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 2013

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 2013 together with unaudited comparative figures for the six months ended 30 June 2012 as follows : –

Condensed Consolidated Statement of Profit and Loss
For the six months ended 30 June 2013

	Note	**Six months ended 30 June 2013 HK$'000 (unaudited)**	Six months ended 30 June 2012 HK$'000 (unaudited)
Turnover	3	**2,347,695**	1,410,567
Cost of sales and services rendered		**(1,124,106)**	(1,009,304)
Gross profit		**1,223,589**	401,263
Other income		**23,279**	20,413
Reversal of impairment losses on intangible assets		**-**	104,800
Exploration expenses		**(273,240)**	(102,059)
Administrative expenses		**(183,585)**	(146,095)
Other operating expenses		**(96,103)**	(21,344)
Profit from operations		**693,940**	256,978
Finance costs	4	**(123,133)**	(114,119)
Profit before tax		**570,807**	142,859
Income tax (expense)/ credit	5	**(46,050)**	70,784
Profit for the period	6	**524,757**	213,643
Attributable to:			
Owners of the Company		**525,612**	213,905
Non-controlling interests		**(855)**	(262)
		524,757	213,643
Earnings per share	7		
Basic		**4.03 cents**	1.67 cents
Diluted		**4.03 cents**	1.65 cents

Condensed Consolidated Statement of Profit and Loss and Other Comprehensive Income

For the six months ended 30 June 2013

	Six months ended 30 June	
	2013	2012
	HK$'000	HK$'000
	(unaudited)	(unaudited)
Profit for the period	**524,757**	213,643
Other comprehensive income, net of tax:		
Item that will be reclassified as profit or loss		
Exchange differences on translating foreign operations	**19,088**	(2,068)
Total comprehensive income for the period	**543,845**	211,575
Attributable to:		
Owners of the Company	**542,760**	213,961
Non-controlling interests	**1,085**	(2,386)
	543,845	211,575

Condensed Consolidated Statement of Financial Position

As at 30 June 2013

	Note	**30 June 2013 HK$'000 (unaudited)**	31 December 2012 HK$'000 (audited)
Non-current assets			
Property, plant and equipment	9	**3,818,605**	2,632,932
Intangible assets		**8,265,591**	8,596,597
Advances, deposits and prepayments		**22,418**	25,657
Deferred tax assets		**153,675**	177,391
		12,260,289	11,432,577
Current assets			
Inventories		**914,272**	681,839
Trade and other receivables	10	**1,293,855**	1,297,283
Financial assets at fair value through profit or loss		**3,453**	3,455
Current tax assets		**9,899**	10,042
Pledged bank deposits		**160,621**	275,198
Bank and cash balances		**1,089,118**	1,111,466
		3,471,218	3,379,283
Current liabilities			
Trade and other payables	11	**1,822,515**	1,478,833
Due to directors		**7,184**	8,337
Bank loans		**165,731**	163,904
Current tax liabilities		**36,114**	21,476
		2,031,544	1,672,550
Net current assets		**1,439,674**	1,706,733
Total assets less current liabilities		**13,699,963**	13,139,310
Non-current liabilities			
Bank loans		**4,836,000**	4,836,000
Provisions	12	**285,820**	266,921
Deferred tax liabilities		**1,249,492**	1,259,576
		6,371,312	6,362,497
NET ASSETS		**7,328,651**	6,776,813
Capital and reserves			
Share capital	13	**130,431**	130,405
Reserves		**7,105,457**	6,554,730
Equity attributable to owners of the Company		**7,235,888**	6,685,135
Non-controlling interests		**92,763**	91,678
TOTAL EQUITY		**7,328,651**	6,776,813

Notes to Interim Financial Statements

For the six months ended 30 June 2013

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 2012 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 2012.

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

In the current period, the Group has adopted all the new and revised Hong Kong Financial Reporting Standards ("HKFRSs") issued by the HKICPA that are relevant to its operations and effective for its accounting year beginning on 1 January 2013. HKFRSs comprise Hong Kong Financial Reporting Standards ("HKFRS"); Hong Kong Accounting Standards ("HKAS"); and Interpretations. The adoption of these new and revised HKFRSs did not result in significant changes to the Group's accounting policies, presentation of the Group's financial statements and amounts reported for the current period and prior years, except as stated below:

a. Amendments to HKAS 1"Presentation of Financial Statements"

Amendments to HKAS 1 titled Presentation of Items of Other Comprehensive Income introduce new terminology for statement of comprehensive income and income statement. Under the amendments to HKAS 1, a statement of comprehensive income is renamed as a statement of profit or loss and other comprehensive income and an income statement is renamed as a statement of profit or loss. The amendments to HKAS 1 retain the option to present profit or loss and other comprehensive income in either a single statement or in two separate but consecutive statements.

The amendments to HKAS 1 require additional disclosures to be made in the other comprehensive section such that items of other comprehensive income are grouped into two categories: (a) items that will not be reclassified subsequently to profit or loss; and (b) items that may be reclassified subsequently to profit or loss when specific conditions are met. Income tax on items of other comprehensive income is required to be allocated on the same basis.

The amendments have been applied retrospectively, and hence the presentation of items of other comprehensive income has been modified to reflect the change. Other than the above mentioned presentation changes, the application of the amendments to HKAS 1 does not result in any impact on profit or loss, other comprehensive income and total comprehensive income.

b. HKFRS 13 "Fair Value Measurement"

HKFRS 13 "Fair Value Measurement" establishes a single source of guidance for all fair value measurements required or permitted by HKFRSs. It clarifies the definition of fair value as an exit price, which is defined as a price at which an orderly transaction to sell the asset or transfer the liability would take place between market participants at the measurement date under market conditions, and enhances disclosures about fair value measurements.

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

The adoption of HKFRS 13 only affects disclosures on fair value measurements in the consolidated financial statements. HKFRS 13 has been applied prospectively.

The carrying amounts of the Group's financial assets and financial liabilities as reflected in the consolidated statement of financial position approximate their respective fair values.

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The following disclosures of fair value measurements use a fair value hierarchy that categorises into three levels the inputs to valuation techniques used to measure fair value:

Level 1 inputs: quoted prices (unadjusted) in active markets for identical assets or liabilities that the Group can access at the measurement date.

Level 2 inputs: inputs other than quoted prices included within level 1 that are observable for the asset or liability, either directly or indirectly.

Level 3 inputs: unobservable inputs for the asset or liability.

The Group's policy is to recognise transfers into and transfers out of any of the three levels as of the date of the event or change in circumstances that caused the transfer.

Disclosures of level in fair value hierarchy at 30 June 2013:

	Fair value measurements as at 30 June 2013 using:			Total
Description	Level 1	Level 2	Level 3	**2013**
	HK$'000	**HK$'000**	**HK$'000**	**HK$'000**
Recurring fair value measurements:				
Financial assets at fair value through profit or loss				
Listed securities in Hong Kong	**3,453**	**-**	**-**	**3,453**
Total recurring fair value measurements	**3,453**	**-**	**-**	**3,453**

	Fair value measurements as at 31 December 2012 using:			Total
Description	Level 1	Level 2	Level 3	2012
	HK$'000	**HK$'000**	**HK$'000**	**HK$'000**
Recurring fair value measurements:				
Financial assets at fair value through profit or loss				
Listed securities in Hong Kong	3,455	-	-	3,455
Total recurring fair value measurements	3,455	-	-	3,455

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 as follows:

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

2. Oil exploitation – activities relating to the production of crude oil in PRC utilizing production enhancement technology.

3. Oilfield support services – activities relating to the provision of oilfield support services using patented technology.

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.

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 2012.

	Exploration and production HK$'000 (unaudited)	**Oil exploitation HK$'000** (unaudited)	**Oilfield support services HK'000** (unaudited)	**Total HK$'000** (unaudited)
For the six months ended 30 June 2013				
Turnover from external customers	**2,090,410**	**220,373**	**36,912**	**2,347,695**
Segment profit/ (loss)	**674,621**	**53,112**	**(3,854)**	**723,879**
As at 30 June 2013				
Segment assets	**9,118,391**	**4,824,824**	**366,329**	**14,309,544**
Segment liabilities	**1,589,077**	**1,638,272**	**61,226**	**3,288,575**
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
	(audited)	(audited)	(audited)	(audited)
As at 31 December 2012				
Segment assets	7,976,949	4,881,535	369,414	13,227,898
Segment liabilities	1,110,709	1,745,969	62,908	2,919,586

3. Segment information – Continued

Reconciliations of reportable segment profit or loss:

	Six months ended 30 June	
	2013	2012
	HK$'000	HK$'000
	(unaudited)	(unaudited)
Profit or loss		
Total profit of reportable segments	**723,879**	378,966
Unallocated amounts:		
Other income (except for certain other income included in the exploration and production and oil exploitation segments)	**5,074**	1,000
Corporate expenses	**(83,731)**	(54,700)
Finance costs (except for unwinding of discount on provision for decommissioning costs included in the exploration and production segment)	**(120,465)**	(111,623)
Consolidated profit for the period	**524,757**	213,643

4. Finance Costs

	Six months ended 30 June	
	2013	2012
	HK$'000	HK$'000
	(unaudited)	(unaudited)
Interest on bank loans	**120,465**	111,623
Unwinding of discount on provision for decommissioning costs	**2,668**	2,496
	123,133	114,119

5. Income tax expenses/ (credit)

	Six months ended 30 June	
	2013	2012
	HK$'000	HK$'000
	(unaudited)	(unaudited)
Current tax – PRC enterprise income tax		
- Provision for the period	**5,574**	-
- Under-provision in prior years	**4,825**	-
	10,399	-
Current tax – Overseas		
- Provision for the period	**22,772**	13,637
	33,171	13,637
Deferred tax	**12,879**	(84,421)
	46,050	(70,784)

5. Income tax expenses/ (credit) – Continued

No provision for profits tax in the Bermuda, Bahamas, Barbados, British Virgin Islands, Republic of Panama, Singapore, Mauritius 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 2013 and 2012.

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.

Pursuant to relevant laws and regulations in the PRC, the subsidiary in the PRC was approved as a high technology enterprise and enjoyed a preferential income tax rate of 15% effective from 2011 to 2013.

Tax charge on profits assessable elsewhere have been calculated at the rates of tax prevailing in the countries in which the Group operates, based on existing legislation, interpretation and practices in respect thereof.

6. Profit for the period

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

	Six months ended 30 June	
	2013	2012
	HK$'000	HK$'000
	(unaudited)	(unaudited)
Interest income	**(4,192)**	(812)
Dividend income	**(59)**	(75)
Amortisation of intangible assets	**336,415**	377,560
Depreciation	**431,341**	377,365
Directors' remuneration	**5,621**	6,758
Fair value loss / (gain) on financial assets at fair value through profit or loss	**2**	(406)
Reversal of impairment losses on intangible assets	**-**	(104,800)

7. Earnings 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 period attributable to owners of the Company of approximately HK$525,612,000 (2012: HK$213,905,000) and the weighted average number of ordinary shares of 13,042,839,879 (2012: 12,780,231,906) in issue during the period.

(b) Diluted earnings per share

The calculation of diluted earnings per share attributable to owners of the Company is based on the profit for the period attributable to owners of the Company of approximately HK$525,612,000 (2012: HK$213,905,000) and the weighted average number of ordinary shares of 13,043,823,625 (2012: 12,991,858,407), being the weighted average number of ordinary shares of 13,042,839,879 (2012: 12,780,231,906) in issue during the period used in the basic earnings per share calculation plus the weighted average number of ordinary shares of 983,746 (2012: 211,626,501) assumed to have been issued at no consideration on the deemed exercise of the share options (2012: share options and unlisted warrants) outstanding during the period.

8. Dividend

The directors of the Company do not recommend any interim dividend for the six months ended 30 June 2013 (2012: Nil).

9. Property, plant and equipment

During the six months ended 30 June 2013, the Group acquired property, plant and equipment of approximately HK$1,605,572,000.

10. Trade and other receivables

	30 June 2013 HK$'000 (unaudited)	31 December 2012 HK$'000 (audited)
Trade receivables (note a)	**1,061,872**	1,185,994
Other receivables (note b)	**231,983**	111,289
Total trade and other receivables	**1,293,855**	1,297,283

(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 (2012: 30 to 45 days). A new oilfield support services contract was entered with a credit term of 300 days. The estimated contract value of that particular services contract is approximately HK$36,881,000 (31 December 2012: HK$16,509,000) (equivalent to RMB29,700,000 (31 December 2012: RMB13,450,000)). 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 2013 HK$'000 (unaudited)	31 December 2012 HK$'000 (audited)
0 to 30 days	**955,889**	1,145,941
31 to 60 days	**59,962**	40,053
61 to 90 days	**46,021**	-
	1,061,872	1,185,994

(b) Other receivables

	30 June 2013 HK$'000 (unaudited)	31 December 2012 HK$'000 (audited)
Amounts due from joint venture partners	**90,173**	23,857
Advances to staff	**8,585**	8,086
Central excise duty receivables	**7,331**	5,713
Deposits and prepayments	**79,647**	26,310
Sales tax receivables	**43,523**	41,764
Others	**2,724**	5,559
	231,983	111,289

11. Trade and other payables

	30 June 2013 HK$'000 (unaudited)	31 December 2012 HK$'000 (audited)
Trade payables (note a)	**332,870**	280,020
Other payables (note b)	**1,489,645**	1,198,813
Total trade and other payables	**1,822,515**	1,478,833

(a) Trade payables

The aging analysis of trade payables, based on the date of receipt of goods, is as follows:

	30 June 2013 HK$'000 (unaudited)	31 December 2012 HK$'000 (audited)
0 to 30 days	**174,456**	267,798
31 to 45 days	**19,199**	6,805
Over 45 days	**139,215**	5,417
	332,870	280,020

(b) Other payables

	30 June 2013 HK$'000 (unaudited)	31 December 2012 HK$'000 (audited)
Amount due to a joint venture partners	**158,461**	169,534
Accrual for operating expenses	**931,696**	639,431
Bills payables	**115,585**	116,832
Salaries and welfare payables	**165**	3,222
Deposits received	**9,624**	9,374
Other tax payables	**271,073**	250,782
Others	**3,041**	9,638
	1,489,645	1,198,813

12. Provisions

	Dismantling costs in respect of leasehold improvements HK$'000	Decommissioning costs HK$'000	Total HK$'000
At 1 January 2013 (audited)	420	266,501	266,921
Add:			
Provision recognized during the period	-	18,873	18,873
Less:			
Actual costs incurred during the period	-	(2,642)	(2,642)
Add:			
Unwinding of discount	-	2,668	2,668
At 30 June 2013 (unaudited)	**420**	**285,400**	**285,820**

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 31 December 2012, 1 January and 30 June 2013	**60,000,000,000**	**600,000**
Issued and fully paid:		
Ordinary shares of HK$0.01 each		
At 31 December 2012 and 1 January 2013 (audited)	**13,040,495,650**	**130,405**
New issue during the period [Note a]	**3,179,282**	**32**
Repurchase during the period [Note b]	**(620,576)**	**(6)**
At 30 June 2013 (unaudited)	**13,043,054,356**	**130,431**

13. Share capital – Continued

Notes

(a) During the period ended 30 June 2013, 3,179,282 ordinary shares pursuant to the deferred annual bonus scheme, the executive performance share scheme and the performance share scheme of the Company were issued and allotted to the employees in Pakistan at the subscription price of HK$1.31 per share, resulting in the issue of 3,179,282 shares of HK$0.01 each for the total cash consideration of approximately HK$4,165,000.

(b) On 26 April 2013, 620,576 ordinary shares of the Company were repurchased at HK$1.2 per share by private arrangement (the "Repurchased Shares") in accordance to the repurchase mandate granted to the directors in the annual general meeting of the Company held on 29 May 2012. On 8 May 2013, the Repurchased Shares were cancelled. The total amount paid to acquire shares was approximately HK$747,000 and has been deducted from the share capital and share premium account.

14. Capital commitments

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

	30 June 2013 HK$'000 (unaudited)	31 December 2012 HK$'000 (audited)
Contracted but not provided for:		
Acquisition of property, plant and equipment	**12,326**	12,326
Commitments for capital expenditure	**558,003**	1,311,999
	570,329	1,324,325

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

15. Contingent liabilities

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 ("UEPL"), an indirect wholly-owned subsidiary of the Company, with all necessary financial and other means to enable UEPL to fully perform its obligations as stipulated in the concession agreements.

16. Related Party Transactions

(a) Name and relationship with related parties:

Name of the related party	Relationship
東方集團實業股份有限公司 (Orient Group Industrial Holdings Company Limited ("Orient Group Industrial"))#	Mr. Zhang Hong Wei is the ultimate controlling party and authorised representative of Orient Group Industrial

 # The English translation of the company names is for reference only. The official names of these companies are in Chinese

(b) The Orient Group Industrial has provided a counter guarantee and corporate guarantees in favour of the Group against the bank loans made to the Group totalling HK$5,001,731,000 at 30 June 2013 (31 December 2012: HK$4,999,904,000).

17. Approval of the interim financial statements

The condensed consolidated interim financial statements for the six months ended 30 June 2013 has been approved for issue by the board of directors on 1 August 2013.

Management discussion and analysis

Financial Review

For the six months ended 30 June 2013 ("Period under Review" or "this period"), the Group's turnover increased to approximately HK$2,347,695,000, which represented a significant increase of approximately 66.4% as compared to the turnover of approximately HK$1,410,567,000 in the same period of last year. The turnover for this period was from the sales of crude oil, condensate, gas and liquefied petroleum gas (30 June 2013: approximately HK$2,310,783,000, 30 June 2012: approximately HK$1,378,374,000) and services fees income derived from provision of oilfield support services utilizing patented technology (30 June 2013: approximately HK$36,912,000, 30 June 2012: approximately HK$32,193,000). In this period, the Group's gross profit was approximately HK$1,223,589,000 (gross profit ratio approximately 52.1%) which represented a substantial increase of approximately 2 times as compared to gross profit of HK$401,263,000 (gross profit ratio approximately 28.5%) for the same period of last year. The Company reported an EBITDA of approximately HK$1,461,695,000 for this period (30 June 2012: approximately HK$907,000,000).

For this period the Group reported a total other income approximately HK$23,279,000 (30 June 2012: approximately HK$20,413,000). The main contributors of other income for the period were management fee charged to other joint venture partners.

Administrative expenses increased from approximately HK$146,095,000 for the six months ended 30 June 2012 to approximately HK$183,585,000 for this period. The increase in administrative expenses reflected an enlarged overhead of operating the Pakistan business for this period. These expenses for the six months ended 30 June 2013 included non-cash expenses of approximately HK$4,576,000 due to equity settled share-based payment transactions from share options granted to the employees per the share option scheme and depreciation of HK$23,248,000.

Exploration expenses of HK$273,240,000 (30 June 2012: HK$102,059,000) were incurred for the six months ended 30 June 2013 mainly for the 3D seismic studies and exploration drilling performed in Pakistan.

In summary, profit attributable to owners of the Company was approximately HK$525,612,000 for the six months ended 30 June 2013, representing a 145.7% increase over the profit attributable to owners of the Company of approximately 213,905,000 for the six months ended 30 June 2012. This result is reflected in the basic earnings per share which was 4.03 HK cents for the six months ended 30 June 2013 as compared with the basic earnings per share of 1.67 HK cents for the six months ended 30 June 2012.

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 interim dividend for the Period under Review.

The Group's Audit Committee has reviewed the unaudited condensed consolidated financial statements for the six months ended 30 June 2013. 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

United Energy is one of the largest listed upstream oil and gas corporations in Hong Kong, with business now extended to South Asia. For the six months ended 30 June 2013 (the "Period"), The Group's Pakistan assets and Liaohe Enhanced Oil Recovery ("EOR") Projects in China ("Liaohe EOR Project") recorded satisfactory production growth. Notably, during the Period, the Group reached an average daily net production of approximately 35,472 barrel oil equivalent ("boe") (Note: Including 19.74% MKK working interest acquired), 43.4% increase from the first half of Financial Year 2012 (the "Corresponding Period"). The Pakistan assets delivered an average daily net production of approximately 33,862 boe, of which 34.8% was oil and liquids, and recorded 43.9% increase from the Corresponding Period. The Liaohe EOR Projects delivered an average daily net production of approximately 1,610 barrels, of which 100% was oil and liquids, and recorded 32.8% increase from the Corresponding Period. Based on the production level, the Group is ranked as the largest non-stated owned upstream oil and gas producer listed in the Hong Kong Stock Exchange.

During the Period, lifting costs and direct costs incurred and recognized in cost of sales and services rendered by the Group is approximately HK$363,869,000 (Pakistan: approximately HK$260,014,000, Liaohe, China: approximately HK$90,387,000, Oilfield Support Services: approximately HK$13,468,000), and the Group invested approximately HK$1,591,307,000 of capital expenditure in oil exploration, development and production activities (Pakistan: approximately HK$1,508,320,000; Liaohe, China: approximately HK$82,987,000). 36 new wells has been drilled (Pakistan: 28 wells, Liaohe, China: 8 wells) The Group has also completed 3,193 km^2 3D seismic data acquisition in Pakistan.

Under the implementation of "reliable operation + rapid expansion" business strategy, the performance and operations of the Group's assets in Pakistan and Liaohe asset have both shown significant growth enhancement. In the period under review, the Group has recorded another year of significant growth in both the turnover and profit. The significant increase is a proof that the Group thereby is fulfilling its promises to deliver to the shareholders and investors on sustainable returns and growth.

Pakistan Assets:
The Pakistan assets achieved an average daily net production of approximately 33,862 boe in the Period, of which 34.8% is oil and liquids, representing an approximately 43.9% increase compared to the Corresponding Period. Unaudited Composite Realized Sales Price Before Government Take amounted to US$ 49.6 per boe for the Period, recording a 17.5% increase compared to the Corresponding Period, which mainly due to the increase of international energy price and oil & liquids ratio on production contribution in our portfolio during the Period.

During the Period, 2,350 km^2 of 3D seismic data has been acquired in onshore area, and 843 km^2 of 3D seismic data acquired in Offshore Block U. Follow on data processing and interpretation work is in progress.

During the Period, the Government of Pakistan agreed to grant approximately 900 km^2 of exploration areas to the Group at no cost, of which located Mirpur Khas East and Digri North Area, and included in the Mirpur Khas concession of the Group. After that, the coverage area of the Group's working interests in MKK Concession was extended from 3,132 km^2 to 4,032 km^2. The Group has also made 8 new oil and gas discoveries in the Badin and MKK areas, which consist of a total of 6,333 km^2 of concession area, of which Naimat West is a significant gas discovery located in the MKK area. The estimated development area is up to 18.21 km^2 and the estimated Original Oil & Gas In Place Volume can be up to 661 billion cubic feet (approximately 114 million boe).

On 5 March 2013, BowEnergy Resources (Pakistan) SRL ("BowEnergy"), a wholly-owned subsidiary of the Company, entered into a purchase and sale agreement with Zaver Petroleum Corporation Limited to acquire 5.26% working interest in the licence in the areas under the MKK Concessions and 3.95% working interest in the lease in the areas under the MKK Concessions in Pakistan. The consideration for the acquisition is US$4,000,000 (equivalent to approximately HK$31,200,000) subject to the adjustments as described in the agreement. If the acquisition completed, the Group will hold totally 75% working interest in the lease in the areas under the MKK Concession. The remaining 25% working interest in the lease in the areas under MKK Concession is owned by the Pakistan Government. As at the date of this announcement, the acquisition is still under approval by relevant departments of Pakistan Government. It is expected to be completed within the second half of this year.

Liaohe EOR Project, China:
The Group's Liaohe EOR Project is one of the largest commercial application of fireflood technology in enhance oil recovery projects in China. The Liaohe EOR Project was approved by National Development and Reform Commission to enter into development stage in July 2010 and the project entered into production stage in February 2011.

Since Liaohe EOR Project entered into development and production stage and recorded satisfactory production growth. The average daily net production has reached 1,610 barrels marking 32.8% increase compared with the Corresponding Period. A total of 19 production wells were converted into fireflood producers. As at 30 June 2013, a total of 251 production wells (representing 40% of production wells) have been converted into fireflood producers.

Oilfield Support Services:
As a leading fireflood technology company in China, the Group plans to maintain its leadership by conducting research in fireflood technology. Through providing patented technology support services to oilfields, the Group will contribute to enhancing the residual values of abolished or retiring oilfields through increasing their ultimate recovery ratios and thereby creating greater economic values.

The Group's provision of patented technology oilfield support services has made excellent progress. In the first half of 2013, it has expanded the fireflood service coverage at Block Du 66 and Du 48 located in Jilin, increasing the number of fireflood units from 27 units in 2012 to 105 units in the first half of 2013. Turnover increased 14.7% from HK$32,193,000 in the first half of 2012 to HK$36,912,000 in the first half of 2013. The Group places significant emphasis on investment in research and development, as this will form a solid basis for future development in the technology. The Group's successful application of fireflood technology can help promoting the technology to elsewhere in the region implying a great business potential. Since the Chinese oilfields are aging gradually, the Group has the patented fireflood technology to explore the opportunity of "secondary development" which will enhance the production volume and life of the maturing oilfields. The Group is currently in negotiations with a number of corporations and actively exploring business opportunities that will significantly increase revenue generated from oilfield support services.

Business and market outlook

Oil prices maintains strong as it is being affected by geopolitical instabilities. Strong oil prices were positive for the Group's revenue. On the other hand, the volatile global economy drives the value of certain oil companies and oil and gas projects attractive hence creates greater opportunities for merger and acquisitions.

To deliver our strategy at "win-win cooperation to achieve quantum leap growth", our Group actively explores opportunities for acquiring quality projects together with aggressive exploration and development of existing assets to enhance the scale of the Group's upstream operation. The Group signed a project cooperation agreement with China Development Bank at US$5 billion for five years on 26 October 2012, signifying the Company's continued ability to enjoy the preferential financial support in acquisitions. This enhances the Group's financial power in bidding for quality assets. The Group can make use of this strong support to search for quality assets or co-operation opportunities thereby expanding the scale of assets and operations. This creates the best environment to achieve shareholding value maximization.

Pakistan Assets:
Notably, the country has faced a severe energy shortage starting from 2010. Pakistan, one of the most populated developing countries in Asia, has strong demand for energy. The Government of Pakistan has released a series of policies encouraging investment in energy. The Group, as one of the largest foreign energy companies at Pakistan, has a solid and reputed brand in the country. The Company continues to search for quality projects and opportunities to fully make use of the Company's advantage in the sector. In view of the macro-economic development in the country, it is believed that fundamental factor is significant development opportunities for oil and gas companies in Pakistan.

During the Period, the Group started a major maintenance and upgrade project on its Pakistan Assets' oil & gas processing facility located in the MKK area which are scheduled to finish by September 2013. It is expected the oil & gas production will pick up in the second half of the year following the recommencement of the processing capacity.

Within 2013, the Group plans to drill another 2 appraisal wells in the new discovered Naimat West field located in MKK concession, and collect the latest logging and production data to determine the size and future development plan of the field.

Liaohe EOR Project, China:
Since the Liaohe EOR Project entered into development and production stage, the project has recorded double-digit growth for two consecutive years. In five years' time, the Group plans to increase the net average daily production volume to above 3,000 barrels to increase coverage of fireflood application to over 80% and to maintain the lifting cost at or below US$35 per barrel.

Conclusion
As one of the largest listed upstream oil companies in Hong Kong, United Energy will keep looking for opportunities to expand its business in China and other regions to maximize the returns for shareholders. The Group is implementing the development strategy of "Win-win cooperation to achieve quantum leap growth". The Group will work closely with Chinese oil companies and other oil companies in search for the values creation. The Group targets at achieving enhancing oil and gas production in Pakistan, lowering the lifting cost and improvement in profit margins and it will also enhance the exploration scale, increasing the reserves ratio to build a solid base as a large-scale oil and gas operator. At the same time, the Group will continue to increase investment in Liaohe EOR fireflood technology, exploration and production to achieve higher profitability under a new corporate development model.

Material Acquisition

On 5 March 2013, BowEnergy, a wholly-owned subsidiary of the Company, entered into a purchase and sale agreement with Zaver Petroleum Corporation Limited to acquire 5.26% working interest in the licence in the areas under the MKK Concessions and 3.95% working interest in the lease in the areas under the MKK Concessions in Pakistan. The consideration for the acquisition is US$4,000,000 (equivalent to approximately HK$31,200,000) subject to the adjustments as described in the agreement. If the acquisition completed, the Group will hold totally 75% working interest in the lease in the areas under the MKK Concession. The remaining 25% working interest in the lease in the areas under MKK Concession is owned by the Pakistan Government. As at the date of this announcement, the acquisition is still under approval by relevant departments of Pakistan Government. It is expected to be completed within the second half of this year.

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$1,089,118,000 as at 30 June 2013 (as at 31 December 2012: approximately HK$1,111,466,000).

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-owned subsidiary of the Company, of its obligation in the development period of the EOR Contract in Liaohe Oilfields project dated 15 September 2006. In February 2013, as United Petroleum has completed fully its obligation, China National Petroleum Corporation ("CNPC") confirmed and agreed to fully release the performance bond and corresponding bank deposit which were pledged for the banking facilities. The pledge of bank deposit was released by bank on 26 March 2013.

On 20 March 2012, United Energy Pakistan Limited ("UEPL") 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 UEPL's performance of its financial and works obligations as stipulated in the concession and production sharing agreements. As at 30 June 2013, the Group's cash at bank with carrying value of approximately HK$105,645,000 (equivalent to US$13,544,000) 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 (Panjin) Limited, an indirectly wholly-owned subsidiary of the Company ("United Petroleum (Panjin)"), entered into a facility agreement with Citic Bank (Shenyang Branch) for a credit line of RMB100,000,000 for the bank loan 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 (Panjin) to Citic Bank (Shenyang Branch) against the credit line to the extent in the amount of RMB110,000,000. On the same day, United Petroleum (Panjin) entered into a loan agreement with Citic Bank (Shenyang Branch) in order to draw down RMB50,000,000 (equivalent to HK$61,360,000) 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. On 29 November 2012, United Petroleum (Panjin) entered another facility agreement with Citic Bank (Shenyang Branch) to extend the credit line to RMB160,000,000 for both bank loan and bills payable with expiry on 27 May 2014. As at 30 June 2013, the outstanding balance of the bank loan and the bills payables are RMB50,000,000 (equivalent to HK$62,665,000) and RMB86,330,000 (equivalent to approximately HK$108,197,000) respectively. As at 31 December 2012, the outstanding balance of the bank loan and the bills payables are RMB50,000,000 (equivalent to HK$61,360,000) and RMB94,501,000 (equivalent to approximately HK$115,972,000) respectively.

As at 30 June 2013, the outstanding balance of the bank loan from China Development Bank Corporation Hong Kong Branch for acquisition of the Pakistan upstream oilfield assets from British Petroleum in September 2011 was US$630,000,000, approximately equivalent to HK$4.914 billion (as at 31 December 2012: US$630,000,000, approximately equivalent to HK$4.914 billion).

As at 30 June 2013, the gearing ratio was approximately 31.8% (as at 31 December 2012: 33.8%), based on bank loan under current liabilities and non-current liabilities of approximately HK$165,731,000 (as at 31 December 2012: HK$163,904,000) and HK$4,836,000,000 (as at 31 December 2012: HK$4,836,000,000) respectively and total assets of approximately HK$15,731,507,000 (as at 31 December 2012: HK$14,811,860,000). As at 30 June 2013, the current ratio was approximately 1.71 times (as at 31 December 2012: approximately 2.02 times), based on current assets of approximately HK$3,471,218,000 (as at 31 December 2012: approximately HK$3,379,283,000) and current liabilities of approximately HK$2,031,544,000 (as at 31 December 2012: approximately HK$1,672,550,000).

Capital Structure

During the Period under Review, the changes of the share capital structure of the Company are as follows:

On 7 February 2013, 3,179,282 ordinary shares were issued and allotted after the Company resolved to award new shares to employees under the Deferred Annual Bonus Scheme, the Executive Performance Share Scheme and the Performance Share Scheme adopted by the Company on 31 January 2013.

On 26 April 2013, 620,576 ordinary shares were repurchased at HK$1.2 per share by private arrangement (the "Repurchased Shares") in accordance to the repurchase mandate granted to the Directors in the Annual General Meeting of the Company held on 29 May 2012. On 8 May 2013, the Repurchased Shares were cancelled.

After completion of the above allotment and repurchase of shares during the Period under Review, the total number of issued shares of the Company was increased from 13,040,495,650 shares as at 1 January 2013 to 13,043,054,356 shares as at 30 June 2013.

Employees

At as 30 June 2013, the Group employed a total of 1,005 full time employees in Hong Kong, the PRC and Pakistan. Employees' remuneration package was reviewed periodically and determined with reference to the performance of the individual and the prevailing market practices. Remuneration package included basis salaries, year end bonus, medical and contributory provident fund.

Contingent Liabilities

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 UEPL, an indirect wholly-owned subsidiary of the Company, with all necessary financial and other means to enable UEPL to fully perform its obligations as stipulated in the concession agreements.

Exposure to Fluctuations in Exchange Rates and Related Hedges

The Group's monetary assets and transactions are mainly denominated in Hong Kong dollars, United States dollars, Renminbi and Pakistan Rupees. 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 2013 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 2013.

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 2013, no additional of share options was granted, exercised, lapsed or cancelled. As at 30 June 2013, the balance of the share options granted under the Scheme was 29,000,000 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 1.1.2013	Granted	Exercised	Lapsed	Cancelled	As at 30.6.2013
Employees									
03.11.2010	0.90	03.11.2010 to 02.11.2011	03.11.2011 to 02.11.2015	2,000,000	-	-	-	-	2,000,000
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 30.12.2011	31.12.2011 to 30.12.2015	600,000	-	-	-	-	600,000
31.12.2010	1.55	31.12.2010 to 30.12.2012	31.12.2012 to 30.12.2015	400,000	-	-	-	-	400,000
31.12.2010	1.55	31.12.2010 to 30.12.2013	31.12.2013 to 30.12.2015	400,000	-	-	-	-	400,000
31.12.2010	1.55	31.12.2010 to 30.12.2014	31.12.2014 to 30.12.2015	600,000	-	-	-	-	600,000
29.8.2012	1.20	29.8.2012 to 28.8.2013	29.8.2013 to 28.8.2022	5,400,000	-	-	-	-	5,400,000
29.8.2012	1.20	29.8.2013 to 28.8.2014	29.8.2014 to 28.8.2022	3,600,000	-	-	-	-	3,600,000
29.8.2012	1.20	29.8.2014 to 28.8.2015	29.8.2015 to 28.8.2022	3,600,000	-	-	-	-	3,600,000
29.8.2012	1.20	29.8.2015 to 28.8.2016	29.8.2016 to 28.8.2022	5,400,000	-	-	-	-	5,400,000
Total				29,000,000	-	-	-	-	29,000,000

Disclosure of Interests

Directors' Interests in Shares and Underlying Shares of the Company

As at 30 June 2013, 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"):

Name of Director	Name of Company	Nature of interest	Number of Shares: Long Position	Number of Shares: Short Position	Approximate % shareholding
Zhang Hong Wei	The Company	Attributable interest of controlled corporation	9,261,950,115	—	71.01 (Note)
Zhu Jun	The Company	Beneficial owner	1,443,000	—	0.01

Note:
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.

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 2013.

Substantial Shareholders

As at 30 June 2013, 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	43.61
United Petroleum & Natural Gas Holdings Limited *(Note)*	The Company	Beneficial owner	2,223,726,708	17.05
United Energy Holdings Limited *(Note)*	The Company	Beneficial owner	1,349,344,282	10.35

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

All the interests stated above represent long positions. As at 30 June 2013, 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 2013.

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 2013 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 2013.

Audit Committee

The Audit Committee of the Company is comprised of three independent non-executive directors, namely 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 2013 and has also discussed the internal control, the accounting principles and practices adopted by the Group.

Purchase, Sale or Redemption of Shares

On 26 April 2013, 620,576 ordinary shares were repurchased at HK$1.2 per share by private arrangement (the "Repurchased Shares") in accordance to the repurchase mandate granted to the Directors in the Annual General Meeting of the Company held on 29 May 2012. On 8 May 2013, the Repurchased Shares were cancelled.

Save as disclosed above, 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 2013.

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
United Energy Group Limited
Zhang Hong Wei
Chairman

Hong Kong, 1 August 2013

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