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UNITED ENERGY GROUP LIMITED

聯合能源集團有限公司*

(Incorporated in the Cayman Islands and continued in Bermuda with limited liability)

(Stock Code: 467)

INTERIM RESULTS ANNOUNCEMENT FOR THE SIX MONTHS ENDED 30 JUNE 2016

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 2016 together with unaudited comparative figures for the six months ended 30 June 2015 as follows:

Condensed Consolidated Statement of Profit or Loss

For the six months ended 30 June 2016

		Six months ended 30 June	
		2016	2015
	Note	**HK$'000**	HK$'000
		(unaudited)	(unaudited)
			(restated)
Continuing operations			
Turnover		**2,195,965**	2,630,783
Cost of sales and services rendered		**(920,434)**	(1,296,102)
Gross profit		**1,275,531**	1,334,681
Investment and other income		**9,927**	13,736
Other gains and losses		**(29,572)**	12,591
Exploration expenses		**(19,976)**	(65,974)
Administrative expenses		**(169,391)**	(197,516)
Other operating expenses		**(69,923)**	(72,484)
Profit from operations		**996,596**	1,025,034
Finance costs	6	**(122,116)**	(129,339)
Profit before tax		**874,480**	895,695
Income tax expenses	7	**(213,431)**	(142,419)
Profit for the period from continuing operations	8	**661,049**	753,276
Discontinued operation			
Loss for the period from discontinued operation	9	**(30,404)**	(5,924)
Profit for the period		**630,645**	747,352

* *For identification purposes only*

Condensed Consolidated Statement of Profit or Loss (Continued)

For the six months ended 30 June 2016

	Note	**Six months ended 30 June**	
		2016	2015
		HK$'000	HK$'000
		(unaudited)	(unaudited)
			(restated)
Attributable to:			
Owners of the Company			
Profit from continuing operations		**660,894**	757,655
Loss from discontinued operation		**(30,404)**	(5,924)
Profit attributable to owners of the Company		**630,490**	751,731
Non-controlling interests from continuing operations		**155**	(4,379)
		630,645	747,352
Earnings per share	10		
From continuing and discontinued operations			
Basic		**4.82 cents**	5.75 cents
Diluted		**N/A**	N/A
From continuing operations			
Basic		**5.05 cents**	5.80 cents
Diluted		**N/A**	N/A

Condensed Consolidated Statement of Profit or Loss and Other Comprehensive Income

For the six months ended 30 June 2016

	Six months ended 30 June	
	2016	2015
	HK$'000	HK$'000
	(unaudited)	(unaudited)
Profit for the period	**630,645**	747,352
Other comprehensive income, net of tax:		
Item that may be reclassified to profit or loss		
Exchange differences on translating foreign operations	**6,055**	648
Total comprehensive income for the period	**636,700**	748,000
Attributable to:		
Owners of the Company		
Profit from continuing operations	**667,612**	758,182
Loss from discontinued operation	**(30,404)**	(5,924)
Profit attributable to owners of the Company	**637,208**	752,258
Non-controlling interests from continuing operations	**(508)**	(4,258)
	636,700	748,000

Condensed Consolidated Statement of Financial Position

As at 30 June 2016

	Note	**30 June 2016 HK$'000 (unaudited)**	31 December 2015 HK$'000 (audited)
Non-current assets			
Property, plant and equipment	12	**5,465,412**	5,479,120
Intangible assets		**2,651,953**	2,781,833
Advances, deposits and prepayments		**112,915**	98,213
Pledged bank deposits		**147,689**	146,038
Deferred tax assets		**65,096**	168,621
		8,443,065	8,673,825
Current assets			
Restricted deposits		**-**	412,001
Inventories		**229,173**	223,703
Trade and other receivables	13	**1,283,241**	1,704,047
Financial assets at fair value through profit or loss		**326,336**	201,831
Current tax assets		**265,704**	305,215
Pledged bank deposits		**19,400**	31,558
Bank and cash balances		**3,610,031**	2,161,630
		5,733,885	5,039,985
Current liabilities			
Trade and other payables	14	**1,316,979**	1,495,940
Due to directors		**8,649**	8,324
Borrowings	15	**1,491,551**	1,460,224
Current tax liabilities		**97,124**	12,139
		2,914,303	2,976,627
Net current assets		**2,819,582**	2,063,358
Total assets less current liabilities		**11,262,647**	10,737,183
Non-current liabilities			
Trade and other payables		**-**	89,859
Borrowings	15	**3,120,000**	3,120,000
Provisions	16	**290,874**	287,696
Deferred tax liabilities		**372,852**	398,019
		3,783,726	3,895,574
NET ASSETS		**7,478,921**	6,841,609
Capital and reserves			
Share capital	17	**130,857**	130,857
Reserves		**7,318,857**	6,681,037
Equity attributable to owners of the Company		**7,449,714**	6,811,894
Non-controlling interests		**29,207**	29,715
TOTAL EQUITY		**7,478,921**	6,841,609

Notes to Interim Financial Statements

For the six months ended 30 June 2016

1. Basis of preparation

These condensed consolidated 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 2016. 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 have any significant effect on the condensed financial statements.

3. Significant Accounting Policies

These condensed financial statements should be read in conjunction with the 2015 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 2015. In addition, the Group had applied the following accounting policy for discontinued operation.

A discontinued operation is a component of the Group (i.e. the operations and cash flows of which can be clearly distinguished from the rest of the Group) that either has been disposed of, or is classified as held for sale, and which represents a separate major line of business or geographical area of operations, or is part of a single co-ordinated plan to dispose of a separate major line of business or geographical area of operations, or is a subsidiary acquired exclusively with a view to resale.

Classification as a discontinued operation occurs upon disposal or when the component meets the criteria to be classified as held for sale in accordance with HKFRS 5, if earlier. It also occurs when the component is abandoned.

When an operation is classified as discontinued, a single amount is presented in the statement of profit or loss, which comprises:

- The post-tax profit or loss of the discontinued operation; and
- The post-tax gain or loss recognised on the measurement to fair value less costs to sell, or on the disposal, of the assets or disposal group constituting the discontinued operation.

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 2016 and 31 December 2015 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 condensed consolidated statement of financial position approximate their respective fair values.

5. Segment information

The Group's reportable segments are as follows:

Continuing operations:

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

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

Discontinued operation:

3. Oil exploitation – activities relating to the production of crude oil in PRC utilising production enhancement 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 2015.

5. Segment information (Continued)

	Continuing operations		Discontinued operation	
	Exploration and production HK$'000 (unaudited)	**Oilfield support services HK'000** (unaudited)	**Oil exploitation HK$'000** (unaudited)	**Total HK$'000** (unaudited)
For the six months ended 30 June 2016				
Turnover from external customers	**2,178,097**	**17,868**	**23,827**	**2,219,792**
Segment profit/ (loss)	**901,775**	**(2,380)**	**(30,404)**	**868,991**
As at 30 June 2016				
Segment assets	**9,553,538**	**69,668**	**39,097**	**9,662,303**
Segment liabilities	**1,780,517**	**13,781**	**118,562**	**1,912,860**
For the six months ended 30 June 2015				
Turnover from external customers	2,615,923	14,860	100,740	2,731,523
Segment profit/ (loss)	974,343	(8,287)	(5,924)	960,132
	(audited)	(audited)	(audited)	(audited)
As at 31 December 2015				
Segment assets	10,125,530	68,489	63,193	10,257,212
Segment liabilities	2,014,310	17,948	162,522	2,194,780

Reconciliations of reportable segment profit or loss:

	Six months ended 30 June	
	2016 HK$'000 (unaudited)	2015 HK$'000 (unaudited) (restated)
Profit or loss		
Total profit of reportable segments	**868,991**	960,132
Unallocated amounts:		
Investment and other income	**4,940**	7,670
Other gains and losses	**(30,252)**	12,591
Corporate expenses	**(95,410)**	(108,266)
Finance costs (except for provision - unwinding of discount included in the exploration and production segment)	**(117,624)**	(124,775)
Elimination of discontinued operation	**30,404**	5,924
Consolidated profit for the period from continuing operations	**661,049**	753,276

6. Finance Costs

	Six months ended 30 June	
	2016	2015
	HK$'000	HK$'000
	(unaudited)	(unaudited)
		(restated)
From continuing operations		
Interest on bank loans	**94,708**	101,892
Interest on medium term notes	**22,916**	22,883
Provision – unwinding of discounts	**4,492**	4,564
	122,116	129,339

7. Income tax expenses

	Six months ended 30 June	
	2016	2015
	HK$'000	HK$'000
	(unaudited)	(unaudited)
		(restated)
From continuing operations		
Current tax – PRC enterprise income tax		
- Provision for the period	**-**	878
- Over provision in prior years	**-**	(528)
	-	350
Current tax – Overseas		
- Provision for the period	**136,024**	87,102
	136,024	87,452
Deferred tax	**77,407**	54,967
	213,431	142,419

No provision for profits tax in Bermuda, British Virgin Islands, Republic of Panama, Mauritius, Singapore 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 2016 and 2015.

PRC enterprise income tax and Pakistan Income Tax are calculated at 25% and 50% respectively on the 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 2016 and 2015, 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 financial year.

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 from continuing operations

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

	Six months ended 30 June	
	2016	2015
	HK$'000	HK$'000
	(unaudited)	(unaudited)
		(restated)
From continuing operations		
Interest income	**(5,020)**	(8,375)
Dividend income	**(69)**	(66)
Amortisation of intangible assets	**129,880**	192,319
Depreciation	**535,782**	777,325
Directors' remuneration	**2,559**	2,852
Fair value loss on financial assets at fair value through profit or loss	**618**	164

9. Discontinued Operation

On 23 February 2016, the Group issued a notice to China National Petroleum Corporation ("CNPC"), a joint venture partner of the Enhanced Oil Recovery ("EOR") contract, to propose abandonment of the EOR contract (the "Abandonment"). Such Abandonment has been confirmed by CNPC on 20 May 2016. In this connection, the EOR contract under oil exploitation business segment of the Group has been classified as discontinued operation of the Group in PRC for the period ended 30 June 2016 and thereafter. Details of the Abandonment were set out in the Company's announcements dated 23 February 2016 and 20 May 2016 respectively.

The loss for the period from the discontinued operation is analysed as follows:

	Six months ended 30 June	
	2016	2015
	HK$'000	HK$'000
	(unaudited)	(unaudited)
Turnover	**23,827**	100,740
Cost of sales and services rendered	**(35,023)**	(110,181)
Gross profit	**(11,196)**	(9,441)
Investment and other income	**1,223**	8,275
Other gains and losses	**(14,514)**	(1,453)
Administrative expenses	**(5,917)**	(7,446)
Loss before tax	**(30,404)**	(10,065)
Income tax credit	**-**	4,141
Loss for the period from discontinued operation	**(30,404)**	(5,924)

9. Discontinued Operation (Continued)

Loss for the period from discontinued operation include the following:

	Six months ended 30 June	
	2016	2015
	HK$'000	HK$'000
	(unaudited)	(unaudited)
Interest income	**429**	6,741
Amortisation of intangible assets	**-**	29,909
Depreciation	**-**	6,783

Cash flows from discontinued operation:

	Six months ended 30 June	
	2016	2015
	HK$'000	HK$'000
	(unaudited)	(unaudited)
Net cash (outflows)/inflows from operating activities	**(50,803)**	1,217
Net cash inflows/(outflows) from investing activities	**11,453**	(41,325)
Net cash (outflows)/inflows from financing activities	**(28,555)**	219,669
Effect of foreign exchange rate changes	**13,941**	(2,698)
Net cash (outflows)/inflows	**(53,964)**	176,863

10. Earnings/loss per share

(a) Basic earnings per share from continuing and discontinued operations

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$630,490,000 (2015: HK$751,731,000) and the weighted average number of ordinary shares of 13,085,721,377 (2015: 13,068,128,502) in issue during the period.

(b) Basic earnings per share from continuing operations

The calculation of basic earnings per share from continuing operations attributable to owners of the Company is based on the profit for the period from continuing operation attributable to owners of the Company of approximately HK$660,894,000 (2015: HK$757,655,000) and the weighted average number of ordinary shares of 13,085,721,377 (2015: 13,068,128,502) in issue during the period.

(c) Basic loss per share from discontinued operation

Basic loss per share from the discontinued operation is HK$0.23 cents per share (2015: HK$0.05 cents per share) based on the loss for the period from discontinued operations attributable to the owners of the Company of approximately HK$30,404,000 (2015: HK$5,924,000) and the denominator used is the same as the above for basic earnings per share.

(d) Diluted earnings per share

No diluted earnings per share are presented as the Company did not have any dilutive potential ordinary share for the six months ended 30 June 2016 and 2015.

11. Dividend

The directors of the Company do not recommend any interim dividend for the six months ended 30 June 2016 (2015: Nil).

12. Property, plant and equipment

During the six months ended 30 June 2016, the Group acquired property, plant and equipment of approximately HK$523,982,000.

13. Trade and other receivables

	30 June 2016 HK$'000 (unaudited)	31 December 2015 HK$'000 (audited)
Trade receivables (note a)	**1,439,650**	1,743,325
Allowance for trade receivables	**(2,165)**	(2,165)
Allowance for price adjustments	**(506,111)**	(526,584)
	931,374	1,214,576
Other receivables (note b)	**351,867**	506,553
Allowance for other receivables	**-**	(17,082)
	351,867	489,471
Total trade and other receivables	**1,283,241**	1,704,047

(a) Trade receivables

The Group's trading terms with customers are mainly on credit. The credit term generally ranges from 30 to 45 days (2015: ranges from 30 to 45 days). The Group seeks to maintain strict control over its outstanding receivables. Overdue balances are reviewed regularly by the directors.

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

	30 June 2016 HK$'000 (unaudited)	31 December 2015 HK$'000 (audited)
0 to 30 days	**1,096,763**	1,142,224
31 to 60 days	**341,785**	342,927
61 to 90 days	**-**	22,586
Over 90 days	**1,102**	235,588
	1,439,650	1,743,325

13. Trade and other receivables (Continued)

(b) Other receivables

	30 June 2016 HK$'000 (unaudited)	31 December 2015 HK$'000 (audited)
Due from joint operators	**137,674**	276,706
Advances to staff	**6,959**	9,958
Central excise duty receivables	**24,728**	12,052
Deposits and prepayments	**8,259**	18,538
Sales tax receivables	**162,165**	166,986
Others	**12,082**	5,231
	351,867	489,471

14. Trade and other payables

	30 June 2016 HK$'000 (unaudited)	31 December 2015 HK$'000 (audited)
Trade payables (note a)	**345,189**	271,363
Other payables (note b)	**971,790**	1,314,436
Total trade and other payables	**1,316,979**	1,585,799

(a) Trade payables

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

	30 June 2016 HK$'000 (unaudited)	31 December 2015 HK$'000 (audited)
0 to 30 days	**8,055**	223,457
31 to 45 days	**118,021**	39,205
Over 45 days	**219,113**	8,701
	345,189	271,363

14. Trade and other payables (Continued)

(b) Other payables

	30 June 2016 HK$'000 (unaudited)	31 December 2015 HK$'000 (audited)
Accrual for operating expenses	**359,352**	599,446
Bills payables	**19,401**	31,558
Deposits received	**4,579**	9,697
Salaries and welfare payables	**38,929**	106,381
Other tax payables	**525,572**	553,162
Others	**23,957**	14,192
	971,790	1,314,436

15. Borrowings

	30 June 2016 HK$'000 (unaudited)	31 December 2015 HK$'000 (audited)
Secured bank loans	**3,888,300**	3,888,300
Medium term notes	**573,983**	542,656
Other borrowings	**149,268**	149,268
	4,611,551	4,580,224

The movement in borrowings is analysed as follows:

	30 June 2016 HK$'000 (unaudited)	30 June 2015 HK$'000 (unaudited)
At the beginning of the period	**4,580,224**	5,085,903
New borrowings raised	**-**	149,268
Repayment of borrowings	**-**	(144,310)
Exchange differences	**31,327**	(8,705)
	4,611,551	5,082,156

16. Provisions

	Dismantling costs in respect of leasehold improvements HK$'000	Decommissioning costs HK$'000	Total HK$'000
At 1 January 2016 (audited)	420	287,276	287,696
Less:			
Actual costs incurred during the period	-	(1,314)	(1,314)
Add:			
Unwinding of discount	-	4,492	4,492
At 30 June 2016 (unaudited)	**420**	**290,454**	**290,874**

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.

17. Share capital

	Number of shares	**Amount**
		HK$'000
Authorised:		
Ordinary shares of HK$0.01 each		
At 31 December 2015, 1 January 2016 and 30 June 2016	**60,000,000,000**	**600,000**
Issued and fully paid:		
Ordinary shares of HK$0.01 each		
At 31 December 2015 and 1 January 2016(audited) and 30 June 2016 (unaudited)	**13,085,721,377**	**130,857**

18. Capital commitments

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

	30 June 2016 HK$'000 (unaudited)	31 December 2015 HK$'000 (audited)
Contracted but not provided for:		
Acquisition of property, plant and equipment	**25,972**	61,637
Commitments for capital expenditure	**201,389**	291,260
Acquisition of financial instruments	**-**	1,913,052
	227,361	2,265,949

(b) On 20 October 2014, the Group established a wholly owned subsidiary, United Energy (Beijing) Limited ("UEBL") in the PRC with registered capital of approximately HK$116,750,000 (equivalent to RMB100,000,000). At 30 June 2016 and 31 December 2015, the Group has contributed approximately HK$14,297,000 (31 December 2015: HK$14,623,000) (equivalent to RMB12,246,000) to UEBL. In accordance with the memorandum of association of UEBL, the remaining balance of approximately HK$102,453,000 (31 December 2015: HK$104,787,000) (equivalent to RMB87,754,000) shall be contributed to UEBL within twenty years from the date of its establishment.

19. Contingent liabilities

(a) As at 30 June 2016 and 31 December 2015, the Company issued various unlimited corporate guarantees in favour of the President of the Islamic Republic of Pakistan and certain joint operators 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.

(b) At the end of the reporting period, 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 approximately HK$3,744,000,000 (31 December 2015: HK$3,744,000,000).

(c) At the end of the reporting period, the Company has issued a corporate guarantee in respect of the S$100,000,000 first medium term notes (the "First Drawdown Notes") issued by United Energy Financing (Bermuda) Limited ("UEFBL"), a wholly-owned subsidiary of the Company, under the S$1,000,000,000 medium term notes (the "Programme"). 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 First Drawdown Note drawn under the corporate guarantee at that date of approximately HK$573,983,000 (31 December 2015: HK$542,656,000).

(d) As at 30 June 2016 and 31 December 2015, the Group had issued corporate guarantees granted to the collector of customs of Pakistan in case of any dispute arising on claim of exemptions of levies including custom duties and sales tax on import of machinery, equipment, materials, specialized vehicles, spares, chemicals and consumables under the petroleum concession agreement amounting to approximately HK$231,000 (31 December 2015: HK$243,000).

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 approximately HK$3,744,000,000 at 30 June 2016 (31 December 2015: HK$3,744,000,000).

21. Events after the reporting period

(a) On 12 July 2016, the Company resolved to award 16,272,730 new ordinary shares as the scheme shares to Pakistan employees under the employees' performance share schemes adopted by the Company on 28 December 2012. The allotment of the 16,272,730 scheme shares was completed on 25 July 2016. The Company has no funds raised in this issue. The total number of issued shares of the Company was increased from 13,085,721,377 shares as at 30 June 2016 to 13,101,994,107 shares as at 25 July 2016. Details of this issue are set out in the Company's announcement dated 12 July 2016.

(b) On 22 July 2016, a shareholder resolution was passed in the special general meeting of the Company to approve for the proposed issue of 13,101,994,107 offer shares to the qualifying shareholders at the subscription price of HK$0.20 per shares on the basis of one share for every one share in issue ("Open Offer"). The net proceeds of the Open Offer after the deduction of related expenses are estimated to be approximately HK$2,578,400,000. The Open Offer is expected to be completed on 30 August 2016. Details of the Open Offer are set out in the Company's announcement dated 2 June 2016, the Company's circular dated 30 June 2016 and the Company's prospectus dated 5 August 2016.

22. Approval of the interim financial statements

The condensed consolidated interim financial statements for the six months ended 30 June 2016 has been approved for issue by the board of directors on 26 August 2016.

Management discussion and analysis

Financial Review
The Group reported a decline in earnings for the six months ended 30 June 2016 (the "reporting period"). The profit attributable to the owners of the Company was approximately HK$630,490,000 (30 June 2015: approximately HK$751,731,000), representing 16.1% decline from the six months ended 30 June 2015 (the "corresponding period of last year"). The decrease in net profit was mainly due to weak international oil prices which affected the average selling prices of oil and gas products sold but partially offset by the increase in production as well as savings arising from the Group's effective implementation of cost optimisation. In terms of production, the Group reported a stable growth of 9.6% over the corresponding period of last year in spite of the abandonment of the Liaohe EOR Project during early 2016. The average daily net production in Pakistan Assets was increased from 59,895 barrels of oil equivalent ("boe") per day ("boed") to 66,698 boed in the reporting period, representing 11.4% increase from the corresponding period of last year.

Turnover
The Group's turnover for the reporting period was approximately HK$2,195,965,000, representing a decrease of 16.5% as compared with the turnover of approximately HK$2,630,783,000 for the corresponding period of last year. The decrease in turnover was mainly affected by lower realised selling prices of oil and gas commodities.

Cost of sales and services rendered
The Group's cost of sales and services rendered decreased from approximately HK$1,296,102,000 for the corresponding period of last year to approximately HK$920,434,000 for this reporting period. The decrease in cost of sales and services rendered was contributed by the successful implementation of cost optimisation measures which resulted in significant savings and the reduction in depreciation and amortisation expenses due to higher reserves base for amortisation for the reporting period. The cost of sales and services rendered included depreciation and amortisation of approximately HK$646,530,000 (30 June 2015: approximately HK$955,004,000). The lifting cost, which is defined as the cost of sales excluding depreciation & amortisation, government tax and distribution expenses, of Pakistan Assets was US$2.7 per boe (30 June 2015: US$3.9 per boe). The decrease in lifting cost per boe was attributable to the Group's effective cost optimisation measures in particularly to the procurement supply chain management.

Gross profit
The Group's gross profit was approximately HK$1,275,531,000 (gross profit ratio 58.1%) which represented a decrease of 4.4% as compared with gross profit of approximately HK$1,334,681,000 (gross profit ratio 50.7%) for the corresponding period of last year. The decrease in gross profit was in line with the drop in revenue as a result of weaker international oil price in the reporting period while the scale was significantly offset by the effort in cost control and the increase in production.

Exploration expenses
The Group's exploration expenses for the reporting period was approximately HK$19,976,000 (30 June 2015: approximately HK$65,974,000) which was incurred mainly for the geological and geophysical studies performed in Pakistan Assets.

Administrative expenses
The Group's administrative expenses for the reporting period was approximately HK$169,391,000 (30 June 2015: approximately HK$197,516,000), representing 7.7% (30 June 2015: 7.5%) of turnover.

Finance costs

The Group's finance costs for the reporting period was approximately HK$122,116,000, representing 5.6% decrease as compared with the finance costs of approximately HK$129,339,000 for the corresponding period of last year. The decrease in finance costs was mainly due to lower total borrowings as compared to the corresponding period of last year. The average interest rate of borrowings for the reporting period was 5.12% (30 June 2015: 4.91%).

Income tax expense

The Group's income tax expense for the reporting period was approximately HK$213,431,000 (30 June 2015: approximately HK$142,419,000), representing an increase of 49.9%, partly due to the decrease in tax loss available for offsetting the taxable income.

EBITDA

EBITDA represents the profit before finance costs, income tax expense, depreciation and amortisation, impairment loss and gain on disposal of property, plant and equipment, and reversal of allowance for trade and other receivables. 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 reporting period was approximately HK$1,629,789,000, decreased by 19.4% from the corresponding period of last year of approximately HK$2,021,305,000.

The Group is actively evaluating suitable opportunities for both organic and inorganic expansion. In order to fuel such expansion, the Board has not recommended the payment of interim dividend for the reporting period.

The Group's Audit Committee has reviewed the unaudited condensed consolidated financial statements for the six months ended 30 June 2016. 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 presence in South Asia. The Group is principally engaged in the investment and operation of upstream oil, natural gas and other energy related businesses. Leveraging on management's extensive experience in the oil and gas exploration, the Group has successfully grown its business into one of the major players in the upstream oil and gas industry. In terms of net reserve volume, the Group is ranked as one of the largest independent upstream oil and gas operators listed on the Hong Kong Stock Exchange. The Group has established a sound track record of growing its business through acquisition and aggressive capital investment.

During the first half of 2016, international oil prices bottomed out and stabilised at a low 40s level with Brent average oil price being 31% below the corresponding period of last year. Despite abandonment of the Liaohe EOR Project, the Group continued to report an overall production growth. Net profit attributable to the owners of the Company was approximately HK$630,490,000, representing 16.1% decrease compared the corresponding period of last year of HK$751,731,000. On the other hand, the Group's EBITDA was approximately HK$1,629,789,000 for the reporting period, declined by 19.4% from the corresponding period of last year. The drop in EBITDA was in line with the sharp fall of international oil prices in 2015 which translated into lower realised selling prices but partially alleviated by the improvement in productivity from the Pakistan Assets and successful implementation of cost optimisation measures. The Group delivered an average daily net production of approximately 67,291 boed during the reporting period, representing 9.6% increase from the corresponding period of last year.

Cost of sales and services rendered by the Group for the reporting period was approximately HK$920,434,000 (Pakistan Assets: approximately HK$903,691,000, Oilfield Support Services: approximately HK$16,743,000), and the Group invested approximately HK$520,200,000 of capital expenditure in oil exploration, development and production activities for Pakistan Assets. The Group has drilled 16 new wells in Pakistan Assets.

Pakistan Assets:
For the six months ended 30 June 2016, the Pakistan Assets achieved an average daily net production of approximately 66,698boed, grew by 11.4% compared to the corresponding period of last year. The Pakistan Assets has an oil and liquids ratio of 12.2%. Composite Average Sales Price Before Government Take amounted to US$25.8 per boe, dropped by 26.5% compared to the corresponding period of last year.

During the reporting period, the Group remains as one of the most-active oil and gas upstream operators in Pakistan and completed 10 exploration and appraisal wells and 6 development wells. The Group has made 6 new oil and gas discoveries in Badin and MKK Blocks. In light of dropping oil prices, the Group implemented cost optimisation measures during the reporting period and effectively resulted in improvement in both capital and operating efficiency. Since June 2014, United Energy Pakistan Limited ("UEPL"), the operator of the Pakistan Asset of the Company and a wholly owned subsidiary of the Company, delivered its first export shipment of oil and condensate to the international oil market. For the reporting period, total exported oil and condensate was approximately 876,000 boe. This allows the Group to diversify its sales channel outside of Pakistan.

During 2016, the Group successfully installed a 30 MMSCFD 200 GPM skid mounted Amine plant at its existing Bukhari facility in Badin. The plant was built and commissioned in a record time of 5 months. The plant was built to process high CO^2 gas from various Badin fields to ensure on-spec gas sales to our customer. This plant is skid mounted and if high CO^2 gas declines in Badin, the plant can be relocated to any other UEP concession, hence giving a degree of flexibility to the Pakistan operations.

Liaohe EOR Project, China:
The Group's Liaohe EOR Project was approved by National Development and Reform Commission to commence development stage in July 2010 and later entered production stage in February 2011. This operation encountered significant challenges during 2015 as international oil price plummeted to historical low. It reported a segmental loss for the year ended 31 December 2015 even after excluding the impairment and written off losses. As such, the Group has strategically scaled down its capital investment for production and re-assessed the corresponding economic benefits under low oil prices. Taking into consideration of the current state of macro environment, the capital investment required and the economic return brought by the Liaohe EOR Project, the Board resolved that it is in the interest of the Group and its Shareholders to abandon the Liaohe EOR Project and direct resources to other core and potential businesses which can produce better returns. Therefore, on 23 February 2016, the Board has procured United Petroleum & Natural Gas Investments Limited ("United Petroleum"), a wholly-owned subsidiary of the Company, to issue a notice to China National Petroleum Corporation ("CNPC"), joint venture partner of the Liaohe EOR Project, to propose the abandonment of the Liaohe EOR Project (the "Abandonment"). Accordingly, all of the non-current assets of Liaohe EOR Project have been impaired in the financial year of 2015 in accordance with terms of the EOR contract and relevant financial reporting standards. The impairment represents accounting entries in the financial statements only and they do not have material impact on the cash flow position of the Company. On 20 May 2016, the Group received the Notice from CNPC pursuant to the terms and conditions of the EOR Contract in relation to the Abandonment confirming and agreeing the Abandonment.

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.

Similar to the conventional oil and gas upstream operation, international oil prices play an important role to the application of fireflood technology. This is because oil price strongly correlates with the incremental returns generated from the application and hence affects the incentive of retiring oilfields to adopt its application. The Group will closely monitor the potential business risk of abated demand under weak international oil prices.

Business and market outlook

During the first half of 2016, international oil prices bottomed out and stabilised at a low 40s level with Brent average oil price being 31% below the corresponding period of last year. Meanwhile, according to the US Energy Information Administration, the short-term outlook of crude oil prices would remain weak through 2016 as supply still outpaces demand and global oil inventory continues to build up. Under this environment, the Group will adopt a stable output strategy and shift our focus towards building up oil reserve to cater for recovery of international oil market. For 2016, the Pakistan Assets' average daily net production is projected to be in the range of 62,000 to 66,000 boed, which is about the same level as 2015. 1P reserve replacement ratio of the Pakistan Assets is expected to be between 110% and 130%.

The Group will continue to implement cost optimisation measures to cautiously monitor its capital expenditure and operating expenses through measures such as optimisation of well design and drilling efficiencies, fine-tuning of operation workflows, and improving procurement management. These measures will further strengthen the Group's cost structure and enhance its competitiveness to cope with low oil prices.

Benefited from production ramp-up, the Group continued to generate strong cash flow from operation for the reporting period. As at 30 June 2016, total bank and cash balances of the Group stood at approximately HK$3,610,031,000. In addition, a shareholder resolution was passed in the special general meeting of the Company held on 22 July 2016 to approve for the proposed issue of 13,101,994,107 offer shares to the qualifying shareholders at the subscription price of HK$0.20 per shares on the basis of one share for every one share in issue ("Open Offer"). The net proceeds of the Open Offer after the deduction of related expenses are estimated to be approximately HK$2,578,400,000. The Open Offer is expected to be completed on 30 August 2016. The Company intends to apply the net proceeds of the open offer for drilling wells, conducting seismic studies and construction of development and production facilities to capture business opportunities arising from the strong demand for primary energy in Pakistan, repayment of debt and interest expenses as well as potential acquisitions. This provided certain liquidity buffer for the Group to support future capital investment and meet short-term debt obligations. Of course, the ability for us to remain financially liquid and sound would also rely on the past and ongoing support from our relationship with banks and investors, where we would like to take this occasion to express our sincere gratitude to them.

Riding on our strong financial strength, the Group is actively screening acquisition targets to replenish its reserve and fast track its expansion plan. New acquisition can also diversify the geographical concentration of our assets and revenue bases.

Pakistan Assets:

The Group maintains its high prospect on the potential growth of Pakistan's upstream energy sector as nurtured by Pakistan's attractive fiscal regimes and a well-developed gas infrastructure and market supported by a growing demand for energy. In line with our growth strategy, the Group is constantly looking for new access opportunities and is closely engaged with Pakistan's National Oil Companies ("NOC") for prospective farm-in opportunities. The group is currently evaluating on a number of prospective opportunities across the country including new exploration access in partnership with NOC's in Baluchistan and Sindh.

In addition the Group currently operates an old 50 MMSCFD LPG plant based on lesser efficient refrigeration technology at its Naimat Complex. In order to increase the LPG and NGL recoveries, this plant is being upgraded to process 100 MMSCFD of gas and increase the recovery factor from ~55% to ~95% via the installation of a Turbo-Expander. This project will be completed and start commission by July 2017.

The Group is adopting a mixture of exploration and production strategies to its Pakistan Assets. For the mature Badin concession, where the company has a long track record of high returns, the Group will continue to invest to extend its production life through optimal drilling, widespread application of technology, well works and other enhanced recovery projects.

In MKK, which is the largest contributor to the Group's total production, the developed fields are being produced at a plateau while exploration of stratigraphic and new play types is underway to continue to replenish reserves. In addition, exploration activities are also being planned and performed at the DSS blocks as well as new exploration ventures that the company is pursuing.

Conclusion

2016 is still a challenging year for all upstream oil and gas operators. Nevertheless, the Group continued to achieve strong production output, made several important discoveries in the Pakistan Assets and maintained a strong financial position. Despite the challenges ahead, we still hold a cautiously optimistic view on the outlook of the upstream oil and gas industry. The Group will adopt a stable output strategy for 2016 and cautiously monitor its cost structure to stay competitive. We also focus on building up reserve to cater for recovery of the international oil market while look for acquisition opportunities to fast-track our target and enrich our portfolios. In the meantime, we continue to uphold our promise to deliver growth and sustainable return to our stakeholders.

Liquidity and Financial Resources

The Group maintained its strong financial position for the reporting period, with cash and cash equivalents amounting to approximately HK$3,610,031,000 as at 30 June 2016 (as at 31 December 2015: approximately HK$2,161,630,000).

As at 30 June 2016, 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$480,000,000, approximately equivalent to HK$3,744,000,000 (as at 31 December 2015: US$480,000,000, approximately equivalent to HK$3,744,000,000).

On 25 June 2015, a facility letter was entered between United Energy International Trading Limited ("UEIT"), a wholly-owned subsidiary of the Company, as borrower (the "Borrower") and Haitong International Securities Company Limited as lender (the "Lender"), pursuant to which the Lender agreed to make available to the Borrower a loan facility of up to HK$150,000,000 (the "Facility") for subscription of a Haitong Multi-Tranche Investment Fund II S.P. (the "Fund") in the amount of HK$199,268,000. UEIT provided remaining balance of HK$50,000,000 from internal resources of the Group. The objective of the Fund is to generate capital gains. As at 30 June 2016, the outstanding amount of the loan was approximately HK$149,268,000 (as at 31 December 2015: approximately HK$149,268,000).

On 22 July 2015, United Energy International Finance Limited ("UEIFL"), a wholly-owned subsidiary of the Company, entered into a facility agreement with Industrial and Commercial Bank of China Limited – Abu Dhabi Branch ("ICBC"). On 4 August 2015, United Petroleum & Natural Gas (Panjin) Limited ("United Petroleum (Panjin)"), a wholly-owned subsidiary of the Company, entered into a financing guarantee agreement with China Citic Bank (Shenyang Branch) ("Citic") in which United Petroleum (Panjin) deposited cash of approximately RMB122,300,000 (equivalent to approximately HK$146,038,000) as pledge for issuing a financing guarantee to ICBC. As such, ICBC granted UEIFL a one-year loan facility with limit of US$18,500,000 (equivalent to approximately HK$144,300,000) at fixed interest rate of 1.90% per annum. The purpose of this loan facility was for settlement of account payables of the Group. On 4 August 2015, UEIFL has drawdown the loan in the amount of US$18,500,000 (equivalent to approximately HK$144,300,000) for settlement of account payables of the Group with same value. As at 30 June 2016, the outstanding amount of the loan from ICBC was US$18,500,000 (equivalent to approximately HK$144,300,000) (as at 31 December 2015: US$18,500,000, approximately equivalent to HK$144,300,000). On 1 August 2016, this loan has been fully repaid.

On 8 October 2014, United Energy Financing (Bermuda) Limited ("UEFBL" or the "Issuer"), a wholly-owned subsidiary of the Company, has established the S$1,000,000,000 multicurrency medium term note programme (the "Programme") under which it may issue the medium term notes (the "Notes") to institutional investors and/ or professional investors, as applicable, in series of aggregate principal amount of up to S$1,000,000,000 (or its equivalent in other currencies). The Notes are expected to be issued by the Issuer and guaranteed by the Company. The Issuer has appointed CIMB Bank Berhad as arranger and dealer under the Programme. On 17 October 2014, the issue of the S$100,000,000, 6.85% per annum Notes due 17 October 2016 under the Programme (the "First Drawdown Notes") was completed. The First Drawdown Notes were admitted to the Official List of the Singapore Exchange Securities Trading Limited with effect on 20 October 2014. The net proceeds from the issue of the First Drawdown Notes under the Programme, after deducting the costs and expenses relating to the issue of the First Drawdown Notes, will be used for general corporate purposes of the Group. As at 30 June 2016 and 31 December 2015, the outstanding amount of the First Drawdown Notes was S$100,000,000, approximately equivalent to HK$573,983,000 (as at 31 December 2015: approximately equivalent to HK$542,656,000).

As at 30 June 2016, the gearing ratio was approximately 32.5% (as at 31 December 2015: approximately 33.4%), based on borrowings under current liabilities and non-current liabilities of approximately HK$1,491,551,000 (as at 31 December 2015: approximately HK$1,460,224,000) and HK$3,120,000,000 (as at 31 December 2015: approximately HK$3,120,000,000) respectively and total assets of approximately HK$14,176,950,000 (as at 31 December 2015: approximately HK$13,713,810,000). As at 30 June 2016, the current ratio was approximately 1.97 times (as at 31 December 2015: approximately 1.69 times), based on current assets of approximately HK$5,733,885,000 (as at 31 December 2015: approximately HK$5,039,985,000) and current liabilities of approximately HK$2,914,303,000 (as at 31 December 2015: approximately HK$2,976,627,000).

As at 30 June 2016, the Group's total borrowings amounted to HK$4,611,551,000 (as at 31 December 2015: HK$4,580,224,000), including secured bank loans of HK$3,888,300,000 (as at 31 December 2015: HK$3,888,300,000), medium term notes of HK$573,983,000 (as at 31 December 2015: HK$542,656,000) and other secured borrowings of HK$149,268,000 (as at 31 December 2015: HK$149,268,000). The carrying value of the secured bank loans are denominated in United States dollars and the carrying value of the medium term notes is denominated in Singapore dollars. The secured bank loans are arranged at floating interest rates as at 30 June 2016 and the average interest rate of the secured bank loans as at 30 June 2016 was 4.87% (as at 30 June 2015: 4.59%). The medium term notes are at fixed interest rate of 6.85% per annum.

Capital Structure

During the reporting period, there was no change of issued share capital of the Company. The total number of issued shares of the Company was 13,085,721,377 shares as at 1 January 2016 and 30 June 2016.

Employees

At as 30 June 2016, the Group employed a total of 962 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

Particulars of the Group's contingent liabilities are set out in the note 19 of the Notes to Interim Financial Statements in this announcement.

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, Singapore dollars, Renminbi and Pakistan Rupee and British Sterling Pound. As i) the exchange rates of United States dollars and Renminbi against Hong Kong dollars were relatively stable, ii) the exchange rate risk of Singapore dollars, British Sterling Pound and Pakistan Rupee for the Group is relatively insignificant and iii) the Pakistan sales and purchase transactions are mainly settled in United States dollars, the Group did not use financial instruments for hedging purposes during the reporting period but the Group will keep closely monitoring on the effect on the fluctuation of the exchange rate of Singapore dollars, British Sterling Pound, Renminbi and Pakistan Rupee and apply appropriate action to prevent any impact to the Group.

Sufficiency of Public Float

The Company has maintained a sufficient public float throughout for the six months ended 30 June 2016.

Share Option Scheme

The Company's share option scheme (the "Old Scheme") with the maximum number of 9,598,537 shares of the Company to be issued upon on the exercise of share options under the Old Scheme (the "Old Scheme Limit") 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. On 3 December 2007, the Old Scheme Limit was approved to be refreshed to the maximum number of 1,277,709,163 shares of the Company to be issued upon on the exercise of share options under the Old Scheme by shareholders of the Company (the "Refreshed Old Scheme Limit"). The corresponding listing approval for the Refreshed Old Scheme Limit was granted by the Stock Exchange on 28 February 2008. The Old Scheme has been expired on 10 May 2016.

The new share option scheme of the Company (the "New Scheme") with the maximum number of 1,308,572,137 shares of the Company to be issued on the exercise of share options under the New Scheme (the "New Scheme Limit") was adopted pursuant to the shareholders' resolution passed on 27 May 2016 for the primary purpose of providing opportunity to directors, employees and consultants to acquire proprietary interests of the Group.

During the six months ended 30 June 2016, no share options were granted, exercised, lapsed or cancelled under both the Old Scheme and the New Scheme. As at 30 June 2016, 632,709,163 shares under the Old Refreshed Scheme Limit were not used for granting share option under the Old Scheme ("Unused Refreshed Old Scheme Limit") and the total outstanding share options granted under the Old Scheme but not exercised was 18,000,000 units of the share options ("Outstanding Option Not Exercised"). The ratio of Unused Refreshed Old Scheme Limit and the Outstanding Option Not Exercised to the total issued shares of the Company of 13,085,721,377 shares as at 30 June 2016 was 4.97%.

As at 30 June 2016, details of outstanding share options granted but not exercised under the Old Scheme are as follows:

Grant Date	Exercise Price HK$	Vesting Period	Exercisable Period	Number of Share Options					
				As at 1.1.2016	Granted	Exercised	Lapsed	Cancelled	As at 30.6.2016
Employees									
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				18,000,000	-	-	-	-	18,000,000

Disclosure of Interests

Director's interests and short positions in the securities of the Company and its associated corporations

As at 30 June 2016, the following Director had or was deemed to have interests or short positions in the shares, underlying shares or debentures of the Company and its associated corporations (within the meaning of Part XV of the SFO) (i) which were required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests or short positions which they were taken or deemed to have under such provisions of the SFO); or (ii) which were required, pursuant to section 352 of the SFO, to be entered in the register referred to therein; or (iii) or which were otherwise required to notify the Company and the Stock Exchange pursuant to the Model Code:

Name of Director	Nature of interest	Number of Shares Long Position	Number of Shares Short Position	Approximate % shareholding
Zhang Hong Wei *(Note)*	Attributable interest of controlled corporation	17,011,437,790	—	130.00%
Zhu Jun	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, as at 30 June 2016, none of the Directors nor the chief executive of the Company had or was deemed to have any interests or short positions in the Shares, underlying Shares or debentures of the Company and its associated corporations (within the meaning of Part XV of the SFO) (i) which were required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests or short positions which they were taken or deemed to have under such provisions of the SFO); or (ii) which were required, pursuant to section 352 of the SFO, to be entered in the register referred to therein; or (iii) which were otherwise required to notify the Company and the Stock Exchange pursuant to the Model Code.

Substantial Shareholders

Persons who have an interest or short position which is discloseable under Divisions 2 and 3 of Part XV of the SFO and substantial Shareholders

So far as is known to the Directors, as at 30 June 2016, the following person (not being Directors or chief executive of the Company) had, or was deemed to have, interests or short positions in the Shares or underlying Shares which would fall to be disclosed to the Company and the Stock Exchange under the provisions of Divisions 2 and 3 of Part XV of the SFO or who were directly or indirectly interested in 10% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of any member of the Group:

Name	Capacity and nature of interest	Number of Shares	Approximate % shareholding
He Fu International Limited (Note 1)	Beneficial owner	8,980,904,250 (L)	68.63% (L)
United Petroleum & Natural Gas Holdings Limited (Note 1)	Beneficial owner	4,381,444,976 (L)	33.48% (L)
United Energy Holdings Limited (Note 1)	Beneficial owner	3,649,088,564 (L)	27.89% (L)
Haitong International Securities Group Limited	Beneficial Owner	5,504,033,702 (L)	20.95% (L)
Haitong Securities Co., Ltd.	Beneficial Owner	5,504,033,702 (L) 3,000,000,000 (S)	20.95% (L) 11.42% (S)

Note:
1. These companies are wholly owned by Mr. Zhang Hong Wei.
2. (L) denotes long position and (S) denotes short position

Save as disclosed above, as at the Latest Practicable Date, the Directors were not aware of any other person (other than the Directors and the chief executive of the Company) who had, or was deemed to have, interests or short positions in the Shares or underlying Shares (including any interests in options in respect of such capital), which would fall to be disclosed to the Company and the Stock Exchange under the provisions of Divisions 2 and 3 of Part XV of the SFO, or who was directly or indirectly interested in 10% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of any member of the Group.

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 2016 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 2016.

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 2016 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 2016.

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, 26 August 2016

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.