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 2014

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 2014 together with unaudited comparative figures for the six months ended 30 June 2013 as follows : –

Condensed Consolidated Statement of Profit or Loss

For the six months ended 30 June 2014

	Note	**Six months ended 30 June 2014 HK$'000 (unaudited)**	2013 HK$'000 (unaudited)
Turnover	5	**2,665,997**	2,347,695
Cost of sales and services rendered		**(1,304,629)**	(1,124,106)
Gross profit		**1,361,368**	1,223,589
Other income		**13,229**	23,279
Exploration expenses		**(168,923)**	(273,240)
Administrative expenses		**(221,346)**	(183,585)
Other operating expenses		**(96,808)**	(96,103)
Profit from operations		**887,520**	693,940
Finance costs	6	**(115,299)**	(123,133)
Profit before tax		**772,221**	570,807
Income tax expenses	7	**(142,420)**	(46,050)
Profit for the period	8	**629,801**	524,757
Attributable to:			
Owners of the Company		**632,221**	525,612
Non-controlling interests		**(2,420)**	(855)
		629,801	524,757
Earnings per share	9		
Basic		**4.84 cents**	4.03 cents
Diluted		**4.84 cents**	4.03 cents

Condensed Consolidated Statement of Profit or Loss and Other Comprehensive Income

For the six months ended 30 June 2014

	Six months ended 30 June	
	2014	2013
	HK$'000	HK$'000
	(unaudited)	(unaudited)
Profit for the period	**629,801**	524,757
Other comprehensive income, net of tax:		
Item that may be reclassified to profit or loss		
Exchange differences on translating foreign operations	**(841)**	19,088
Total comprehensive income for the period	**628,960**	543,845
Attributable to:		
Owners of the Company	**631,763**	542,760
Non-controlling interests	**(2,803)**	1,085
	628,960	543,845

Condensed Consolidated Statement of Financial Position

As at 30 June 2014

	Note	**30 June 2014 HK$'000 (unaudited)**	31 December 2013 HK$'000 (audited)
Non-current assets			
Property, plant and equipment	11	**5,771,913**	4,943,857
Intangible assets		**7,663,474**	7,909,298
Advances, deposits and prepayments		**31,569**	21,770
Deferred tax assets		**271,708**	324,577
		13,738,664	13,199,502
Current assets			
Inventories		**329,574**	299,830
Trade and other receivables	12	**1,615,407**	1,530,776
Held-to-maturity investments	13	**151,056**	-
Financial assets at fair value through profit or loss		**3,341**	3,576
Current tax assets		**16,956**	8,790
Pledged bank deposits		**1,737**	4,430
Bank and cash balances		**1,425,983**	1,709,644
		3,544,054	3,557,046
Current liabilities			
Trade and other payables	14	**2,111,985**	2,109,696
Due to directors		**7,250**	7,857
Bank loans	15	**612,310**	664,587
Current tax liabilities		**63,891**	113,241
		2,795,436	2,895,381
Net current assets		**748,618**	661,665
Total assets less current liabilities		**14,487,282**	13,861,167
Non-current liabilities			
Bank loans	15	**4,368,000**	4,368,000
Provisions	16	**285,366**	281,596
Deferred tax liabilities		**1,209,567**	1,228,640
		5,862,933	5,878,236
NET ASSETS		**8,624,349**	7,982,931
Capital and reserves			
Share capital	17	**130,623**	130,532
Reserves		**8,444,369**	7,800,239
Equity attributable to owners of the Company		**8,574,992**	7,930,771
Non-controlling interests		**49,357**	52,160
TOTAL EQUITY		**8,624,349**	7,982,931

Notes to Interim Financial Statements

For the six months ended 30 June 2014

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.

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 2014. 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. Significant Accounting Policies

These condensed financial statements should be read in conjunction with the 2013 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 2013. In addition, the Group has applied the following accounting policy for investing the held-to-maturity investments during the current interim period.

Held-to-maturity investments

Held-to-maturity investments are non-derivative financial assets with fixed or determinable payments and fixed maturity that the Group has the positive intention and ability to hold to maturity. Held-to-maturity investments are subsequently measured at amortised cost using the effective interest method, less any impairment losses.

An impairment loss is recognised in consolidated profit or loss when there is objective evidence that the held-to-maturity investments are impaired, and is measured as the difference between the investments’ carrying amount and the present value of estimated future cash flows, discounted at the effective interest rate computed at initial recognition. Impairment losses are reversed in subsequent periods and recognised in consolidated profit or loss when an increase in the investments’ recoverable amount can be related objectively to an event occurring after the impairment was recognised, subject to the restriction that the carrying amount of the investments at the date the impairment is reversed shall not exceed what the amortised cost would have been had the impairment not been recognised.

4. Fair Value Measurement

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.

The recurring fair value of the financial assets at fair value through profit or loss at 30 June 2014 and 31 December 2013 are measured by using Level 1 of the fair value hierarchy. There were no changes in the valuation techniques used.

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.

5. 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 utilising 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 2013.

5. Segment information – Continued

	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 2014				
Turnover from external customers	**2,424,303**	**219,587**	**22,107**	**2,665,997**
Segment profit/ (loss)	**795,478**	**47,282**	**(7,585)**	**835,175**
As at 30 June 2014				
Segment assets	**10,542,577**	**4,639,927**	**183,967**	**15,366,471**
Segment liabilities	**2,054,896**	**1,455,532**	**29,729**	**3,540,157**
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
	(audited)	(audited)	(audited)	(audited)
As at 31 December 2013				
Segment assets	9,802,505	4,692,986	199,428	14,694,919
Segment liabilities	1,942,943	1,559,177	41,298	3,543,418

Reconciliations of reportable segment profit or loss:

	Six months ended 30 June 2014 HK$'000 (unaudited)	2013 HK$'000 (unaudited)
Profit or loss		
Total profit of reportable segments	**835,175**	723,879
Unallocated amounts:		
Other income	**2,811**	5,074
Corporate expenses	**(96,839)**	(83,731)
Finance costs (except for unwinding of discount on provision for decommissioning costs included in the exploration and production segment)	**(111,346)**	(120,465)
Consolidated profit for the period	**629,801**	524,757

6. Finance Costs

	Six months ended 30 June	
	2014	2013
	HK$'000	HK$'000
	(unaudited)	(unaudited)
Interest on bank loans	**111,346**	120,465
Unwinding of discount on provision for decommissioning costs	**3,953**	2,668
	115,299	123,133

7. Income tax expenses

	Six months ended 30 June	
	2014	2013
	HK$'000	HK$'000
	(unaudited)	(unaudited)
Current tax – PRC enterprise income tax		
- Provision for the period	**5,100**	5,574
- (Over)/Under-provision in prior years	**(541)**	4,825
	4,559	10,399
Current tax – Overseas		
- Provision for the period	**106,434**	22,772
	110,993	33,171
Deferred tax	**31,427**	12,879
	142,420	46,050

No provision for profits tax in Bermuda, British Virgin Islands, Republic of Panama, 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 2014 and 2013.

PRC enterprise income tax is calculated at the applicable rates based on estimated taxable income earned by the companies with certain tax preference, based on existing legislation, interpretation and practices in respect thereof.

During the period ended 30 June 2014 and 2013, the Group's subsidiaries in the PRC were approved as a high technology enterprise pursuant to which the PRC subsidiaries can enjoy a preferential income tax rate of 15% for the coming three (2013: two) financial years.

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.

8. Profit for the period

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

	Six months ended 30 June	
	2014	2013
	HK$'000	HK$'000
	(unaudited)	(unaudited)
Interest income	**(4,414)**	(4,192)
Dividend income	**(62)**	(59)
Amortisation of intangible assets	**245,383**	336,415
Depreciation	**611,301**	431,341
Directors' remuneration	**5,405**	5,621
Fair value loss on financial assets at fair value through profit or loss	**235**	2

9. 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$632,221,000 (2013: HK$525,612,000) and the weighted average number of ordinary shares of 13,053,419,738 (2013: 13,042,839,879) 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$632,221,000 (2013: HK$525,612,000) and the weighted average number of ordinary shares of 13,054,532,013 (2013: 13,043,823,625), being the weighted average number of ordinary shares of 13,053,419,738 (2013: 13,042,839,879) in issue during the period used in the basic earnings per share calculation plus the weighted average number of ordinary shares of 1,112,275 (2013: 983,746) assumed to have been issued at no consideration on the deemed exercise of the share options outstanding during the period.

10. Dividend

The directors of the Company do not recommend any interim dividend for the six months ended 30 June 2014 (2013: Nil).

11. Property, plant and equipment

During the six months ended 30 June 2014, the Group acquired property, plant and equipment of approximately HK$1,449,492,000.

12. Trade and other receivables

	30 June 2014 HK$'000 (unaudited)	31 December 2013 HK$'000 (audited)
Trade receivables (note a)	**1,273,957**	1,195,729
Other receivables (note b)	**341,450**	335,047
Total trade and other receivables	**1,615,407**	1,530,776

(a) Trade receivables

The Group's trading terms with customers are mainly on credit. The credit term generally ranges from 30 to 45 days (2013: ranges from 30 to 45 days). In 2013, oilfield support services contract was entered with a credit term of 300 days. As at 31 December 2013, the contract value of that particular services contract is approximately HK$83,575,000 (equivalent to RMB66,780,000). 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 2014 HK$'000 (unaudited)	31 December 2013 HK$'000 (audited)
0 to 30 days	**1,086,843**	1,052,881
31 to 60 days	**158,257**	142,488
61 to 180 days	**28,857**	360
	1,273,957	1,195,729

(b) Other receivables

	30 June 2014 HK$'000 (unaudited)	31 December 2013 HK$'000 (audited)
Amounts due from joint venturers	**97,995**	117,696
Advances to staff	**11,618**	11,041
Central excise duty receivables	**10,921**	6,387
Deposits and prepayments	**120,550**	121,418
Sales tax receivables	**58,455**	54,375
Others	**41,911**	24,130
	341,450	335,047

13. Held-to-maturity investments

At 30 June 2014, the Group held a 100% capital protected investment denominated in RMB dollars with principal amount of RMB120,000,000 (equivalent to approximately HK$151,056,000) (31 December 2013: Nil) issued by a financial institution in the PRC. The investment will mature on 23 June 2015.

At 30 June 2014, the carrying amount of held-to-maturity investment was pledged as security for the Group's bank loans.

14. Trade and other payables

	30 June 2014 HK$'000 (unaudited)	31 December 2013 HK$'000 (audited)
Trade payables (note a)	**524,178**	823,494
Other payables (note b)	**1,587,807**	1,286,202
Total trade and other payables	**2,111,985**	2,109,696

(a) Trade payables

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

	30 June 2014 HK$'000 (unaudited)	31 December 2013 HK$'000 (audited)
0 to 30 days	**89,861**	267,236
31 to 45 days	**42,333**	42,322
Over 45 days	**391,984**	513,936
	524,178	823,494

(b) Other payables

	30 June 2014 HK$'000 (unaudited)	31 December 2013 HK$'000 (audited)
Amount due to joint venturers	**201,713**	202,694
Accrual for operating expenses	**637,711**	416,498
Bills payables	**1,737**	4,430
Deposits received	**9,679**	11,446
Salaries and welfare payables	**491**	7,704
Other tax payables	**734,044**	640,609
Others	**2,432**	2,821
	1,587,807	1,286,202

15. Bank loans

	30 June 2014 HK$'000 (unaudited)	31 December 2013 HK$'000 (audited)
Current	**612,310**	664,587
Non-current	**4,368,000**	4,368,000
	4,980,310	5,032,587

Movements in bank loans is analysed as follows:

	30 June 2014 HK$'000 (unaudited)	30 June 2013 HK$'000 (unaudited)
At beginning of the period	**5,032,587**	4,999,904
New bank loans raised	**144,310**	62,090
Repayment of bank loans	**(195,657)**	(62,090)
Exchange differences	**(930)**	1,827
	4,980,310	5,001,731

16. Provisions

	Dismantling costs in respect of leasehold improvements HK$'000	Decommissioning costs HK$'000	Total HK$'000
At 1 January 2014 (audited)	420	281,176	281,596
Less:			
Actual costs incurred during the period	-	(183)	(183)
Add:			
Unwinding of discount	-	3,953	3,953
At 30 June 2014 (unaudited)	**420**	**284,946**	**285,366**

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.

16. Provisions – Continued

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.

17. Share capital

	Number of shares	Amount
		HK$'000
Authorised:		
Ordinary shares of HK$0.01 each		
At 31 December 2013, 1 January and 30 June 2014	**60,000,000,000**	**600,000**
Issued and fully paid:		
Ordinary shares of HK$0.01 each		
At 31 December 2013 and 1 January 2014 (audited)	**13,053,218,339**	**130,532**
Issue of shares under employees performance share schemes [Note a]	**9,113,299**	**91**
At 30 June 2014 (unaudited)	**13,062,331,638**	**130,623**

Note a: During the period ended 30 June 2014, 9,113,299 ordinary shares of HK$0.01 each pursuant to the employees performance share scheme of the Company were issued and allotted to the employees in Pakistan.

18. Capital commitments

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

	30 June 2014 HK$'000 (unaudited)	31 December 2013 HK$'000 (audited)
Contracted but not provided for:		
Acquisition of property, plant and equipment	**20,884**	20,884
Commitments for capital expenditure	**379,555**	645,490
	400,439	666,374

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

19. Contingent liabilities

As at 30 June 2014 and 31 December 2013, the Company issued various unlimited corporate guarantees in favour of the President of the Islamic Republic of Pakistan and certain joint venturers of the Group, as 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.

As at 30 June 2014 and 31 December 2013, the Company has issued an unlimited cross guarantee to a bank in respect of a banking facility granted to a subsidiary of the Company, United Energy Group (Hong Kong) Limited. At the end of the reporting period, the directors do not consider it probable that a claim will be made against the Company under the above guarantee. The maximum liability of the Company at the end of the reporting period is the amount of bank loans drawn under the cross guarantee at that date of HK$4,836,000,000 (31 December 2013: HK$4,836,000,000).

20. 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 name is for reference only. The official name of the company is in Chinese

(b) Orient Group Industrial has provided counter guarantees and corporate guarantees in favour of the Group against the bank loans made to the Group totalling HK$4,836,000,000 at 30 June 2014 (31 December 2013: HK$5,032,587,000).

21. Approval of the interim financial statements

The condensed consolidated interim financial statements for the six months ended 30 June 2014 has been approved for issue by the board of directors on 20 August 2014.

Management discussion and analysis

Financial Review

The Group continued a strong growth in earnings for the six months ended 30 June 2014 ("Period under Review" or "the period"). The profit attributable to the Owners of the Company was approximately HK$632,221,000, representing 20% growth from the six months ended 30 June 2013 (the "Corresponding Period").

	Six months ended 30 June		
	2014	2013	
	HK$'000	HK$'000	
	(unaudited)	(unaudited)	% Change
Profit/(Loss) by assets			
Pakistan Assets	**795,478**	674,621	+18%
Liaohe EOR Project, China	**47,282**	53,112	-11%
Oilfield Support Services	**(5,165)**	(2,999)	+72%
Unallocated Group expenses	**(81,712)**	(65,341)	+25%
Unallocated finance costs	**(111,346)**	(120,465)	-8%
Unallocated tax expense	**(12,316)**	(13,316)	-8%
Net profit attributable to owners of the Company	**632,221**	525,612	+20%

Profit from Pakistan Assets grew by 18% to approximately HK$795,478,000. This was contributed by the ramping up of production as a result of our new discoveries in 2013 and completion of gas processing facility upgrade in MKK.

Operating profit from Liaohe EOR Project was decreased by 11% to approximately HK$47,282,000. This was mainly due to lower Sales Prices in the period, increase in depreciation and amortisation for higher production volume and exchange loss on translation of monetary assets and liabilities in foreign currency at the exchange rate at the end of reporting period.

The increase in loss in Oilfield Support Services had reflected the decrease in service income in the reporting period.

Turnover
The Group's turnover for the period was approximately HK$2,665,997,000, representing an increase of 14% as compared with the turnover of HK$2,347,695,000 for the same period of last year. The increase in turnover was mainly contributed by the increase of production in Pakistan Assets from 33,862 barrels of oil equivalent ("boe") per day ("boed") to 40,227 boed.

Analysis of Turnover:

	Six months ended 30 June		
	2014	2013	
	HK$'000	HK$'000	
	(unaudited)	(unaudited)	% Change
Turnover by assets			
Pakistan Assets	**2,424,303**	2,090,410	+16%
Liaohe EOR Project, China	**219,587**	220,373	-0%
Oilfield Support Services	**22,107**	36,912	-40%
	2,665,997	2,347,695	+14%
Turnover by products			
Oil & Liquids – Pakistan Assets	**1,480,670**	1,464,699	+1%
Gas – Pakistan Assets	**943,633**	625,711	+51%
Oil – Liaohe EOR Project, China	**219,587**	220,373	-0%
Oilfield Support Services	**22,107**	36,912	-40%
	2,665,997	2,347,695	+14%

In the period, the Group received provisional 2012 Petroleum Policy price notification from Pakistan Authority of new gas sales price for our fields in MKK areas. This average gas price under the 2012 Petroleum Policy was increased significantly from US$2.6/MMBtu to US$5.5/MMBtu.

Cost of sales and services rendered

The Group's cost of sales and services rendered increased from approximately HK$1,124,106,000 for the six months ended 30 June 2013 to approximately HK$1,304,629,000 for this period. This was in line with higher production and sale achieved in the period. The cost of sales and services rendered included depreciation and amortisation of approximately HK$831,317,000 (30 June 2013: approximately HK$731,842,000). The average unit depreciation and amortisation for upstream oil operation was HK$107 per boe (30 June 2013: HK$112 per boe). The decrease was mainly due to lower of unit of production rate as a result of higher oil reserves at the end of year 2013 achieved by new discoveries in Pakistan Assets in 2013. The increase in government taxes was due to the first year provision of windfall levy for those oil sales of fields in MKK under the 2012 Petroleum Policy in Pakistan.

	Six months ended 30 June		
	2014	2013	
	HK$'000	HK$'000	
	(unaudited)	(unaudited)	% Change
Breakdown of cost of sales and services rendered:			
Depreciation & amortisation	**831,317**	731,842	+14%
Lifting cost / Direct cost	**435,440**	348,220	+25%
Taxes other than income taxes	**85,127**	30,463	+179%
Distribution expenses	**3,377**	-	N/A
(Increase)/ decrease in inventories	**(50,632)**	13,581	N/A
	1,304,629	1,124,106	+16%

Gross profit

The Group's gross profit was approximately HK$1,361,368,000 (gross profit ratio 51%) which represented an increase of 11% as compared with gross profit of approximately HK$1,223,589,000 (gross profit ratio 52%) for the same period of last year.

Exploration expenses
The exploration expenses decreased by 38% from approximately HK$273,240,000 for the six months ended 30 June 2013 to approximately HK$168,923,000 for the period. The exploration expenses were incurred mainly for the 3D seismic data acquisition, processing and studies performed in Pakistan Assets.

Administrative expenses
Administrative expenses increased from approximately HK$183,585,000 for the six months ended 30 June 2013 to approximately HK$221,346,000 for the period. The increase in administrative expenses reflected an enlarged overhead of operating the Pakistan Assets for this period. These expenses for the period included non-cash expenses of share-based payment transactions to employees of approximately HK$2,250,000 (30 June 2013: approximately HK$4,576,000) and depreciation of approximately HK$25,367,000 (30 June 2013: approximately HK$23,248,000).

Finance costs
The finance costs for the period was approximately HK$115,299,000, representing 6% decrease as compared with the finance costs of approximately HK$123,133,000 for the same period of last year. The decrease in finance costs was mainly due to lower market interest rate in the period. The average interest rate of bank loan for the period was 4.45% (30 June 2013: 4.82%)

Income tax expense
The income tax expense was approximately HK$142,420,000. It was HK$96,370,000 higher than income tax expense of approximately HK$46,050,000 for the same period of last year. It was mainly due to higher taxable profit from Pakistan Assets generated in this period.

EBITDA
EBITDA represents the profit before finance costs, income tax expense, depreciation and amortisation. It shall be noted that EBITDA is not a measure of operating performance or liquidity defined by generally accepted accounting principles and may not be comparable to similarly titled measures presented by other companies. The EBITDA for the period increased by 19% for the same period of last year to approximately HK$1,744,205,000.

	Six months ended 30 June		
	2014	2013	
	HK$'000	HK$'000	
	(unaudited)	(unaudited)	% Change
EBITDA by assets			
Pakistan Assets	**1,731,314**	1,414,729	+22%
Liaohe EOR Project, China	**87,155**	92,600	-6%
Oilfield Support Services	**6,769**	19,188	-65%
Unallocated Group expenses	**(81,033)**	(64,822)	+25%
	1,744,205	1,461,695	+19%

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 2014. 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

The Group 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 2014, the Group's Pakistan Assets and Liaohe Enhanced Oil Recovery ("EOR") Project in China ("Liaohe EOR Project") recorded satisfactory production growth. Notably, during the Period under Review, the Group reached an average daily net production of approximately 42,094 boed, 18.7% increase from the Corresponding Period. The Pakistan Assets delivered an average daily net production of approximately 40,227 boed, of which 33.6% was oil and liquids, and recorded 18.8% increase from the Corresponding Period. The Liaohe EOR Project delivered an average daily net production of approximately 1,867 boed, of which 100% was oil and liquids, and recorded 16.0% increase from the Corresponding Period. Based on the net production level, the Group is ranked as the largest non-state owned upstream oil and gas producer listed in the Hong Kong Stock Exchange.

During the Period under Review, lifting costs and direct costs incurred and recognised in cost of sales and services rendered by the Group is approximately HK$435,440,000 (Pakistan Assets: approximately HK$332,087,000, Liaohe EOR Project: approximately HK$88,716,000, Oilfield Support Services: approximately HK$14,637,000), and the Group invested approximately HK$1,445,251,000 of capital expenditure in oil exploration, development and production activities (Pakistan Assets: approximately HK$1,388,024,000, Liaohe EOR Project: approximately HK$57,227,000). 23 new wells have been drilled in Pakistan Assets and 16 side-track wells have been completed in Liaohe EOR Project. The Group has also acquired 787 km^2 of 3D seismic data in onshore area. Follow on data processing and interpretation work was in progress.

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 period 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:
For the Period under Review, the Pakistan Assets achieved an average daily net production of approximately 40,227 boed (Badin: 22,284 boed, MKK: 17,943 boed), of which 33.6% was oil and liquids, representing an approximately 18.8% (Badin: -19.5%, MKK: +189.6%) increase compared to the Corresponding Period. Composite Average Sales Price Before Government Take amounted to US$50.5 per boe, representing an approximately 1% increase compared to the Corresponding Period.

During the Period under Review, the Group remains as the most-active oil and gas upstream operator in Pakistan with 7 rigs in operation, 14 exploration wells and 9 development wells in Badin and MKK area were drilled and 787 km^2 of 3D seismic data has been acquired in onshore area. Follow on data processing and interpretation work is in progress. The Group has made 10 new oil and gas discoveries in Badin and MKK areas.

Notably, after the installation of an additional 40 mmcfd skid-mounted gas processing plant in MKK, average daily net production in the MKK area ramped up significantly in the second quarter of Financial Year of 2014, representing an approximately 58.5% increase compared to the first quarter of Financial Year 2014. The Company will continue its strategic focus on exploration and development activities of the enormously potential-rich MKK blocks and we expect the MKK blocks to become a major source of future organic growth. It would facilitate the implementation of the Group's business plan in respect of the MKK Concessions which will be beneficial to the business of the Group.

In June 2014, United Energy Pakistan Limited ("UEPL"), an indirect wholly owned subsidiary of the Company that operates the Pakistan Assets, delivers their first export shipment to the international oil market and target to export approximately 1,800,000 boe of condensate throughout the year. This represents another important milestone for our Pakistan operations and allows the Company to diversify its sales channel outside of Pakistan.

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 stages and recorded satisfactory production growth, the average daily net production has reached 1,867 boed marking 16.0% increase compared with the Corresponding Period. Average Sales Price Before Government Take amounted to US$83.3 per boe, representing an approximately 7.5% decrease compared to the Corresponding Period. As at 30 June 2014, a total of 275 production wells (representing ~45.0% of production wells) has 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 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 promote the technology to elsewhere in the region. This will in turn create 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 maintain strong as they are being affected by geopolitical instabilities. Strong oil prices are 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 mergers and acquisitions.

To deliver our strategy of "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, thereby enhancing the scale of the Group's upstream operations. The Group signed a project cooperation agreement with China Development Bank at US$5 billion for five years on 26 October 2012, signifying the Group'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 portfolio 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 in Pakistan, has a solid and reputed brand in the country. In view of the macro-economic development in the country, it is believed that the Group is in a good position to benefit from the opportunities for oil and gas companies in Pakistan. The Group continues to search for quality projects and opportunities to fully make use of its advantage in the sector.

Following the major discovery at Naimat West, the Group carried out a major maintenance and upgrade of its oil & gas processing facility and optimising the gas gathering system located in the MKK area. In June 2014, the Group has completed the bidding process of the project and started the preparatory work of the 160 mmcfd gas processing plant ("Naimat Phase 5") in MKK. The final construction contract will be signed within the second half of 2014. The project consists of 2 phases:

Phase 5A: 60 mmcfd skid-mounted gas processing plant (Targeted first gas by March 2015)
Phase 5B: 100 mmcfd gas processing plant (Targeted first gas by June 2015)

After the completion of the project, the Group is expected to add approximately 110 mmcfd of sales gas from the Naimat West gas fields which were discovered in 2013. This is an important step for the Group to further ramp up the production in the year 2015.

Subsequent to the notification received on 21 January 2014, the Group received another provisional gas price notification on 17 July 2014 from Oil and Gas Regulatory ("OGRA") for all the fields attracting a 2012 petroleum policy price. The Group is currently working on the supplemental agreements with Government of Pakistan ("GoP") for fully implementation. The Company expects that the full implementation of the 2012 Petroleum Policy in MKK and DSS concession will provide a positive financial impact on our results.

Liaohe EOR Project, China:
Since the Liaohe EOR Project entered into development and production stages, the project has recorded double digit growth on net production for three consecutive years. The Group's mid-term target is to increase the net average daily production volume to above 3,000 boe and to increase coverage of fireflood application to over 80% and to maintain the lifting cost at or below US$35 per boe.

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 and Disposal

The Company does not have material acquisition and disposal during the six month ended 30 June 2014.

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$1,425,983,000 as at 30 June 2014 (as at 31 December 2013: approximately HK$1,709,644,000).

As at 30 June 2014, 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$620,000,000, approximately equivalent to HK$4.836 billion (as at 31 December 2013: US$620,000,000, approximately equivalent to HK$4.836 billion).

On 26 June 2014, United Petroleum & Natural Gas (Panjin) Limited ("United Petroleum (Panjin)") and United Energy International Finance Limited ("UEIFL"), both are wholly-owned subsidiaries of the Company, entered into facility agreements with Industrial Bank Company Limited Shenyang Branch and Hong Kong Branch respectively. On the same day, United Petroleum (Panjin) deposited cash of RMB 120,000,000 (approximately equivalent to HK$151,056,000) in Industrial Bank Company Limited Shenyang Branch as pledge for issue a financing guarantee to Industrial Bank Company Limited Hong Kong Branch. As such, Industrial Bank Company Limited Hong Kong Branch granted UEIFL a one-year loan facility with limit of US$20,000,000 at interest rate of 3-month HIBOR+ 2.5659% p.a.. The purpose of this loan facility was for settlement of account payables of the Group. On 27 June 2014, UEIFL has drawdown the loan in the amount of US$18,501,240 (approximately equivalent to HK$144,310,000) for settlement of account payables of the Group with same value.

As at 30 June 2014, the gearing ratio was approximately 29% (as at 31 December 2013: approximately 30%), based on bank loan under current liabilities and non-current liabilities of approximately HK$612,310,000 (as at 31 December 2013: approximately HK$664,587,000) and HK$4,368,000,000 (as at 31 December 2013: approximately HK$4,368,000,000) respectively and total assets of approximately HK$17,282,718,000 (as at 31 December 2013: approximately HK$16,756,548,000). As at 30 June 2014, the current ratio was approximately 1.27 times (as at 31 December 2013: approximately 1.23 times), based on current assets of approximately HK$3,544,054,000 (as at 31 December 2013: approximately HK$3,557,046,000) and current liabilities of approximately HK$2,795,436,000 (as at 31 December 2013: approximately HK$2,895,381,000).

Capital Structure

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

On 27 June 2014, the Company issued and allotted 9,113,299 ordinary 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.

After completion of the above allotment of shares during the Period under Review, the total number of issued shares of the Company was increased from 13,053,218,339 shares as at 1 January 2014 to 13,062,331,638 shares as at 30 June 2014.

Employees

At as 30 June 2014, the Group employed a total of 1,125 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

As at 30 June 2014 and 31 December 2013, the Company issued various unlimited corporate guarantees in favour of the President of the Islamic Republic of Pakistan and certain joint venturers of the Group, as guarantee to provide UEPL with all necessary financial and other means to enable UEPL to fully perform its obligations as stipulated in the concession agreements.

As at 30 June 2014 and 31 December 2013, the Company has issued an unlimited cross guarantee to a bank in respect of a banking facility granted to a subsidiary of the Company, United Energy Group (Hong Kong) Limited. At the end of the reporting period, the directors do not consider it probable that a claim will be made against the Company under the above guarantee. The maximum liability of the Company at the end of the reporting period is the amount of bank loans drawn under the cross guarantee at that date of HK$4,836,000,000 (31 December 2013: HK$4,836,000,000).

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 2014 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 2014.

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 2014, 5,000,000 units of share options were cancelled. As at 30 June 2014, the balance of the share options granted under the Scheme was 23,000,000 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 1.1.2014	Granted	Exercised	Lapsed	Cancelled	As at 30.6.2014
Employees									
03.11.2010	0.90	03.11.2010 to 02.11.2011	03.11.2011 to 02.11.2015	1,000,000	-	-	-	(1,000,000)	-
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	29.8.2012 to 28.8.2014	29.8.2014 to 28.8.2022	3,600,000	-	-	-	-	3,600,000
29.8.2012	1.20	29.8.2012 to 28.8.2015	29.8.2015 to 28.8.2022	3,600,000	-	-	-	-	3,600,000
29.8.2012	1.20	29.8.2012 to 28.8.2016	29.8.2016 to 28.8.2022	5,400,000	-	-	-	-	5,400,000
Total				28,000,000	-	-	-	(5,000,000)	23,000,000

Disclosure of Interests

Directors' Interests in Shares and Underlying Shares of the Company

As at 30 June 2014, 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	9,377,150,115	–	71.79 (Note)
Zhu Jun	The Company	Beneficial owner	1,443,000	–	0.01

Note:
Out of the 9,377,150,115 shares, 5,328,879,125 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 1,824,544,282 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 9,377,150,115 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 2014.

Substantial Shareholders

As at 30 June 2014, 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	5,328,879,125	40.80
United Petroleum & Natural Gas Holdings Limited *(Note)*	The Company	Beneficial owner	2,223,726,708	17.02
United Energy Holdings Limited *(Note)*	The Company	Beneficial owner	1,824,544,282	13.97

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

All the interests stated above represent long positions. As at 30 June 2014, 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 2014.

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 2014 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.

With effective from 30 March 2012, a nomination committee, comprising Mr. San Fung, independent non-executive Director of the Company, as its Chairman with Mr. Chau Siu Wai, independent non-executive Director of the Company, and Ms Zhang Meiying, executive Director of the Company, as its members, has been set up with written terms of reference in accordance with the requirements of the Listing Rules. The Nomination Committee is responsible for nomination of Directors, structure of the Board, number of Directors, the composition of the Board and review the Board Diversity Policy the Company. The nominations of Directors were made in accordance with the Nomination Policy and the objective criteria (including without limitation, gender, age, cultural and educational background, ethnicity, professional experience, skills, knowledge and length of service), with due regard for the benefits of diversity under the Board Diversity Policy of the Company. According to the Board Diversity Policy of the Company, selection of candidates will be based on a range of diversity perspectives, including but not limited to gender, age, cultural and educational background, ethnicity, professional experience, skills, knowledge and length of service. The ultimate decision will be based on merit and contribution that the selected candidates will bring to the Board.

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 2014.

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 2014 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 2014.

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, 20 August 2014

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.