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 2017

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 2017 together with unaudited comparative figures for the six months ended 30 June 2016 as follows:

Condensed Consolidated Statement of Profit or Loss
For the six months ended 30 June 2017

	Note	**Six months ended 30 June** **2017** **HK$'000** **(unaudited)**	2016 HK$'000 (unaudited)
Continuing operations			
Turnover		**1,888,490**	2,195,965
Cost of sales and services rendered		**(770,777)**	(920,434)
Gross profit		**1,117,713**	1,275,531
Investment and other income		**31,160**	9,927
Other gains and losses		**24,239**	(29,572)
Exploration expenses		**(11,808)**	(19,976)
Administrative expenses		**(156,963)**	(169,391)
Other operating expenses		**(60,518)**	(69,923)
Profit from operations		**943,823**	996,596
Finance costs	6	**(91,795)**	(122,116)
Share of profits of an associate		**1**	-
Profit before tax		**852,029**	874,480
Income tax expenses	7	**(194,037)**	(213,431)
Profit for the period from continuing operations	8	**657,992**	661,049
Discontinued operation			
Loss for the period from discontinued operation	9	**-**	(30,404)
Profit for the period		**657,992**	630,645

* *For identification purposes only*

Condensed Consolidated Statement of Profit or Loss (Continued)

For the six months ended 30 June 2017

	Note	**Six months ended 30 June**	
		2017	2016
		HK$'000	HK$'000
		(unaudited)	(unaudited)
Attributable to:			
Owners of the Company			
Profit from continuing operations		**657,962**	660,894
Loss from discontinued operation		**-**	(30,404)
Profit attributable to owners of the Company		**657,962**	630,490
Non-controlling interests from continuing operations		**30**	155
		657,992	630,645
Earnings per share	10		(restated)
From continuing and discontinued operations			
Basic (HK$ cents)		**2.51**	3.73
Diluted (HK$ cents)		**N/A**	N/A
From continuing operations			
Basic (HK$ cents)		**2.51**	3.91
Diluted (HK$ cents)		**N/A**	N/A

Condensed Consolidated Statement of Profit or Loss and Other Comprehensive Income

For the six months ended 30 June 2017

	Six months ended 30 June	
	2017	2016
	HK$'000	HK$'000
	(unaudited)	(unaudited)
Profit for the period	**657,992**	630,645
Other comprehensive income, net of tax:		
Item that may be reclassified to profit or loss		
Exchange differences on translating foreign operations	**(10,791)**	6,055
Total comprehensive income for the period	**647,201**	636,700
Attributable to:		
Owners of the Company		
Profit from continuing operations	**646,426**	667,612
Loss from discontinued operation	**-**	(30,404)
Profit attributable to owners of the Company	**646,426**	637,208
Non-controlling interests from continuing operations	**775**	(508)
	647,201	636,700

Condensed Consolidated Statement of Financial Position

As at 30 June 2017

	Note	**30 June 2017 HK$'000 (unaudited)**	31 December 2016 HK$'000 (audited)
Non-current assets			
Property, plant and equipment	12	**5,616,737**	5,350,975
Intangible assets		**2,410,179**	2,514,303
Investment in an associate		**69,998**	69,997
Available-for-sale financial assets		**4,914**	4,914
Advances, deposits and prepayments		**62,114**	62,072
Deferred tax assets		**8,836**	113,891
		8,172,778	8,116,152
Current assets			
Inventories		**232,013**	207,794
Trade and other receivables	13	**1,408,114**	724,587
Financial assets at fair value through profit or loss		**3,088**	259,771
Current tax assets		**332,972**	337,114
Pledged bank deposits		**3,616**	1,123
Bank and cash balances		**5,950,899**	5,850,098
		7,930,702	7,380,487
Current liabilities			
Trade and other payables	14	**1,153,057**	1,078,943
Due to directors		**9,286**	9,558
Borrowings	15	**624,000**	773,268
Current tax liabilities		**49,572**	18,617
		1,835,915	1,880,386
Net current assets		**6,094,787**	5,500,101
Total assets less current liabilities		**14,267,565**	13,616,253
Non-current liabilities			
Borrowings	15	**2,496,000**	2,496,000
Provisions	16	**293,009**	291,268
Deferred tax liabilities		**407,811**	405,441
		3,196,820	3,192,709
NET ASSETS		**11,070,745**	10,423,544
Capital and reserves			
Share capital	17	**262,256**	262,256
Reserves		**10,784,387**	10,137,961
Equity attributable to owners of the Company		**11,046,643**	10,400,217
Non-controlling interests		**24,102**	23,327
TOTAL EQUITY		**11,070,745**	10,423,544

Notes to Interim Financial Statements

For the six months ended 30 June 2017

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 2017. 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 consolidated financial statements.

3. Significant accounting policies

These condensed consolidated financial statements should be read in conjunction with the 2016 annual financial statements. The accounting policies and methods of computation used in the preparation of these condensed consolidated financial statements are consistent with those used in the annual financial statements for the year ended 31 December 2016. In addition, the Group had applied the following accounting policy for the club membership acquired during the period.

Club membership with indefinite useful life is stated at cost less any impairment losses. Impairment is reviewed annually or when there is any indication that the club membership has suffered an impairment loss.

4. Fair value measurement

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.

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.

4. Fair value measurement (Continued)

(a) Disclosures of level in fair value hierarchy at 30 June 2017 and 31 December 2016:

The recurring fair value of the financial assets at fair value through profit or loss at 30 June 2017 is measured by using Level 1 of the fair value hierarchy. For the disclosures of level in fair value hierarchy at 31 December 2016 please refer to the table below.

Description	Fair value measurements as at 31 December 2016: Level 1 HK$'000 (audited)	Level 3 HK$'000 (audited)	Total 2016 HK$'000 (audited)
Recurring fair value measurements:			
Financial assets			
Financial assets at fair value through profit or loss			
Listed equity securities	2,646	-	2,646
Unlisted investment funds	-	257,125	257,125
Total	2,646	257,125	259,771

(b) Reconciliation of financial assets at fair value through profit or loss measured at fair value based on level 3:

Description	Unlisted investment funds HK$'000 (unaudited)
At 1 January 2017	**257,125**
Total gains or losses recognised in profit or loss	**650**
Purchases	**62,178**
Settlements	**(320,709)**
Exchange difference	**756**
At 30 June 2017	**-**
Include gains or losses for assets held at the end of reporting period	**650**

4. Fair value measurement (Continued)

(b) Reconciliation of financial assets at fair value through profit or loss measured at fair value based on level 3: (Continued)

Description	Unlisted investment funds HK$'000 (unaudited)
At 1 January 2016	199,201
Total gains or losses recognised in profit or loss	200
Purchases	127,137
Exchange difference	(2,214)
At 30 June 2016	324,324
Include gains or losses for assets held at the end of reporting period	200

The total gains or losses recognised in profit or loss including those for assets held at the end of reporting period are presented in other income in the condensed consolidated statement of profit or loss.

(c) Disclosure of valuation process used by the Group and valuation techniques and inputs used in fair value measurements at 30 June 2017 and 31 December 2016:

Fair values of the Group's financial instruments which are categorised into Level 3 of the fair value hierarchy were valued by the directors with the reference to the redeemed price and discounted cash flows of the unlisted investment fund. The directors review the fair value measurements at least once a year.

Level 3 fair value measurements

Description	**Valuation technique**	**Unobservable inputs**	**Range**	**Effect on fair value for increase of inputs**	**Fair value** **30 June 2017** HK$'000	31 December 2016 HK$'000
Unlisted investment fund - overseas	Net asset value	Net asset value per unit	HK$780 (equivalent to US$100)	Increase	-	199,321
Unlisted investment fund - PRC	Discounted cash flows	Expected interest yield	5.1%	Increase	-	57,804
		Discount rate	3.55%	Decrease		

During the reporting periods of 30 June 2017 and 31 December 2016, there were no changes in the valuation techniques used.

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 2016.

	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 2017				
Turnover from external customers	**1,878,411**	**10,079**	**-**	**1,888,490**
Segment profit	**789,442**	**95**	**-**	**789,537**
As at 30 June 2017				
Segment assets	**9,568,634**	**46,628**	**-**	**9,615,262**
Segment liabilities	**1,720,346**	**11,141**	**-**	**1,731,487**
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
	(audited)	(audited)	(audited)	(audited)
As at 31 December 2016				
Segment assets	8,715,284	41,919	14,429	8,771,632
Segment liabilities	1,582,081	13,461	61,762	1,657,304

5. Segment information (Continued)

Reconciliations of reportable segment profit or loss:

	Six months ended 30 June	
	2017	2016
	HK$'000	HK$'000
	(unaudited)	(unaudited)
Profit or loss		
Total profit of reportable segments	**789,537**	868,991
Share of profits of an associate	**1**	-
Unallocated amounts:		
Investment and other income	**23,532**	4,940
Other gains and losses	**20,785**	(30,252)
Corporate expenses	**(88,665)**	(95,410)
Finance costs (except for provision - unwinding of discount included in the exploration and production segment)	**(87,198)**	(117,624)
Elimination of discontinued operation	**-**	30,404
Consolidated profit for the period from continuing operations	**657,992**	661,049

6. Finance costs

	Six months ended 30 June	
	2017	2016
	HK$'000	HK$'000
	(unaudited)	(unaudited)
From continuing operations		
Interest on bank loans	**87,198**	94,708
Interest on medium term notes	**-**	22,916
Provision – unwinding of discounts	**4,597**	4,492
	91,795	122,116

7. Income tax expenses

	Six months ended 30 June	
	2017	2016
	HK$'000	HK$'000
	(unaudited)	(unaudited)
From continuing operations		
Current tax – Overseas		
- Provision for the period	**86,826**	136,024
	86,826	136,024
Deferred tax	**107,211**	77,407
	194,037	213,431

7. Income tax expenses (Continued)

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 2017 and 2016.

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, 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 from continuing operations is stated after charging/ (crediting) the following:

	Six months ended 30 June	
	2017	2016
	HK$'000	HK$'000
	(unaudited)	(unaudited)
From continuing operations		
Interest income	**(24,233)**	(5,020)
Dividend income	**(69)**	(69)
Amortisation of intangible assets	**121,123**	129,880
Depreciation	**412,313**	535,782
Directors' remuneration	**11,689**	2,559
Gain on disposals of property, plant and equipment	**(500)**	-
Fair value (gain)/loss on financial assets at fair value through profit or loss	**(1,092)**	618

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 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	
	2017	2016
	HK$'000	HK$'000
	(unaudited)	(unaudited)
Turnover	-	23,827
Cost of sales and services rendered	-	(35,023)
Gross loss	-	(11,196)
Investment and other income	-	1,223
Other gains and losses	-	(14,514)
Administrative expenses	-	(5,917)
Loss before tax	-	(30,404)
Income tax credit	-	-
Loss for the period from discontinued operation	-	(30,404)

Loss for the period from discontinued operation include the following:

	Six months ended 30 June	
	2017	2016
	HK$'000	HK$'000
	(unaudited)	(unaudited)
Interest income	**-**	429

Cash flows from discontinued operation:

	Six months ended 30 June	
	2017	2016
	HK$'000	HK$'000
	(unaudited)	(unaudited)
Net cash outflows from operating activities	**-**	(50,803)
Net cash inflows from investing activities	**-**	11,453
Net cash outflows from financing activities	**-**	(28,555)
Effect of foreign exchange rate changes	**-**	13,941
Net cash outflows	**-**	(53,964)

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$657,962,000 (2016: HK$630,490,000) and the weighted average number of ordinary shares of 26,225,691,598 (2016: 16,907,215,230 (as restated)) 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$657,962,000 (2016: HK$660,894,000) and the weighted average number of ordinary shares of 26,225,691,598 (2016: 16,907,215,230 (as restated)) in issue during the period.

(c) Basic loss per share from discontinued operation

Basic loss per share from the discontinued operation is HK$Nil (2016: HK$0.18 cents per share (as restated)) based on the loss for the period from discontinued operations attributable to the owners of the Company of HK$Nil (2016: HK$30,404,000) 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 2017 and 2016.

Note: The weighted average number of ordinary shares for the period ended 30 June 2016 has been retrospectively adjusted for the open offer which was completed on 30 August 2016.

11. Dividend

The directors of the Company do not recommend any interim dividend for the six months ended 30 June 2017 (2016: HK$Nil).

12. Property, plant and equipment

During the six months ended 30 June 2017, the Group acquired property, plant and equipment of approximately HK$677,802,000.

13. Trade and other receivables

	30 June 2017 HK$'000 (unaudited)	31 December 2016 HK$'000 (audited)
Trade receivables (note a)	**1,419,160**	882,101
Allowance for price adjustments	**(439,481)**	(402,815)
	979,679	479,286
Other receivables (note b)	**430,952**	247,740
Allowance for other receivables	**(2,517)**	(2,439)
	428,435	245,301
Total trade and other receivables	**1,408,114**	724,587

(a) Trade receivables

The Group's trading terms with customers are mainly on credit. The credit term generally ranges from 30 to 45 days (2016: 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 2017 HK$'000 (unaudited)	31 December 2016 HK$'000 (audited)
0 to 30 days	**858,378**	464,690
31 to 60 days	**280,678**	320,725
61 to 90 days	**270,472**	83,022
Over 90 days	**9,632**	13,664
	1,419,160	882,101

(b) Other receivables

The details of other receivables, and net of allowance, are as follows:

	30 June 2017 HK$'000 (unaudited)	31 December 2016 HK$'000 (audited)
Due from joint operators	**172,807**	131,427
Advances to staff	**6,022**	9,027
Central excise duty receivables	**23,788**	10,123
Deposits and prepayments	**58,215**	22,079
Sales tax receivables	**151,945**	53,759
Others	**15,658**	18,886
	428,435	245,301

14. Trade and other payables

	30 June 2017 HK$'000 (unaudited)	31 December 2016 HK$'000 (audited)
Trade payables (note a)	**102,184**	136,508
Other payables (note b)	**1,050,873**	942,435
Total trade and other payables	**1,153,057**	1,078,943

(a) Trade payables

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

	30 June 2017 HK$'000 (unaudited)	31 December 2016 HK$'000 (audited)
0 to 30 days	**75,692**	80,781
31 to 45 days	**3,918**	38,711
Over 45 days	**22,574**	17,016
	102,184	136,508

(b) Other payables

	30 June 2017 HK$'000 (unaudited)	31 December 2016 HK$'000 (audited)
Accrual for operating expenses	**626,717**	543,221
Bills payables	**3,616**	46,474
Deposits received	**-**	5,300
Salaries and welfare payables	**60,013**	109,898
Other tax payables	**353,087**	200,459
Others	**7,440**	37,083
	1,050,873	942,435

15. Borrowings

	30 June 2017 HK$'000 (unaudited)	31 December 2016 HK$'000 (audited)
Secured bank loans	**3,120,000**	3,120,000
Other borrowings	**-**	149,268
	3,120,000	3,269,268

The movement in borrowings is analysed as follows:

	30 June 2017 HK$'000 (unaudited)	30 June 2016 HK$'000 (unaudited)
At the beginning of the period	**3,269,268**	4,580,224
Repayment of borrowings	**(149,268)**	-
Exchange differences	**-**	31,327
At the end of the period	**3,120,000**	4,611,551

16. Provisions

	Dismantling costs in respect of leasehold improvements HK$'000	Decommissioning costs HK$'000	Total HK$'000
At 1 January 2017 (audited)	420	290,848	291,268
Less:			
Actual costs incurred during the period	-	(2,856)	(2,856)
Add:			
Unwinding of discount	-	4,597	4,597
At 30 June 2017 (unaudited)	**420**	**292,589**	**293,009**

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
	'000	HK$'000
Authorised:		
Ordinary shares of HK$0.01 each		
At 31 December 2016, 1 January 2017 and 30 June 2017	**60,000,000**	**600,000**
Issued and fully paid:		
Ordinary shares of HK$0.01 each		
At 31 December 2016 and 1 January 2017(audited) and 30 June 2017 (unaudited)	**26,225,692**	**262,256**

18. Capital commitments

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

	30 June 2017 HK$'000 (unaudited)	31 December 2016 HK$'000 (audited)
Contracted but not provided for:		
Acquisition of property, plant and equipment	**-**	509
Commitments for capital expenditure	**228,628**	367,656
Acquisition of working interest in concession	**125,580**	125,580
	354,208	493,745

(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$115,160,000 (equivalent to approximately RMB100,000,000) (31 December 2016: HK$111,590,000 (equivalent to approximately RMB100,000,000)). At 30 June 2017, the Group has contributed approximately HK$14,102,000 (equivalent to approximately RMB12,246,000) (31 December 2016: HK$13,665,000 (equivalent to approximately RMB12,246,000)) to UEBL. In accordance with the memorandum of association of UEBL, the remaining balance of approximately HK$101,058,000 (equivalent to approximately RMB87,754,000) (31 December 2016: HK$97,925,000 (equivalent to approximately RMB87,754,000)) shall be contributed to UEBL within twenty years from the date of its establishment.

18. Capital commitments (Continued)

(c) Pursuant to the shareholder agreement dated 25 November 2016, the Company, Orient Group Investment Holding Limited and Orient Group agreed to jointly incorporate a company, 東方藝術品有限公司 in the PRC with registered capital of approximately HK$115,160,000 (equivalent to RMB100,000,000) (31 December 2016: HK$111,590,000 (equivalent to approximately RMB100,000,000)). According to the agreement, the Company is committed to contribute approximately HK$23,032,000 (equivalent to approximately RMB20,000,000) (31 December 2016: HK$22,318,000 (equivalent to approximately RMB20,000,000)) as 20% registered share capital of 東方藝術品有限公司. At 30 June 2017, the incorporation was still under process and the Company has yet to make the contribution. Details of the transaction are set out in the Company's announcement dated 25 November 2016.

19. Contingent liabilities

(a) As at 30 June 2017 and 31 December 2016, 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$3,172,231,000 (31 December 2016: HK$3,169,142,000).

(c) As at 30 June 2017, 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$4,892,000 (31 December 2016: HK$3,857,000).

(d) As at 30 June 2017, certain subsidiaries of the Group have dispute with the Pakistan government on the applicability of windfall levy on its production of oil and condensate. The execution of windfall levy is subject to series of government's approval process and is still not effective at the end of the reporting period. The management believes that the likelihood of the execution and applicability of windfall levy to oil and gas industry is low. If the Group is found liable upon the approval and effective of the windfall levy, the contingent liability as at 30 June 2017 was approximately HK$183,960,000 (31 December 2016: HK$179,229,000).

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
東方集團股份有限公司 (Orient Group Co. Ltd. ("Orient Group"))#	Mr. Zhang Hong Wei has significant influence over the Orient Group

 # 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$3,172,231,000 at 30 June 2017 (31 December 2016: HK$3,169,142,000).

(c) On 23 September 2016, the Company and Orient Group entered into a banking facility commitment letter with the amount up to approximately HK$9,828,000,000 (equivalent to US$1,260,000,000) ("Loan Facility"). The Loan Facility would be available upon the fulfilment of conditions as set out in the facility commitment letter. Details of the Loan Facility are set out in the Company's announcement dated 19 September 2016. The Loan Facility lapsed on 23 January 2017 as the conditions set out in the facility commitment letter are not fulfilled within the specified period. Upon the lapse of the Loan Facility, the Company did not utilize the Loan Facility.

21. Events after the reporting period

(a) On 12 July 2017, the Company resolved to award 27,057,124 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 27,057,124 scheme shares was completed on 21 July 2017. The Company has no funds raised in this issue. The total number of issued shares of the Company was increased from 26,225,691,598 shares as at 30 June 2017 to 26,252,748,722 shares as at 21 July 2017. Details of this issue are set out in the Company's announcement dated 12 July 2017.

(b) Subsequent to the reporting period, the Group exercised its rights to repay the entire outstanding amount of US$400,000,000 (equivalent to approximately HK$3,120,000,000) of the loan granted by China Development Bank, Hong Kong Branch ("CDB") in 2011 for the acquisition of the Pakistan Assets ("CDB Loan"), pursuant to the prepayment terms of the CDB Loan. The repayment was completed on 17 August 2017.

22. New and revised HKFRSs in issue but not yet effective

A number of new standards and amendments to standards are effective for annual periods beginning after 1 January 2017 and earlier application is permitted. The Group has not early adopted any new or amended standards that has been issued but is not yet effective.

The Group has no updates to the information provided in the last annual financial statements about the possible impacts of the new standards issued but not yet effective which may have a significant impact on the Group's consolidated financial statements.

23. Approval of the interim financial statements

The condensed consolidated interim financial statements for the six months ended 30 June 2017 has been approved for issue by the board of directors on 18 August 2017.

Management discussion and analysis

Financial Review

The Group reported a slight growth in earnings for the six months ended 30 June 2017 (the "reporting period"). The profit attributable to the owners of the Company was approximately HK$657,962,000 (30 June 2016: approximately HK$630,490,000), representing a slight increase of 4.4% from the six months ended 30 June 2016 (the "corresponding period of last year"). The increase in net profit was mainly due to higher interest income and lower finance costs and administrative expenses compared to the corresponding period of last year. In terms of production, the Pakistan Assets reported 10.2% decline over the corresponding period of last year as production of natural gas of some fields was rationalized to meet sales specification. The average daily net production in Pakistan Assets for the reporting period was approximately 59,898 barrels of oil equivalent ("boe") per day ("boed") compared to approximately 66,698 boed of the corresponding period of last year.

Turnover

The Group's turnover for the reporting period was approximately HK$1,888,490,000, representing a decrease of 14.0% as compared with the turnover of approximately HK$2,195,965,000 for the corresponding period of last year. The decrease in turnover was mainly attributable to lower production of oil and gas commodities.

Cost of sales and services rendered

The Group's cost of sales and services rendered decreased from approximately HK$920,434,000 for the corresponding period of last year to approximately HK$770,777,000 for this reporting period. The decrease in cost of sales and services rendered was in line with lower production level. The cost of sales and services rendered included depreciation and amortisation of approximately HK$511,012,000 (30 June 2016: approximately HK$646,530,000). The lifting cost, which is defined as the cost of sales excluding depreciation & amortisation, government tax and distribution expenses, of Pakistan Assets was US$3.0 per boe (30 June 2016: US$2.7 per boe). The modest increase in lifting cost per boe was due to higher repair and maintenance costs and staff expenses.

Gross profit

The Group's gross profit was approximately HK$1,117,713,000 (gross profit ratio 59.2%) which represented a decrease of 12.4% as compared with gross profit of approximately HK$1,275,531,000 (gross profit ratio 58.1%) for the corresponding period of last year. The decrease in gross profit was in line with the drop in turnover as a result of lower production volume during the reporting period.

Exploration expenses

The Group's exploration expenses for the reporting period was approximately HK$11,808,000 (30 June 2016: approximately HK$19,976,000) which was incurred mainly for the performance of geological and geophysical studies and surface use rights in Pakistan Assets.

Administrative expenses

The Group's administrative expenses for the reporting period was approximately HK$156,963,000 (30 June 2016: approximately HK$169,391,000), representing 8.3% (30 June 2016: 7.7%) of turnover.

Finance costs

The Group's finance costs for the reporting period was approximately HK$91,795,000, representing 24.8% decrease as compared with the finance costs of approximately HK$122,116,000 for the corresponding period of last year. The decrease in finance costs was mainly due to lower total borrowings as a few borrowings were repaid upon their maturities during the second half of 2016. The average interest rate of borrowings for the reporting period was 5.46% (30 June 2016: 5.12%).

Income tax expense
The Group's income tax expense for the reporting period was approximately HK$194,037,000 (30 June 2016: approximately HK$213,431,000), reduced by 9.1% as compared to the corresponding period of last year, in light of lower profit generated from the oil and gas operation.

EBITDA
EBITDA represents the profit before finance costs, income tax expense, depreciation and amortisation, impairment loss on property, plant and equipment, reversal of allowance for other receivables, gain on disposals of property, plant and equipment and loss for the period from discontinued operation. 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$1,476,760,000, decreased by 9.4% from the corresponding period of last year of approximately HK$1,629,789,000. The decrease in EBITDA was mainly attributable to the drop in turnover as a result of lower production.

The Group intends to retain capital reserve to fuel its future expansion plan. Therefore, the Board has not recommended the payment of interim dividend for the reporting period.

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. Base on latest available information gathered by the Group, the Group is ranked as one of the largest independent upstream oil and gas operators listed on the Hong Kong Stock Exchange in terms of net production volume. The Group has established a sound track record of growing its business through acquisition and aggressive capital investment.

During the first half of 2017, Brent oil prices continued to narrowly fluctuate between the 40s and 50s level. The average Brent oil price for the reporting period was approximately 30% higher than the corresponding period of last year, according to data from the U.S. Energy Information Administration ("EIA"). Despite lower turnover, the Group reported a net profit attributable to the owners of the Company of approximately HK$657,962,000, representing a slight increase of 4.4% compared to the corresponding period of last year of HK$630,490,000. The increase in net profit was contributed by higher interest income from cash deposits, lower finance costs as a result of lower borrowings and the effective control of overhead costs which led to lower administrative expense compared to the corresponding period of last year. On the other hand, higher international oil prices have not been captured in the financial results during the reporting period as there is a time lag for gas pricing which the Group anticipates to better reflect in the second half of 2017. In line with lower production, the Group's EBITDA was approximately HK$1,476,760,000 for the reporting period, declined by approximately 9.4% from the corresponding period of last year. The Group delivered an average daily net production of approximately 59,898 boed during the reporting period, reduced by 11.0% from the corresponding period of last year as production of natural gas from some fields were rationalized to meet sales specification and no contribution from the Liaohe EOR Project compared to the corresponding period of last year.

Cost of sales and services rendered by the Group for the reporting period was approximately HK$770,777,000 (Pakistan Assets: approximately HK$763,455,000, Oilfield Support Services: approximately HK$7,322,000), and the Group invested approximately HK$677,410,000 of capital expenditure in oil exploration, development and production activities for Pakistan Assets. The Group has drilled 11 new wells in Pakistan Assets during the reporting period.

The net proceeds of the open offer that was completed in August 2016 are earmarked for capital expenditure of the Pakistan Assets (approximately HK$1,033,639,000), repayment of debt and interest expenses (approximately HK$1,033,639,000) as well as reserve for potential acquisition (approximately HK$ 516,820,000). As at 30 June 2017, approximately HK$968,331,000, HK$ 1,033,639,000 and HK$17,449,000 of the net proceeds have been used for capital expenditure of the Pakistan Assets, repayment of debt and interest expenses of the Group and spending on acquisition respectively.

Pakistan Assets:

For the six months ended 30 June 2017, the Pakistan Assets achieved an average daily net production of approximately 59,898 boed, slid by 10.2% compared to the corresponding period of last year. The Pakistan Assets has an oil and liquids ratio of 10.1%. Composite Average Sales Price Before Government Take amounted to US$25.6 per boe, slightly reduced by 0.8% compared to the corresponding period of last year. This is mainly due to production of natural gas from some fields was strategically rationalized to comply with sales specification. Currently, new facilities are being installed in Naimat and production is expected to restore in the second half of 2017 when the facilities are in operation.

The Group has been a leading investor in the upstream oil and gas sector in Pakistan since 2012. According to data from Pakistan Petroleum Information Services, an information service provider of Pakistan's upstream exploration activities, the Group have drilled the highest number of exploration wells between 2012 and 2016, significantly higher than those drilled by the Pakistan state-own peers such as Pakistan Petroleum Limited ("PPL")and Oil & Gas Development Company Limited. Our aggressive investment in exploration has resulted in an accelerated production growth rate that is far outpacing our peers in Pakistan. During the reporting period, the Group completed 5 exploration wells and 6 development wells. The Group has made 1 new discovery in MKK Block. The total exported sales of oil and condensate was approximately 537,000 boe for the reporting period, representing a decrease of 38.7% from the corresponding period of last year as a result of lower production of oil and condensate products.

During 2017, the Group continued to invest in surface facilities to enhance gas production with three projects currently under construction.

- The Group has commenced a LPG upgrade project in Naimat with an aim to increase its processing capacity from 50 to 100 mmcfd as well as improving the recovery factor from ~50% to ~95% via the construction of a turbo expander. Construction work is currently underway and the revamped plant is expected to complete in the second half of 2017. The LPG plant feeds natural gas and which is reprocessed into LPG for higher selling value.
- To increase the processing capacity of natural gas with high carbon dioxide content of our existing Naimat Phase 5A facilities from 60 mmcfd to 100 mmcfd, we are installing an additional amine train in parallel to existing two. The new amine plant is expected to commission in the third quarter of 2017.
- A new hydrogen sulfide ("H2S") solid scavenger is also being constructed to process high H2S content gas in order to conform to sales specifications. The plant is expected to complete in the second half of 2017.

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

Entering the second half of 2017, global investment sentiment is seen improving as evidenced by the equity rally in the leading financial markets albeit the growing political tensions between nations and the uplift of interest rates by the U.S. Federal Reserve Banks. On the other hand, Brent oil prices exhibited a rather stable trend and fluctuated in the 50s level as contributed by the rebalancing act of the Organization of the Petroleum Exporting Countries ("OPEC") and non-OPEC countries. Both OPEC and non-OPEC members have demonstrated a high level of conformity during the first half of 2017 with an average conformity level of 97%, a simple average calculation by the Group from the data published by OPEC's monthly JMMC reports ("JMMC Reports"). As a result of the rebalancing act, the overhanging of OECD commercial oil stocks over the 5-year average level has reduced by 90 million barrels during the first half of 2017, according to the JMMC reports. In view of the rebalancing act might be extended to the first quarter of 2018, the Group is optimistic of the short to medium term performance of international oil prices.

As disclosed in the 2016 annual report, Pakistan Assets' average daily net production for the full year of 2017 is projected to be in the range of 62,000 to 63,000 boed and the 1P reserve replacement ratio of approximately 100%. The Group is comfortable that the production target will be achieved when the new processing facilities are put into operation in the second half of the year. For reserve addition, the Group will be working hard to fine-tune our exploration plan and push toward our target.

Following several years of successful exploration and development activities, the Pakistan Assets achieved significant breakthrough in terms of production and reserve growth. In order to maintain the growth spectrum, upstream oil and gas companies must over the time acquire new assets to broaden its asset portfolio. The Group has clear merger and acquisition principles and will target selected high quality fields that suit our requirements. Over the past 6 years, the Group has built a successful takeover model in Pakistan Assets with the heritage of an international standard of Health, Safety and Environment ("HSE"), well-integrated management and technical teams. These are important assets of the Group and the success in Pakistan Assets will be readily replicated in any newly acquired assets. The Group has been actively looking at opportunities in the global market to identify suitable targets. More resources will be deployed to this area in 2017 to bring our plans to materiality. This is particularly essential to support the Group's long-term growth strategy.

The Group continued to maintain a strong financial position as at 30 June 2017 with bank and cash balances of approximately HK$5,951 million, soared by 64.8% from a year earlier. This was contributed by the strong cash flow generation of the Pakistan Assets and the successful completion of the Open Offer in August 2016. On the other hand, total borrowings have dropped to approximately HK$3,120 million after the repayment of the mature borrowings. As a result, the Group has a net cash position of approximately HK$2,831 million as at 30 Jun 2017.

Subsequent to the reporting period, in light of better utilization of existing fund, pursuant to the prepayment terms of the CDB Loan, the Group exercised its rights to repay the entire outstanding amount of US$400,000,000 (equivalent to approximately HK$3,120,000,000) of the CDB Loan. The repayment was completed on 17 August 2017 and it would significantly reduce the interest expenses of the Group.

Pakistan Assets:

Pakistan upstream oil and gas sector is characterized by production from mature basins where significant unlicensed and under-explored areas exit. Pakistan national oil companies are the largest operators and have the majority of hydrocarbon reserves. However, there is also a significant presence of international oil companies such as United Energy, Eni SpA, OMV AG and MOL Group which have sizeable interests.

The countrywide oil and gas production in Pakistan was kept at around 4 billion cubic feet per day ("bcfd") in the recent 10 years while demand has accelerated at much faster pace causing a supply deficit of approximately 1.2 bcfd in 2015 and the gap is expected to widen further in future years, according to projection by Petroleum Institute of Pakistan. In light of the energy shortage, the Pakistan government has in 2016 signed an agreement to purchase natural gas of 180 billion cubic feet per year from Qatar and planned to build more LNG terminals to significantly increase gas import infrastructure over the next few years. In addition, pipeline projects to import natural gas from neighboring countries are underway though they involved security risks and technical challenges. The Group, being one of the largest foreign energy companies with solid and reputable brand in Pakistan, is an advantageous position to capture the growing domestic demand.

On 2 August 2017, the Group received a letter from the Directorate General of Petroleum Concessions ("DGPC") of the Government of Pakistan approving the assignment of 50% exploration working interest along with operatorship in the Kotri North block from PPL to Untied Energy Pakistan Limited ("UEPL"), a wholly-owned subsidiary of the Company. The Kotri North block has acreage of approximately 2,400 square kilometers and located adjacent to the MKK block in the Sindh province. The Kotri North block provides exploration opportunities in the Lower Indus Basin where the Group has achieved significant success and developed a deep understanding and expertizes. As an assignment agreement of the block has been duly executed by the Group and the joint venture partners on 2 August 2017, the Group will roll out aggressive exploration plan, including the drilling of 2 exploration wells for year 2017.

The successful acquisition of the Kotri North block marks an important milestone for the Group to extend our footprint further. The Group has been uninterruptedly evaluating other expansion opportunities in Pakistan to leverage our successful takeover model as well as the expertise of the local management and technical team.

Conclusion

As we stride into the second half of 2017, the Group will prioritize its efforts in the delivery of the fully year targets. While we are comfortable in meeting the full year production target, there are significant works to be done in order to achieve targeted reserve addition. With the acquisition of Kotri North block, some high potential prospects are being planned for the second half of 2017 where a success in these prospects can add significant new reserve. The prepayment of the CDB Loan is expected to have a significant deleveraging effect on our balance sheet and bring notable savings of interest expenses in the second half of the year. Nonetheless, the Group is ready to re-tap the debt capital markets if there are new funding needs in the future. With addition of the Kotri North block, we are excited to deploy our exploration work program in the rest of 2017 and are optimistic to see its contribution in the coming years. In the meantime, we are hoping to seize more Kotri North-alike opportunities in the future to broaden our assets portfolio.

Liquidity and Financial Resources

The Group maintained its strong financial position for the reporting period, with cash and cash equivalents amounting to approximately HK$5,950,899,000 as at 30 June 2017 (as at 31 December 2016: approximately HK$5,850,098,000).

As at 30 June 2017, the outstanding balance of the bank loan from CDB for acquisition of the Pakistan upstream oilfield assets from British Petroleum in September 2011 was US$400,000,000, equivalent to approximately HK$3,120,000,000 (as at 31 December 2016: US$400,000,000, equivalent to approximately HK$3,120,000,000).

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$199,321,000. UEIT provided remaining balance of HK$50,000,000 from internal resources of the Group. On 19 April 2017, the Fund was fully redeemed and the Facility has been fully repaid. As at 30 June 2017, the outstanding amount of the Facility was HK$Nil (as at 31 December 2016: approximately HK$149,268,000).

As at 30 June 2017, the gearing ratio was approximately 19.4% (as at 31 December 2016: approximately 21.1%), based on borrowings under current liabilities and non-current liabilities of approximately HK$624,000,000 (as at 31 December 2016: approximately HK$773,268,000) and approximately HK$2,496,000,000 (as at 31 December 2016: approximately HK$2,496,000,000) respectively and total assets of approximately HK$16,103,480,000 (as at 31 December 2016: approximately HK$15,496,639,000). As at 30 June 2017, the current ratio was approximately 4.32 times (as at 31 December 2016: approximately 3.92 times), based on current assets of approximately HK$7,930,702,000 (as at 31 December 2016: approximately HK$7,380,487,000) and current liabilities of approximately HK$1,835,915,000 (as at 31 December 2016: approximately HK$1,880,386,000).

As at 30 June 2017, the Group's total borrowings amounted to approximately HK$3,120,000,000 (as at 31 December 2016: approximately HK$3,269,268,000), including secured bank loans of approximately HK$3,120,000,000 (as at 31 December 2016: approximately HK$3,120,000,000) and other secured borrowings of HK$Nil (as at 31 December 2016: approximately HK$149,268,000). The carrying value of the secured bank loans are denominated in United States dollars. The secured bank loans are arranged at floating interest rates as at 30 June 2017 and the average interest rate of the secured bank loans as at 30 June 2017 was 5.59% (as at 30 June 2016: 4.87%).

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 26,225,691,598 shares as at 1 January 2017 and 30 June 2017.

Employees

At as 30 June 2017, the Group employed a total of 950 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, 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 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 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 2017.

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 2017, no share options were granted, exercised, lapsed or cancelled under both the Old Scheme and the New Scheme. As at 30 June 2017, 627,452,526 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 23,256,637 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 26,225,691,598 shares as at 30 June 2017 was 2.48%.

As at 30 June 2017, details of outstanding share options granted but not exercised under the Old Scheme are as follows:

Grant Date	Adjusted Exercise Price (Note) HK$	Vesting Period	Exercisable Period	Adjusted Number of Share Options (Note)					
				As at 1.1.2017	Granted	Exercised	Lapsed	Cancelled	As at 30.6.2017
Employees									
29.8.2012	0.93	29.8.2012 to 28.8.2013	29.8.2013 to 28.8.2022	6,976,991	-	-	-	-	6,976,991
29.8.2012	0.93	29.8.2012 to 28.8.2014	29.8.2014 to 28.8.2022	4,651,327	-	-	-	-	4,651,327
29.8.2012	0.93	29.8.2012 to 28.8.2015	29.8.2015 to 28.8.2022	4,651,327	-	-	-	-	4,651,327
29.8.2012	0.93	29.8.2012 to 28.8.2016	29.8.2016 to 28.8.2022	6,976,992	-	-	-	-	6,976,992
Total				23,256,637	-	-	-	-	23,256,637

Note: Upon completion of Open Offer on 30 August 2016, the exercise price and the number of shares that can be subscribed for upon the exercise of the outstanding share options was adjusted from HK$1.20 to HK$0.93 and 18,000,000 shares to 23,256,637 shares respectively.

Disclosure of Interests

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

As at 30 June 2017, 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:

		Number of Shares		
Name of Director	**Nature of interest**	**Long Position**	**Short Position**	**Approximate % shareholding**
Zhang Hong Wei *(Note)*	Attributable interest of controlled corporation	18,754,300,230	—	71.51%
Zhu Jun	Beneficial owner	1,443,000	—	0.01%

Note:
Out of the 18,754,300,230 shares, 10,657,758,250 shares were beneficially held by He Fu International Limited, 4,447,453,416 shares were beneficially held by United Petroleum & Natural Gas Holdings Limited, and 3,649,088,564 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 18,754,300,230 shares.

Save as disclosed above, as at 30 June 2017, 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 2017, 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	10,657,758,250 (L)	40.64% (L)
United Petroleum & Natural Gas Holdings Limited (Note 1)	Beneficial owner	4,447,453,416 (L)	16.96% (L)
United Energy Holdings Limited (Note 1)	Beneficial owner	3,649,088,564 (L)	13.91% (L)
Haitong International Holdings Limited	Person having a security interest in shares	5,207,718,268 (L)	19.87% (L)
Haitong International New Energy VIII Limited	Person having a security interest in shares	5,207,718,268 (L)	19.87% (L)
Haitong International Securities Group Limited	Person having a security interest in shares	5,207,718,268 (L)	19.87% (L)
Haitong Securities Co., Ltd.	Person having a security interest in shares	5,207,718,268 (L)	19.87% (L)

Note:

1. *These companies are wholly owned by Mr. Zhang Hong Wei.*
2. *Haitong International New Energy VIII Limited is wholly owned by Haitong International Securities Group Limited. Haitong International Holdings Limited has an interest in approximately 60.91% of the issued share capital of Haitong International Securities Group Limited and is wholly owned by Haitong Securities Co., Ltd.. Therefore, each of Haitong International Securities Group Limited, Haitong International Holdings Limited and Haitong Securities Co., Ltd. is deemed or taken to be interested in the 5,207,718,268 Shares which are owned by Haitong International New Energy VIII Limited under the Securities and Futures Ordinance ("SFO").*
3. *(L) denotes long position and (S) denotes short position*

Save as disclosed above, as at 30 June 2017, 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 2017 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.

3. The Code A.6.7 — an independent non-executive Director did not attend the annual general meeting.

4. The Code E.1.2 — the chairman of the Board and the chairman of the audit, remuneration and nomination committees did not attend the annual general meeting.

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 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.

According to Code Provision A.6.7 of the Code, independent non-executive Directors and other non-executive Directors, as equal Board members, should attend general meetings and develop a balanced understanding of the views of shareholders. Code provision E.1.2 of the Code requires the chairman of the Board to attend the annual general meeting and to invite the chairmen of the audit, remuneration and nomination committees to attend the annual general meeting. Mr. Zhang Hong Wei, an executive Director and the chairman of the Board, was unable to attend the annual general meeting of the Company held on 26 May 2017 (the "2017 AGM") as he got sick. Mr. San Fung, an independent non-executive Director and the chairman of the audit, remuneration and nomination committees, was unable to attend the 2017 AGM as he was out of town for other business. In their absence, Mr. Zhu Jun, being a member of the Board, Ms. Zhang Meiying, being a member of the Board, the remuneration and nomination committees, as well as Mr. Chau Siu Wai, being a member of the Board, the audit, remuneration and nomination committees, attended the 2017 AGM and answered questions raised at the meeting.

Rule 3.10A of the Listing Rules requires independent non-executive directors representing at least one-third of the Board. Mr. Zhu Chengwu resigned as an independent non-executive director on 6 April 2017. During the period from his resignation to 30 June 2017, the number of independent non-executive directors of the Company falls below one-third of the Board. The Company has restored to comply with this ruling while Ms. Wang Ying is appointed as an independent non-executive director on 1 July 2017. Details of her appointment are set out in the Company's announcement dated 30 June 2017.

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 of 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 2017.

Audit Committee

The Audit Committee of the Company is comprised of three independent non-executive directors, namely Mr. Chau Siu Wai, Mr. San Fung, Ms. Wang Ying (appointed on 1 July 2017) and Mr. Zhu Chengwu (resigned on 6 April 2017). The Audit Committee has reviewed the Group's unaudited condensed consolidated interim financial statements for the six months ended 30 June 2017 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 2017.

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, 18 August 2017

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 Ms. Wang Ying.