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 JUNE 2012

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 June 2012 together with unaudited comparative figures for the six months ended 30 June 2011 as follows : –

Condensed Consolidated Income Statement
For the six months ended 30 June 2012

	Note	Six months ended 30 June **2012** HK$'000 (unaudited)	2011 HK$'000 (unaudited)
Turnover	3	**1,410,567**	111,887
Cost of sales and services rendered		**(1,009,304)**	(76,988)
Gross profit		**401,263**	34,899
Other income		**20,413**	36,267
Reversal of impairment losses on intangible assets		**104,800**	19,747
Oil exploitation expenses		**-**	(33,980)
Exploration expenses		**(102,059)**	-
Administrative expenses		**(167,439)**	(94,888)
Profit/ (loss) from operations		**256,978**	(37,955)
Financial costs	4	**(114,119)**	(624)
Profit/ (loss) before tax		**142,859**	(38,579)
Income tax credit /(expense)	5	**70,784**	(1)
Profit/ (loss) for the period	6	**213,643**	(38,580)
Attributable to:			
Owners of the Company		**213,905**	(34,533)
Non-controlling interests		**(262)**	(4,047)
		213,643	(38,580)
Earnings/ (loss) per share	7		
Basic		**1.67 cents**	(0.27) cents
Diluted		**1.65 cents**	N/A

Condensed Consolidated Statement of Comprehensive Income

For the six months ended 30 June 2012

	Six months ended 30 June	
	2012	2011
	HK$'000	HK$'000
	(unaudited)	(unaudited)
Profit/ (loss) for the period	**213,643**	(38,580)
Other comprehensive income:		
Exchange differences on translating foreign operations	**(2,068)**	11,002
Other comprehensive income for the period, net of tax	**(2,068)**	11,002
Total comprehensive income/ (loss) for the period	**211,575**	(27,578)
Attributable to:		
Owners of the Company	**213,961**	(30,200)
Non-controlling interests	**(2,386)**	2,622
	211,575	(27,578)

Condensed Consolidated Statement of Financial Position

As at 30 June 2012

	Note	**30 June 2012 HK$'000 (unaudited)**	31 December 2011 HK$'000 (audited)
Non-current assets			
Property, plant and equipment	9	**2,113,408**	1,877,254
Intangible assets		**8,488,637**	8,762,996
Advances, deposits and prepayments		**13,762**	17,017
Deferred tax assets		**137,054**	63,383
		10,752,861	10,720,650
Current assets			
Inventories		**530,277**	495,185
Trade and other receivables	10	**1,650,817**	1,439,607
Held-to-maturity investments		**-**	30,850
Financial assets at fair value through profit or loss		**2,913**	2,508
Pledged bank deposits		**215,436**	201,207
Bank and cash balances		**748,594**	482,323
		3,148,037	2,651,680
Current liabilities			
Trade and other payables	11	**1,206,717**	942,822
Due to directors		**7,903**	8,066
Bank loans		**163,918**	102,680
Current tax liabilities		**9,413**	11,067
		1,387,951	1,064,635
Net current assets		**1,760,086**	1,587,045
Total assets less current liabilities		**12,512,947**	12,307,695
Non-current liabilities			
Bank loans		**4,914,000**	4,914,000
Provisions	12	**246,547**	251,449
Deferred tax liabilities		**1,047,628**	1,058,759
		6,208,175	6,224,208
NET ASSETS		**6,304,772**	6,083,487
Capital and reserves			
Share capital	13	**127,849**	127,771
Reserves		**5,782,169**	5,558,576
Equity attributable to owners of the Company		**5,910,018**	5,686,347
Non-controlling interests		**394,754**	397,140
TOTAL EQUITY		**6,304,772**	6,083,487

Notes to Interim Financial Statements

For the six months ended 30 June 2012

1. Basis of preparation

These condensed financial statements have been prepared in accordance with Hong Kong Accounting Standard 34 “Interim Financial Reporting” issued by the Hong Kong Institute of Certified Public Accountants (the “HKICPA”) and the applicable disclosures required by the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited.

These condensed financial statements should be read in conjunction with the 2011 annual financial statements. The accounting policies and methods of computation used in the preparation of these condensed financial statements are consistent with those used in the annual financial statements for the year ended 31 December 2011.

2. Adoption of New and Revised Hong Kong Financial Reporting Standards

These condensed financial statements have been prepared under the historical cost convention, as modified by investments which are carried at their fair value.

In the current period, the Group has adopted all the new and revised Hong Kong Financial Reporting Standards (“HKFRSs”) issued by the HKICPA that are relevant to its operations and effective for its accounting period beginning on 1 January 2012. 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.

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

The Group’s reportable segments are therefore as follows:

1. Exploration and production – engages in activities relating to the exploration and production of crude oil and natural gas in Pakistan.

2. Oil exploitation – engages in activities relating to the production of crude oil in PRC.

3. Oilfields supporting services – engages in activities relating to the provision of patented technology supporting services to oilfields.

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.

3. Segment information – Continued

The accounting policies of the operating segments are the same as those described in the Group's financial statements for the year ended 31 December 2011.

	Exploration and production HK$'000 (unaudited)	Oil exploitation HK$'000 (unaudited)	Oilfields supporting services HK'000 (unaudited)	Total HK$'000 (unaudited)
For the six months ended 30 June 2012				
Turnover from external customers	1,234,921	143,453	32,193	1,410,567
Segment profit	357,805	21,047	114	378,966
As at 30 June 2012				
Segment assets	7,137,235	4,944,675	392,503	12,474,413
For the six months ended 30 June 2011				
Turnover from external customers	-	84,374	27,513	111,887
Segment profit/ (loss)	-	28,501	(13,694)	14,807
	(audited)	(audited)	(audited)	(audited)
As at 31 December 2011				
Segment assets	7,222,386	4,632,669	416,240	12,271,295

Reconciliations of reportable segment profit or loss:

	Six months ended 30 June	
	2012 HK$'000 (unaudited)	2011 HK$'000 (unaudited)
Profit or loss		
Total profit of reportable segments	378,966	14,807
Unallocated amount:		
Other income (except for certain other income included in the exploration and production and oil exploitation segments)	1,000	9,819
Corporate expenses	(54,700)	(63,206)
Finance costs (except for unwinding of discount on provision for decommissioning cost included in the exploration and production segment)	(111,623)	-
Consolidated profit/ (loss) for the period	213,643	(38,580)

4. Finance Costs

	Six months ended 30 June	
	2012	2011
	HK$'000	HK$'000
	(unaudited)	(unaudited)
From continuing operations		
- Interest on bank loans	111,623	624
- Unwinding of discount on provision for decommissioning cost	2,496	-
	114,119	624

5. Income tax credit/ (expenses)

	Six months ended 30 June	
	2012	2011
	HK$'000	HK$'000
	(unaudited)	(unaudited)
Current tax		
- Provision for the period	(13,637)	(1)
Deferred tax	84,421	-
	70,784	(1)

No provision for profits tax in the Bermuda, Bahamas, British Virgin Islands, Singapore, Mauritius, Pakistan or Hong Kong is required as the Group has no assessable profit arising in or derived from these jurisdictions for the six months ended 30 June 2012 and 2011.

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.

6. Profit/ (loss) for the period

The Group's profit/ (loss) for the period is arrived at after charging/ (crediting) the following:

	Six months ended 30 June	
	2012	2011
	HK$'000	HK$'000
	(unaudited)	(unaudited)
Interest income	(812)	(3,689)
Dividend income	(75)	(66)
Amortisation of intangible assets	377,560	41,255
Depreciation	377,365	20,871
Directors' remuneration	6,758	10,892
Fair value (gain)/ loss on financial assets at fair value through profit or loss	(406)	112
Reversal of impairment losses on intangible assets *(note)*	(104,800)	(19,747)
Reversal of allowance on inventories	-	(22,139)

6. Profit/ (loss) for the period – Continued

Note: During the period, the Group carried out reviews of the recoverable amount of its intangible assets having regard to the changes in market conditions and the recovery of oil reserves. The reviews led to the recognition of a reversal of impairment losses on concession and lease rights approximately HK$104,800,000. The recoverable amount of the concession and lease rights have been determined on the basis of their fair value less costs to sell. The discount rate used in measurement for fair value was 22.44%.

7. Earnings/ (loss) per share

(a) Basic earnings per share

The calculation of basic earnings per share attributable to owners of the Company is based on the profit for the six months ended 30 June 2012 attributable to owners of the Company of approximately HK$213,905,000 (loss for the six months ended 30 June 2011: HK$34,533,000) and the weighted average number of ordinary shares of 12,780,231,906 shares (2011: 12,777,091,632 shares) in issue during the period.

(b) Diluted earnings per share

The calculation of diluted earnings per share attributable to owners of the Company for the six months ended 30 June 2012 is based on the profit for the period attributable to owners of the Company of approximately HK$213,905,000 and weighted average number of ordinary shares of 12,991,858,407 shares, being the weighted average number of ordinary shares of 12,780,231,906 shares in issue during the period used in the basic earnings per share calculation plus the weighted average number of ordinary shares of 211,626,501 assumed to have been issued at no consideration on the deemed exercise of the unlisted warrants and share options outstanding during the period.

The effects of all potential ordinary shares in respect of the unlisted warrants and the share options are anti-dilutive for the six months ended 30 June 2011.

8. Dividend

The directors of the Company do not recommend any interim dividend for the six months ended 30 June 2012 (for the six months ended 30 June 2011: Nil).

9. Property, plant and equipment

During the six months ended 30 June 2012, the Group acquired property, plant and equipment of approximately HK$454,185,000.

10. Trade and other receivables

	30 June 2012 HK$'000 (unaudited)	31 December 2011 HK$'000 (audited)
Trade receivables (note a)	1,113,061	778,170
Other receivables (note b)	537,756	661,437
Total trade and other receivables	1,650,817	1,439,607

10. Trade and other receivables - Continued

(a) Trade receivables

The Group's trading terms with customers are mainly on credit. The credit term is generally range from 30 to 45 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:

	30 June 2012 HK$'000 (unaudited)	31 December 2011 HK$'000 (audited)
0 to 30 days	567,872	668,522
31 to 60 days	120,626	59,094
61 to 90 days	73,578	11,936
91 to 180 days	130,259	31,170
181 to 365 days	220,726	7,448
	1,113,061	778,170

(b) Other receivables

	30 June 2012 HK$'000 (unaudited)	31 December 2011 HK$'000 (audited)
Amounts due from joint venture partners	118,785	35,010
Central excise duty receivables	9,915	5,806
Prepayment to non-controlling shareholder of a subsidiary (note i)	314,136	315,825
Deposits and prepayments	30,591	13,980
Advances to staff	12,349	9,143
Excess consideration receivables	-	251,794
Sales tax receivables	49,669	27,630
Others	2,311	2,249
	537,756	661,437

Note (i): The amount represents the prepayment of equity distribution by the Group for the proposed dissolution of the 80% owned subsidiary, Shenyang Shengtaiyuan Logistics Company Limited. At the end of the reporting period, such dissolution has been completed.

11. Trade and other payables

	30 June 2012 HK$'000 (unaudited)	31 December 2011 HK$'000 (audited)
Trade payables	370,486	189,225
Accrual for operating expenses	789,102	489,127
Salaries and welfare payables	4,660	3,200
Deposits received	-	10,043
Temporary receipts	22,151	22,139
Other tax payables	17,487	161,104
Due to a joint venture partner	-	66,451
Others	2,831	1,533
Total trade and other payables	1,206,717	942,822

12. Provisions

	Dismantling costs in respect of leasehold improvements HK$'000	Decommissioning HK$'000	Total HK$'000
At 1 January 2012 (audited)	540	250,909	251,449
Add:			
Provision recognized during the period	-	918	918
Less:			
Actual costs incurred during the period	(120)	(8,196)	(8,316)
Add:			
Unwinding of discount	-	2,496	2,496
At 30 June 2012 (unaudited)	420	246,127	246,547

Oil and gas exploration and production activities may result in land subsidence and damage to the environment of the concession areas. Pursuant to the relevant rules and regulations, the Group is required to restore the concession areas back to acceptable conditions.

The decommissioning costs obligation has been determined by management based on future expenditure by discounting the expected expenditures to their net present value at market rate. The amounts provided in relation to the decommissioning costs are reviewed at least annually based upon the facts and circumstances available at the time and the provisions are updated accordingly.

The provision for dismantling costs in respect of leasehold improvements is calculated based on the net present value of costs to be incurred to remove leasehold improvements from the leased properties of the Group. The amounts are determined with reference to the quotations from external contractors and the management's estimation.

13. Share capital

	Number of shares	Amount
		HK$'000
Authorised:		
Ordinary shares of HK$0.01 each		
At 1 January and 30 June 2012	**60,000,000,000**	600,000
Issued and fully paid:		
Ordinary shares of HK$0.01 each		
At 1 January 2012 (audited)	**12,777,091,632**	127,771
New issue during the period [Notes]	**7,783,880**	78
At 30 June 2012 (unaudited)	**12,784,875,512**	127,849

Notes

(a) 6,783,880 ordinary shares were issued during the period after the Company resolved to award new shares to employees under the share match plan adopted by the Company on 16 September 2011.

(b) Additionally, 1,000,000 ordinary shares were issued during the period after vested share options arising from the year 2006 share option plan were exercised by management personnel.

14. Capital Commitments

The Group's capital commitments at the end of reporting period are as follows:

	30 June 2012 HK$'000 (unaudited)	31 December 2011 HK$'000 (audited)
Contracted but not provided for:		
Acquisition of property, plant and equipment	28,160	28,160
Commitments for capital expenditure	885,758	793,088
	913,918	821,248

Commitments for capital expenditure include minimum expenditure required under various petroleum concession agreements and production sharing agreements in Pakistan.

15. Approval of the interim financial statements

The condensed consolidated interim financial statements for the six months ended 30 June 2012 has been approved for issue by the board of directors on 25 July 2012.

Management discussion and analysis

Financial Review

For the six months ended 30 June 2012 ("Period under Review"), the Group's turnover increased to approximately HK$1,410,567,000, which represented a significant increase of approximately 11.6 times as compared to the turnover of approximately HK$111,887,000 for the six months ended 30 June 2011. The turnover for the Period under Review represented sales and production of crude oil, condensate, gas and liquified petroleum gas (approximately HK$1,378,375,000) and services fees income derived from provision of patented technology supporting services to oilfields (approximately HK$32,193,000). For the six ended 30 June 2011, the turnover represented sales and production of crude oil (approximately HK$84,374,000) and service fee income derived from provision of patented technology supporting services to oilfields only (approximately HK$27,513,000). For the six months ended 30 June 2012, the Group's gross profit was approximately HK$401,263,000 (gross profit ratio approximately 28.5%) which represented a substantial increase of approximately 10.5 times compared to gross profit for the six months ended 30 June 2011 of HK$34,899,000 (gross profit ratio approximately 31.2%). The Company reported an EBITDA of HK$907,000,000 for the Period under Review.

For the six months ended 30 June 2012, other income decreased by approximately 43.7% to approximately HK$20,413,000 (For six months ended 30 June 2011: approximately HK$36,267,000).

Administrative expenses increased from approximately HK$94,888,000 for the six months ended 30 June 2011 to approximately HK$167,439,000 for the six months ended 30 June 2012. These expenses for the six months ended 30 June 2012 mainly included non-cash expenses of approximately HK$2,997,000 due to equity settled share-based payment transactions from share options granted to the employees and directors per the share option scheme. The increase in administrative expenses was mainly due to the recognition of administrative expenses incurred in Pakistan operation after completion of the acquisition of Pakistan Business in September 2011.

Exploration expenses of HK$102,059,000 were incurred for the six months ended 30 June 2012 mainly for the seismic study in Pakistan operation.

In summary, profit attributable to owners of the Company was approximately HK$213,905,000 for the six months ended 30 June 2012. The loss attributable to owners of the Company was approximately HK$34,533,000 for the six months ended 30 June 2011. This result is reflected in the basic earnings per share which was 1.67 HK cents for the six months ended 30 June 2012. The basic loss per share was 0.27 HK cents for the six months ended 30 June 2011.

The Group continues to see considerable opportunity for organic and inorganic expansion. Due to the projected expansion, and, as such, the Board has not recommended the payment of dividend for the Period.

The Group's Audit Committee has reviewed the unaudited condensed consolidated financial statements for the six months ended 30 June 2012. The Audit Committee has reviewed with management the accounting principles and practices adopted by the Group, as well as internal control and financial reporting matters, and found them to be satisfactory.

Business Review

During the period under Review, the Group's assets in Pakistan and China reported an increase in production, boosting the daily production of the Group to 24,735 barrel oil equivalent ("boe") per day. In terms of assets development, the Group saw some progresses in drillings, workovers, system upgrade as well as seismic data collecting works, the results of those works have been demonstrated by the progressive increment in production volume.

Upstream Oil and Gas Exploration and Production

A. Pakistan Assets

For the six months ended 30 June 2012, the Pakistan assets remain the major revenue contributor to the Group, generating turnover of HK$1,235 million and EBITDA of HK$879.38 million. Average production over the said period was 23,530 boe per day. The composite realized sales price of oil, gas and LPG production was about US$42.16 per boe (HK$328 per boe), royalty payment was US$5.19 per boe (HK$40.48 per boe). Whilst, lifting cost maintained at about US$6.11 per boe (HK$47.69 per boe) and EBITDA margin was about US$26.33 per boe (HK$205.35 per boe).

As a result of high Capex spending of the period under review, the Pakistan asset showed a revival in net production, surging 16.5% from around 21,400 boe per day recorded at the end of last year to 24,935 boe per day as at 30 June 2012. The Group revised plan is to drill 24 development wells and 16 exploration wells in the oil fields in Pakistan this year to boost the daily output of the oil fields to their peak within two to three years.

During the period, the Group has accomplished a few tasks, including: (i) completed a drilling activity of 9 development wells and 3 exploration wells; (ii) finished workovers for 16 wells; (iii) collected 3D seismic data for 1,189 km^2, which 1,165 km^2 were in MKK and 24 km^2 were in Badin block.

In early May 2012, Mr. Zhang Hong Wei, Chairman and Executive Director of United Energy, participated in the Second China-Pakistan Joint Energy Working Group Meeting, which has facilitated large scale cooperation between both countries in the areas of conventional energy, renewable energy and nuclear energy for civilian industry.

During the meeting, the Group's wholly-owned subsidiary signed a non-legally binding Memorandum Of Understanding ("non-binding MOU) on 8 May 2012 with China Development Bank and Pak-China Investment Company Limited to explore the potentiality of developing renewable energy in the country. The Group is currently conducting feasibility study and expecting the assessment report by end of this year.

The Group is in talks with several Chinese renewable energy companies to mull possibility for bringing in the advanced technology and equipment for our Pakistan wind project. The Group is striving to grow into one of the largest oil and gas resources enterprises and suppliers in Pakistan within three to five years.

B. Enhanced Oil Recovery ("EOR") Project in Liaohe, China

The operation of EOR Project in Liaohe is the first successful large scale commercial application of fireflood technology in China. For the six months ended 30 June 2012, the average daily production level attributed to the Company has been increased by 1.41times on year-on-year basis to 1,205 barrel per day ("bbl/d").

In terms of new developments, 2 ignition wells commenced operation, drilling work for 18 production wells, and completed utility facilities for 2 well-sets. Moreover, 32% of wells have been converted into fireflood wells as at 30 June 2012.

Turnover and EBITDA from EOR Project amounted to HK$143 million and HK$52.65 million respectively. Average sales price was about US$109.91 per bbl (HK$857.32 per bbl), royalty and government tax was US$24.82 per bbl (HK$193.63 per bbl), whilst, lifting cost was about US$39.52 per bbl (HK$308.28 per bbl) and EBITDA margin was about US$30.77 per bbl (HK$240.02 per bbl).

Oilfield Supporting Service Business

As a pioneer in using fireflood technology in China, the Group is determined to lead the development of the fireflood technology to another level, by utilizing this advanced technology to derive an addition value of matured oilfield through collaboration with oilfield operators or mergers and acquisitions. For the six months ended 30 June 2012, income from oilfield services amounted to HK$31.93 million, an increase of 17% from same time last year, whilst EBITDA amounted to HK$16 million.

In addition to the contracts mentioned above, the Group will continue seeking cooperation opportunities with operators of matured oilfields. By utilizing this advanced technology which features low production cost and high efficiency, the residual value of mature oilfields with high potential will be significantly enhanced.

Market Overview and Prospect

As the global economic outlook remains uncertain, oil and gas prices could remain volatile. As such, the Group's Exploration and Production portfolio with 70% of gas production based on long term contracted prices will continue providing earning stability in any market conditions. Meanwhile, we perceive the global economic turbulence as a favorable backdrop for conducting mergers and acquisitions activities as sources of funding become uncertain. Our Merger and Acquisition team has been searching for opportunities to acquire accretive assets in order to broaden the scale and reach of our upstream operations, which is in line with our "reliable operation + rapid expansion" strategy.

Apart from dedicating our efforts to constructing a solid portfolio, we will continue to maximize value from the inherent potential of our existing assets.

Regarding our Pakistan asset we have engaged a second seismic crew to expedite the data acquisition process, in order to unlock the potential of the assets. The Group also revised the 3D seismic plan from covering 4,512 km^2 to 4,832 km^2. We have also launched a comprehensive workover plan to support continued growth in production. The revised Capex for the year 2012 has also increased from a range of US$170-190 million to US$200-220 million.

For the China market, government's initiatives to encourage improved production in oil and gas industry resulted in the implementation of policy to raise the threshold of windfall tax levy on gains from crude oil from US$40 to US$55 early in 2012 to be applied retrospectively from 1 November 2011. As a result our operations in China are enjoying more of the benefit of current oil prices.

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$748,594,000 as at 30 June 2012 (as at 31 December 2011: approximately HK$482,323,000).

On 26 January 2010, the Group has banking facilities of approximately HK$468,000,000 (equivalent to approximately US$60,000,000) in respect of issuance of performance bond for guarantee of performance of United Petroleum & Natural Gas Investments Limited ("United Petroleum"), a wholly subsidiary of the Company, of its obligation in the development period of the EOR Contract in Liaohe Oilfields project dated 15 September 2006. In December 2010, April 2011, November 2011 and March 2012, as United Petroleum has completed part of its obligation, China National Petroleum Corporation ("CNPC") confirmed and agreed to release part of the performance in the amount of HK$357,630,000 (equivalent to approximately US$45,850,000). As at 30 June 2012, the Group's cash at banks with carrying value of approximately HK$110,370,000 (equivalent to approximately US$14,150,000) were pledged for the banking facilities.

On 22 February 2012, the Company issued various unlimited corporate guarantees in favour of the President of the Islamic Republic of Pakistan and certain joint venture partners of the Group, for guarantee to provide United Energy Pakistan Limited, an indirect wholly-owned subsidiary of the Company ("UEP"), with all necessary financial and other means to enable UEP to fully perform its obligations as stipulated in the concession agreements.

On 20 March 2012, UEP issued various bank guarantees in an aggregate sum of approximately HK$105,066,000 (equivalent to US$13,470,000) in favour of the President of the Islamic Republic of Pakistan, for guarantee UEP's performance of its financial and works obligations as stipulated in the concession and production sharing agreements. As at 30 June 2012, the Group's cash at bank with carrying value of approximately HK$105,066,000 (equivalent to US$13,470,000) were pledged to a bank for the issuance of these bank guarantees. The expiry date of these bank guarantees is 1 December 2013.

On 27 June 2012, United Petroleum & Natural Gas (Punjin) Limited, an indirectly wholly-owned subsidiary of the Company ("United Petroleum (Punjin)"), entered into a facility agreement with Citic Bank (Shenyang Branch) for a credit line of RMB 100,000,000 with expiry on 13 December 2013. The Orient Group Industrial Holdings Company Limited, a related party of the Group due to Mr. Zhang Hong Wei as ultimate controlling party, ("Orient Group Industrial"), has provided a guarantee in favour of United Petroleum (Punjin) to Citic Bank (Shenyang Branch) against the credit line in the amount of RMB100,000,000. On the same day, United Petroleum (Punjin) entered into a loan agreement with Citic Bank (Shenyang Branch) in order to draw down RMB 50,000,000 (equivalent to HK$61,370,000) from the credit line at floating interest rate (basic lending rate of People's Bank of China under same period and same grade + 20 bps) with expiry on 27 June 2013 for purchase of raw materials. At 30 June 2012, the bank loan of RMB 50,000,000 (equivalent to HK$61,370,000) denominated in RMB is secured by the guarantee from Orient Group Industrial. On the date of this report, the remaining credit limit of RMB 50,000,000 is not drawn down.

As at 30 June 2012, the gearing ratio was approximately 36.5% (as at 31 December 2011: 37.5%), based on bank loan under current liabilities and non-current liabilities of approximately HK$163,918,000 and HK$4,914,000,000 respectively and total assets of approximately HK$13,900,898,000. As at 30 June 2012, the current ratio was approximately 2.27 times (as at 31 December 2011: approximately 2.49 times), based on current assets of approximately HK$3,148,037,000 (as at 31 December 2011: approximately HK$2,651,680,000) and current liabilities of approximately HK$1,387,951,000 (as at 31 December 2011: approximately HK$1,064,635,000).

Employees

At as 30 June 2012, the Group employed a total of 874 full time employees in Hong Kong, the PRC, Pakistan and Singapore. 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.

On 25 April 2012, Mr. Ho King Fung, Eric has resigned as a non-executive director of the Company due to his decision to pursue his personal interest.

Contingent Liabilities

The Group had no significant contingent liabilities as at 30 June 2012.

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. As the exchange rates of United States dollars and Renminbi against Hong Kong dollars were relatively stable, the Group did not use financial instruments for hedging purposes during the Period under Review.

Arrangements to Purchase Shares or Debentures

At no time during the six months ended 30 June 2012 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 six months ended 30 June 2012.

Share Option Scheme

The Company's share option scheme (the "Scheme") was adopted pursuant to the shareholders' resolution passed on 11 May 2006 for the primary purpose of providing opportunity to directors, employees and consultants to acquire proprietary interests of the Group and will expire on 10 May 2016. During the six months ended 30 June 2012, 500,000 units of the share options granted to eligible employee were lapsed due to resignation, 1,000,000 units of the share options granted and vested were exercised by management personnel and no additional of share options was granted to eligible participants. As at 30 June 2012, the balance of the share options granted under the Scheme was 46,000,000 units of the share options.

Details of share options granted under the scheme are as follows:

Grant Date	Exercise Price HK$	Vesting Period	Exercisable Period	Number of Share Options					
				As at 1.1.2012	Granted	Exercised	Lapsed	Cancelled	As at 30.6.2012
Directors									
04.12.2007	1.56	04.12.2007 to 03.12.2008	04.12.2008 to 03.12.2012	3,000,000	-	-	-	-	3,000,000
04.12.2007	1.56	04.12.2007 to 03.12.2009	04.12.2009 to 03.12.2012	2,000,000	-	-	-	-	2,000,000
04.12.2007	1.56	04.12.2007 to 03.12.2010	04.12.2010 to 03.12.2012	2,000,000	-	-	-	-	2,000,000
04.12.2007	1.56	04.12.2007 to 03.12.2011	04.12.2011 to 03.12.2012	3,000,000	-	-	-	-	3,000,000
17.05.2011	1.15	17.05.2011 to 16.05.2012	17.05.2012 to 10.05.2016	3,000,000	-	(1,000,000)	-	-	2,000,000
17.05.2011	1.15	17.05.2011 to 16.05.2013	17.05.2013 to 10.05.2016	2,000,000	-	-	-	-	2,000,000
17.05.2011	1.15	17.05.2011 to 16.05.2014	17.05.2014 to 10.05.2016	2,000,000	-	-	-	-	2,000,000
17.05.2011	1.15	17.05.2011 to 16.05.2015	17.05.2015 to 10.05.2016	3,000,000	-	-	-	-	3,000,000
Employees									
04.12.2007	1.56	04.12.2007 to 03.12.2008	04.12.2008 to 03.12.2012	4.650,000	-	-	(150,000)	-	4.500,000
04.12.2007	1.56	04.12.2007 to 03.12.2009	04.12.2009 to 03.12.2012	3,100,000	-	-	(100,000)	-	3,000,000
04.12.2007	1.56	04.12.2007 to 03.12.2010	04.12.2010 to 03.12.2012	3,100,000	-	-	(100,000)	-	3,000,000
04.12.2007	1.56	04.12.2007 to 03.12.2011	04.12.2011 to 03.12.2012	4.650,000	-	-	(150,000)	-	4.500,000
03.11.2010	0.90	03.11.2010 to 02.11.2011	03.11.2011 to 02.11.2015	3,000,000	-	-	-	-	3,000,000
03.11.2010	0.90	03.11.2010 to 02.11.2012	03.11.2012 to 02.11.2015	2,000,000	-	-	-	-	2,000,000
03.11.2010	0.90	03.11.2010 to 02.11.2013	03.11.2013 to 02.11.2015	2,000,000	-	-	-	-	2,000,000
03.11.2010	0.90	03.11.2010 to 02.11.2014	03.11.2014 to 02.11.2015	3,000,000	-	-	-	-	3,000,000
31.12.2010	1.55	31.12.2010 to 30.112.2011	31.12.2011 to 30.12.2015	600,000	-	-	-	-	600,000
31.12.2010	1.55	31.12.2010 to 30.112.2012	31.12.2012 to 30.12.2015	400,000	-	-	-	-	400,000
31.12.2010	1.55	31.12.2010 to 30.112.2013	31.12.2013 to 30.12.2015	400,000	-	-	-	-	400,000
31.12.2010	1.55	31.12.2010 to 30.112.2014	31.12.2014 to 30.12.2015	600,000	-	-	-	-	600,000
Total				47,500,000	-	(1,000,000)	(500,000)	-	46,000,000

Disclosure of Interests

Directors' Interests in Shares and Underlying Shares of the Company

As at 30 June 2012, the Directors and their associates had the following interests or short positions in shares, underlying shares and debentures of the Company or any of its associated corporations (within the meaning of the Securities and Futures Ordinance (the "SFO")) as recorded in the register required to be kept under Section 352 of the SFO or as otherwise notified to the Company and The Stock Exchange of Hong Kong Limited (the "Stock Exchange") pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code"):

			Number of Shares		
Name of Director	Name of Company	Nature of interest	Long Position	Short Position	Approximate% shareholding
Zhang Hong Wei	The Company	Attributable interest of controlled corporation	9,261,950,115	—	72.44 (Note 1)
Zhang Meiying	The Company	Beneficial owner	10,000,000	—	0.078 (Note 2)
Zhu Jun	The Company	Beneficial owner	1,443,000	—	0.01
Andrew Leo Kirby	The Company	Beneficial owner	10,000,000	—	0.078 (Note 3)

Note:

1. Out of the 9,261,950,115 shares, 5,688,879,125 shares were beneficially held by He Fu International Limited, 2,223,726,708 shares were beneficially held by United Petroleum & Natural Gas Holdings Limited, and 1,349,344,282 shares were beneficially held by United Energy Holdings Limited. He Fu International Limited, United Petroleum & Natural Gas Holdings Limited and United Energy Holdings Limited are companies wholly-owned by Mr. Zhang Hong Wei. Therefore, Mr. Zhang Hong Wei is deemed to be interested in those 9,261,950,115 shares.

2. Share options which entitle Ms. Zhang Meiying to subscribe for an aggregate 100,000,000 shares at exercise price of HK$1.56 per share were granted to Ms. Zhang Meiying on 4 December 2007 under the share option scheme adopted by the Company on 11 May 2006. On 30 September 2010, 90,000,000 units of these options granted to Ms. Zhang Meiying were cancelled. As at 30 June 2012, she has 10,000,000 units of share options.

3. Share options which entitle Mr. Andrew Leo Kirby to subscribe for an aggregate 10,000,000 shares at exercise price of HK$1.15 per share were granted to Mr. Andrew Leo Kirby on 17 May 2011 under the share option scheme adopted by the Company on 11 May 2006. During the period under review, Mr. Kirby exercised 1,000,000 units of his share option for 1,000,000 shares at exercise price of HK$1.15 per share. As at 30 June 2012, he has 1,000,000 physical shares and 9,000,000 units of share options.

Save as disclosed above, none of the directors, nor their associates had any interests or short positions in any shares, underlying shares or debentures of the Company or any of its associated corporations as at 30 June 2012.

Substantial Shareholders

As at 30 June 2012, the following persons or corporations, other than the Directors or chief executives of the Company as disclosed above, had interests or short positions in the shares and underlying shares of the Company as recorded in the register required to be kept by the Company pursuant to Section 336 of the SFO:

Name	Name of Company	Capacity and nature of interest	Number of Shares	Approximate % shareholding
He Fu International Limited *(Note)*	The Company	Beneficial owner	5,688,879,125	44.50
United Petroleum & Natural Gas Holdings Limited *(Note)*	The Company	Beneficial owner	2,223,726,708	17.39
United Energy Holdings Limited *(Note)*	The Company	Beneficial owner	1,349,344,282	10.55

Note: These companies are wholly-owned by Mr. Zhang Hong Wei.

All the interests stated above represent long positions. As at 30 June 2012, no short position were recorded in the register kept by the Company under Section 336 of the SFO.

Save as disclosed above, the Company has not been notified by any persons or corporations, other than the Directors or chief executives of the Company, who had interests or short positions in the shares or underlying shares of the Company as recorded in the register required to be kept by the Company pursuant to Section 336 of the SFO as at 30 June 2012.

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 six months ended 30 June 2012 except that:

1. The Code A.2.1 — the company have the post of chief executive officer but it was still vacant; 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.

Although the Company has separated the duties between the chairman and chief executive officer, the post of the chief executive officer is still vacant. In this connection, 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. None of the independent non-executive Directors and non-executive Director has entered into any service contracts with the Company or its subsidiaries. In view of the fact that the independent 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 (the "Model Code"). 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 during the six months ended 30 June 2012.

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 six months ended 30 June 2012 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 June 2012.

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 Hong Wei
Chairman

Hong Kong, 25 July 2012

As at the date of this announcement, the executive Directors are Mr. Zhang Hong Wei (Chairman), Mr. Zhu Jun, Ms. Zhang Meiying and Mr. Andrew Leo Kirby, and the independent non-executive Directors are Mr. Chau Siu Wai, Mr. San Fung and Mr. Zhu Chengwu.