of the Group.

As Guangzhou Yinchuang wished to withdraw its investment from UET, on 29 October 2010, UET, UEII and Guangzhou Yinchuang signed an shareholdings agreement in which UET proposes to repurchase the 29% interest held by Guangzhou Yinchuang at a consideration of approximately RMB17,876,000 (equivalent to approximately HK\$21,161,000). The consideration is the exact amount contributed by Guangzhou Yinchuang for its 29% interest in UET and such contribution was recorded as registered capital of UET. Upon completion of the proposed withdrawal, UET will cancel such registered capital contributed by Guangzhou Yinchuang and, in turn, the Group’s interest in UET will increase to 100%. On 13 December 2010, the proposed withdrawal has been completed.

Segment Information

Particulars of the Group's segment information are set out in note 8 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\$845,000,000 as at 31 December 2010 (as at 31 December 2009: approximately HK\$2,118,000,000). The decrease was mainly due to payment of initial deposit of US\$100,000,000 (equivalent to approximately HK\$780,000,000) for acquisition of BP Pakistan assets and increase in performance bond pledge for banking facilities of HK\$380,417,000.

As at 30 September 2009, the Group has banking facilities of approximately HK\$4,680,000 in respect of issuance of performance bond for guarantee of our Group's performance of its obligation to commit to cover its share of 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. As at 31 December 2010, the Group's cash at banks with carrying value of approximately HK\$4,680,000 were pledged for the banking facilities.

As at 26 January 2010, the Group has other banking facilities of approximately HK\$468,000,000 (equivalent to approximately US\$60,000,000) in respect of issuance of another performance bond for guarantee of United Petroleum's performance of its obligation in the development period of the EOR Contract in Gaosheng project dated 15 September 2006. As at 13 December 2010, as United Petroleum has completed part of its obligation, CNPC confirmed and agreed to release part of the performance in the amount of HK\$88,390,000 (equivalent to approximately US\$11,332,000). As at 31 December 2010, the Group's cash at banks with carrying value of approximately HK\$379,610,000 (equivalent to approximately US\$48,668,000) were pledged for the banking facilities.

On 18 December 2010, the Company entered into a cooperation agreement with China Development Bank Corporation Hong Kong Branch (the "Bank") for a period of five years from the date of such cooperation agreement in respect of the Group's oil and gas and natural mineral resources projects. During such period, the Company agrees to take the Bank as its preferred financing partner and the Bank agrees to provide the Group's projects with financing supporting services including consultancy and planning. Any financing to be provided under such cooperation agreement may be by way of bilateral or syndicated loans arranged by the Bank. The Bank also agrees to give preferential consideration to financing applications in respect of the Group's projects. No commitment to lend had been made by the Bank under such cooperation agreement and the actual financing terms and amount are subject to further approvals and loan documentations.

The Group had no long-term borrowings, therefore the gearing ratio is not applicable. As at 31 December 2010, the current ratio was approximately 5.43 (as at 31 December 2009: approximately 61.55), based on current assets of approximately HK\$1,380,748,000 (31 March 2009: approximately HK\$2,168,716,000) and current liabilities of approximately HK\$254,282,000 (as at 31 December 2009: approximately HK\$35,233,000).

Capital Structure

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

Orders

In line with its business nature, the Group did not have any order records as at 31 December 2010.

Employees

As at 31 December 2010, the Group employed a total of 171 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 bonuses, medical benefits and a contributory provident fund.

Contingent Liabilities

The Group had no significant contingent liabilities as at 31 December 2010.

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 2010, 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 year ended 31 December 2010 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 December 2010.

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 December 2010 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 2010 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 Hong Wei
Chairman

Hong Kong, 31 March 2011

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