



UEG

聯合能源

中期報告
Interim Report
2015

聯合能源集團有限公司
UNITED ENERGY GROUP LIMITED

(於開曼群島註冊成立及於百慕達存續之有限公司)

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

(股份代號 Stock Code : 0467)

The Board of Directors of United Energy Group Limited (the “Company” or “United Energy”) hereby presents the unaudited condensed consolidated interim results of the Company and its subsidiaries (the “Group”) for the six months ended 30 June 2015 together with unaudited comparative figures for the six months ended 30 June 2014 as follows:

Condensed Consolidated Statement of Profit or Loss

For the six months ended 30 June 2015

	Note	Six months ended 30 June	
		2015 HK\$'000 (unaudited)	2014 HK\$'000 (unaudited)
Turnover	5	2,731,523	2,665,997
Cost of sales and services rendered		(1,406,285)	(1,304,629)
Gross profit		1,325,238	1,361,368
Investment and other income		22,011	13,229
Other gains		12,591	–
Exploration expenses		(65,974)	(168,923)
Administrative expenses		(204,960)	(221,346)
Other operating expenses		(73,937)	(96,808)
Profit from operations		1,014,969	887,520
Finance costs	6	(129,339)	(115,299)
Profit before tax		885,630	772,221
Income tax expenses	7	(138,278)	(142,420)
Profit for the period	8	747,352	629,801
Attributable to:			
Owners of the Company		751,731	632,221
Non-controlling interests		(4,379)	(2,420)
		747,352	629,801
Earnings per share	9		
Basic		5.75 cents	4.84 cents
Diluted		N/A	4.84 cents

Condensed Consolidated Statement of Profit or Loss and Other Comprehensive Income

For the six months ended 30 June 2015

	Six months ended 30 June	
	2015	2014
	HK\$'000	HK\$'000
	(unaudited)	(unaudited)
Profit for the period	747,352	629,801
Other comprehensive income, net of tax:		
<i>Item that may be reclassified to profit or loss</i>		
Exchange differences on translating foreign operations	648	(841)
Total comprehensive income for the period	748,000	628,960
Attributable to:		
Owners of the Company	752,258	631,763
Non-controlling interests	(4,258)	(2,803)
	748,000	628,960

Condensed Consolidated Statement of Financial Position

As at 30 June 2015

	Note	30 June 2015 HK\$'000 (unaudited)	31 December 2014 HK\$'000 (audited)
Non-current assets			
Property, plant and equipment	11	7,061,433	6,165,932
Intangible assets		7,109,068	7,330,911
Advances, deposits and prepayments		82,242	79,516
Deferred tax assets		189,689	212,060
		14,442,432	13,788,419
Current assets			
Inventories		260,178	305,605
Trade and other receivables	12	1,763,425	1,593,617
Held-to-maturity investments	13	–	151,284
Financial assets at fair value through profit or loss		2,981	3,145
Current tax assets		281,281	251,403
Pledged bank deposits		1,930	7,044
Bank and cash balances		2,700,941	2,494,348
		5,010,736	4,806,446
Current liabilities			
Trade and other payables	14	2,145,679	2,050,962
Due to directors		7,907	7,593
Borrowings	15	773,268	768,310
Current tax liabilities		8,886	12,716
		2,935,740	2,839,581
Net current assets			
		2,074,996	1,966,865
Total assets less current liabilities			
		16,517,428	15,755,284
Non-current liabilities			
Borrowings	15	4,308,888	4,317,593
Provisions	16	305,479	306,073
Deferred tax liabilities		1,336,565	1,314,246
		5,950,932	5,937,912
NET ASSETS			
		10,566,496	9,817,372
Capital and reserves			
Share capital	17	130,681	130,681
Reserves		10,401,659	9,648,277
Equity attributable to owners of the Company		10,532,340	9,778,958
Non-controlling interests		34,156	38,414
TOTAL EQUITY			
		10,566,496	9,817,372

Condensed Consolidated Statement of Changes in Equity

For the six months ended 30 June 2015

	(Unaudited)										
	Attributable to owners of the Company										
	Share capital	Share premium	Contributed surplus	Merger reserve	Capital reserve	Foreign currency translation reserve	Share-based capital reserve	Accumulated losses	Total	Non-controlling interests	Total equity
At 1 January 2014	130,532	13,296,015	-	(2,286,000)	155,580	76,058	16,936	(3,458,350)	7,930,771	52,160	7,982,931
Total comprehensive income for the period	-	-	-	-	-	(458)	-	632,221	631,763	(2,803)	628,960
Issue of shares under employees performance share schemes	91	10,117	-	-	-	-	-	-	10,208	-	10,208
Forfeiture of share-based payments	-	-	-	-	-	-	(4,009)	4,009	-	-	-
Recognition of share-based payments	-	-	-	-	-	-	2,250	-	2,250	-	2,250
Changes in equity for the period	91	10,117	-	-	-	(458)	(1,759)	636,230	644,221	(2,803)	641,418
At 30 June 2014	130,623	13,306,132	-	(2,286,000)	155,580	75,600	15,177	(2,822,120)	8,574,992	49,357	8,624,349
At 1 January 2015	130,681	13,312,566	-	(2,286,000)	155,580	75,728	14,258	(1,623,855)	9,778,958	38,414	9,817,372
Total comprehensive income for the period	-	-	-	-	-	527	-	751,731	752,258	(4,258)	748,000
Transfer	-	(13,312,566)	13,312,566	-	-	-	-	-	-	-	-
Recognition of share-based payments	-	-	-	-	-	-	1,124	-	1,124	-	1,124
Change in equity for the period	-	(13,312,566)	13,312,566	-	-	527	1,124	751,731	753,382	(4,258)	749,124
At 30 June 2015	130,681	-	13,312,566	(2,286,000)	155,580	76,255	15,382	(872,124)	10,532,340	34,156	10,566,496

Condensed Consolidated Statement of Cash Flows

For the six months ended 30 June 2015

	Six months ended 30 June	
	2015	2014
	HK\$'000	HK\$'000
	(unaudited)	(unaudited)
Net Cash Generated From Operating Activities	1,726,263	1,357,128
Purchases of property, plant and equipment	(1,679,414)	(1,449,492)
Other investing cash flow (net)	172,013	(144,320)
Net Cash Used in Investing Activities	(1,507,401)	(1,593,812)
Net Cash Generated from/(Used in) Financing Activities	4,958	(51,347)
Net Increase/(Decrease) in Cash and Cash Equivalents	223,820	(288,031)
Cash and Cash Equivalents at Beginning of Period	2,494,348	1,709,644
Effect of Foreign Exchange Rate Changes	(17,227)	4,370
Cash and Cash Equivalents at End of Period, Presented by	2,700,941	1,425,983
Bank and cash balances	2,700,941	1,425,983

Notes to Interim Financial Statements

For the six months ended 30 June 2015

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 2015. HKFRSs comprise Hong Kong Financial Reporting Standards ("HKFRS"); Hong Kong Accounting Standards ("HKAS"); and Interpretations. The following standards have been adopted by the Group for the first time for the financial period beginning on 1 January 2015:

Amendments to HKFRSs	Annual Improvements to HKFRSs 2010-2012 Cycle
Amendments to HKFRSs	Annual Improvements to HKFRSs 2011-2013 Cycle

The adoption of these new and revised HKFRSs did not result in significant changes to the Group's accounting policies, presentation of the Group's condensed consolidated financial statements and amounts reported for the current period and prior years.

The Group has not early applied new and revised HKFRSs that have been issued but are not yet effective for the financial period beginning on 1 January 2015. The directors anticipate that the new and revised HKFRSs will be adopted in the Group's condensed consolidated financial statements when they become effective. The Group is in the process of assessing, where applicable, the potential effect of all new and revised HKFRSs that will be effective in future periods but is not yet in a position to state whether these new and revised HKFRSs would have a material impact on its results of operations and financial position.

3. SIGNIFICANT ACCOUNTING POLICIES

These condensed financial statements should be read in conjunction with the 2014 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 2014.

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 2015 and 31 December 2014 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:

1. Exploration and production – activities relating to the exploration and production of crude oil and natural gas in Pakistan.
2. Oil exploitation – activities relating to the production of crude oil in PRC utilising production enhancement technology.
3. Oilfield support services – activities relating to the provision of oilfield support services using patented technology.

The Group's reportable segments are strategic business units that offer different products and services. They are managed separately because each business requires different technology and marketing strategies.

The accounting policies of the operating segments are the same as those described in the Group's financial statements for the year ended 31 December 2014.

5. SEGMENT INFORMATION *(Continued)*

	Exploration and production <i>HK\$'000</i> (unaudited)	Oil exploitation <i>HK\$'000</i> (unaudited)	Oilfield support services <i>HK'000</i> (unaudited)	Total <i>HK\$'000</i> (unaudited)
For the six months ended				
30 June 2015				
Turnover from external customers	2,615,923	100,740	14,860	2,731,523
Segment profit/(loss)	974,343	(5,924)	(8,287)	960,132
As at 30 June 2015				
Segment assets	11,330,326	4,630,250	103,881	16,064,457
Segment liabilities	2,323,645	1,358,502	21,026	3,703,173
For the six months ended				
30 June 2014				
Turnover from external customers	2,424,303	219,587	22,107	2,665,997
Segment profit/(loss)	795,478	47,282	(7,585)	835,175
	(audited)	(audited)	(audited)	(audited)
As at 31 December 2014				
Segment assets	10,686,897	4,648,695	127,168	15,462,760
Segment liabilities	2,146,084	1,409,196	31,810	3,587,090

5. SEGMENT INFORMATION *(Continued)*

Reconciliations of reportable segment profit or loss:

	Six months ended 30 June	
	2015 HK\$'000 (unaudited)	2014 HK\$'000 (unaudited)
Profit or loss		
Total profit of reportable segments	960,132	835,175
Unallocated amounts:		
Investment and other income	7,670	2,811
Other gains	12,591	–
Corporate expenses	(108,266)	(96,839)
Finance costs (except for provision – unwinding of discount included in the exploration and production segment)	(124,775)	(111,346)
Consolidated profit for the period	747,352	629,801

6. FINANCE COSTS

	Six months ended 30 June	
	2015 HK\$'000 (unaudited)	2014 HK\$'000 (unaudited)
Interest on bank loans	101,892	111,346
Interest on medium term notes	22,883	–
Provision – unwinding of discounts	4,564	3,953
	129,339	115,299

7. INCOME TAX EXPENSES

	Six months ended 30 June	
	2015	2014
	HK\$'000	<i>HK\$'000</i>
	(unaudited)	(unaudited)
Current tax – PRC enterprise income tax		
– Provision for the period	878	5,100
– Under/(Over) provision in prior years	2,712	(541)
	3,590	4,559
Current tax – Overseas		
– Provision for the period	87,101	106,434
	90,691	110,993
Deferred tax	47,587	31,427
	138,278	142,420

No provision for profits tax in Bermuda, British Virgin Islands, Republic of Panama, Mauritius or Hong Kong is required as the Group has no assessable profit arising in or derived from these jurisdictions for the six months ended 30 June 2015 and 2014.

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 2015 and 2014, 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 (2014: coming 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

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

	Six months ended 30 June	
	2015	2014
	HK\$'000	HK\$'000
	(unaudited)	(unaudited)
Interest income	(15,116)	(4,414)
Dividend income	(66)	(62)
Amortisation of intangible assets	222,228	245,383
Depreciation	784,108	611,301
Directors' remuneration	2,852	5,405
Fair value loss on financial assets at fair value through profit or loss	164	235

9. EARNINGS PER SHARE

(a) Basic earnings per share

The calculation of basic earnings per share attributable to owners of the Company is based on the profit for the period attributable to owners of the Company of approximately HK\$751,731,000 (2014: HK\$632,221,000) and the weighted average number of ordinary shares of 13,068,128,502 (2014: 13,053,419,738) in issue during the period.

(b) 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 month ended 30 June 2015.

For the six months ended 30 June 2014, the calculation of diluted earnings per share attributable to owners of the Company is based on the profit for the period attributable to owners of the Company of approximately HK\$632,221,000 and the weighted average number of ordinary shares of 13,054,532,013, being the weighted average number of ordinary shares of 13,053,419,738 in issue during the period used in the basic earnings per share calculation plus the weighted average number of ordinary shares of 1,112,275 assumed to have been issued at no consideration on the deemed exercise of the share options outstanding during the period.

10. DIVIDEND

The directors of the Company do not recommend any interim dividend for the six months ended 30 June 2015 (2014: Nil).

11. PROPERTY, PLANT AND EQUIPMENT

During the six months ended 30 June 2015, the Group acquired property, plant and equipment of approximately HK\$1,679,414,000.

12. TRADE AND OTHER RECEIVABLES

	30 June 2015 HK\$'000 (unaudited)	31 December 2014 HK\$'000 (audited)
Trade receivables (note a)	1,126,626	1,238,235
Other receivables (note b)	636,799	355,382
Total trade and other receivables	1,763,425	1,593,617

(a) Trade receivables

The Group's trading terms with customers are mainly on credit. The credit term generally ranges from 30 to 45 days (2014: 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 2015 HK\$'000 (unaudited)	31 December 2014 HK\$'000 (audited)
0 to 30 days	847,923	1,091,600
31 to 60 days	258,497	96,109
61 to 180 days	20,206	50,526
	1,126,626	1,238,235

(b) Other receivables

	30 June 2015 HK\$'000 (unaudited)	31 December 2014 HK\$'000 (audited)
Amounts due from joint operators	187,142	137,952
Advances to staff	11,279	13,150
Central excise duty receivables	16,788	9,522
Deposits and prepayments	223,035	46,610
Loan receivables (note 20(c))	46,883	-
Sales tax receivables	121,300	118,115
Others	30,372	30,033
	636,799	355,382

13. HELD-TO-MATURITY INVESTMENTS

At 31 December 2014, the Group's held-to-maturity investments represent 100% capital protected investment deposits denominated in RMB with principal amount of HK\$151,284,000 (equivalent to approximately RMB120,000,000) issued by a financial institution in the PRC. The investments carry a guaranteed fixed interest at 2.6% per annum, payable on maturity date and was settled on 29 June 2015.

14. TRADE AND OTHER PAYABLES

	30 June 2015 HK\$'000 (unaudited)	31 December 2014 HK\$'000 (audited)
Trade payables (<i>note a</i>)	181,195	545,457
Other payables (<i>note b</i>)	1,964,484	1,505,505
Total trade and other payables	2,145,679	2,050,962

(a) Trade payables

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

	30 June 2015 HK\$'000 (unaudited)	31 December 2014 HK\$'000 (audited)
0 to 30 days	90,591	345,331
31 to 45 days	81,255	61,451
Over 45 days	9,349	138,675
	181,195	545,457

(b) Other payables

	30 June 2015 HK\$'000 (unaudited)	31 December 2014 HK\$'000 (audited)
Amount due to joint operators	185,491	242,205
Accrual for operating expenses	1,151,572	537,746
Bills payables	3,827	7,044
Deposits received	21,334	10,672
Salaries and welfare payables	51,500	85,056
Other tax payables	548,434	619,901
Others	2,326	2,881
	1,964,484	1,505,505

15. BORROWINGS

	30 June 2015 HK\$'000 (unaudited)	31 December 2014 HK\$'000 (audited)
Secured bank loans	4,368,000	4,512,310
Medium term notes	564,888	573,593
Other borrowings	149,268	–
	5,082,156	5,085,903

The movement in borrowings is analysed as follows:

	30 June 2015 HK\$'000 (unaudited)	30 June 2014 HK\$'000 (unaudited)
At the beginning of the period	5,085,903	5,032,587
New borrowings raised	149,268	144,310
Repayment of borrowings	(144,310)	(195,657)
Exchange differences	(8,705)	(930)
	5,082,156	4,980,310

16. PROVISIONS

	Dismantling costs in respect of leasehold improvements HK\$'000	Decom- missioning costs HK\$'000	Total HK\$'000
At 1 January 2015 (audited)	420	305,653	306,073
Less:			
Actual costs incurred during the period	–	(5,158)	(5,158)
Add:			
Unwinding of discount	–	4,564	4,564
At 30 June 2015 (unaudited)	420	305,059	305,479

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.

16. PROVISIONS (Continued)

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 2014, 1 January 2015 and 30 June 2015	60,000,000,000	600,000
Issued and fully paid:		
Ordinary shares of HK\$0.01 each		
At 31 December 2014 and 1 January 2015 (audited) and 30 June 2015 (unaudited)	13,068,128,502	130,681

18. CAPITAL COMMITMENTS

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

	30 June 2015 HK\$'000 (unaudited)	31 December 2014 HK\$'000 (audited)
Contracted but not provided for:		
Acquisition of property, plant and equipment	28,416	28,416
Commitments for capital expenditure	276,690	1,055,749
	305,106	1,084,165

(b) On 20 October 2014, the Group established a wholly owned subsidiary, United Energy (Beijing) Limited ("UEBL") in the PRC with registered capital of HK\$126,070,000 (equivalent to RMB100,000,000). At 30 June 2015 and 31 December 2014, the Group has contributed HK\$15,439,000 (equivalent to RMB12,246,000) to UEBL. In accordance with the memorandum of association of UEBL, the remaining balance of HK\$110,631,000 (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 2015 and 31 December 2014, 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. As at 30 June 2015 and 31 December 2014, the directors do not consider it probable that a claim will be made against the Company under the above guarantee.
- (b) As at 30 June 2015 and 31 December 2014, 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. As at 30 June 2015 and 31 December 2014, the directors do not consider it probable that a claim will be made against the Company under the above guarantee. As at 30 June 2015 and 31 December 2014, the maximum liability of the Company is the amount of bank loans drawn under the cross guarantee at that date of HK\$4,368,000,000.
- (c) As at 30 June 2015 and 31 December 2014, 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”). As at 30 June 2015 and 31 December 2014, 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 HK\$564,888,000 (31 December 2014: HK\$573,593,000).
- (d) As at 30 June 2015 and 31 December 2014, 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 HK\$192,000 (31 December 2014: HK\$15,215,000).

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
UEP Wind Power (PVT.) Limited ("UEP Wind Power")	Mr. Zhang Hong Wei has substantial influence over UEP Wind Power

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

- (b) Orient Group Industrial has provided counter guarantees and corporate guarantees in favour of the Group against the bank loans made to the Group totalling HK\$4,368,000,000 at 30 June 2015 (31 December 2014: HK\$4,368,000,000).
- (c) On 16 March 2015, UEPL entered into the short-term loan agreement with UEP Wind Power for short-term financing the wind power project in Pakistan to be operated by UEP Wind Power. The maximum loan amount is HK\$62,400,000 (equivalent to US\$8,000,000), bearing interest rate of 6.85% per annum and repayable on 31 December 2015. As at 30 June 2015, UEP Wind Power has drawdown approximately HK\$46,883,000 (equivalent to US\$6,011,000) loan from UEPL.

21. EVENTS AFTER THE REPORTING PERIOD

On 2 July 2015, the Company were issued and allotted 10,363,845 ordinary shares of HK\$0.01 each pursuant to the employees' performance share schemes to the employees in Pakistan. The total number of issued shares of the Company was increased from 13,068,128,502 shares as at 30 June 2015 to 13,078,492,347 shares as at 2 July 2015.

22. APPROVAL OF THE INTERIM FINANCIAL STATEMENTS

The condensed consolidated interim financial statements for the six months ended 30 June 2015 has been approved for issue by the board of directors on 7 August 2015.

Supplementary Information on Oil and Gas Exploration, Development and Production Activities

This section provides supplemental information on oil and gas activities in accordance with the Chapter 18 of Listing Rules of the Stock Exchange of Hong Kong Limited.

A. Major Exploration, Development and Production Activities

The following table summarized the major exploration, development and production activities during the reporting period:

	Pakistan Assets	Liaohe EOR Project
Exploration activities:	<ul style="list-style-type: none"> 18 Exploration & appraisal wells 	<ul style="list-style-type: none"> Nil
Development activities:	<ul style="list-style-type: none"> 3 Development wells 4 Rig workovers 	<ul style="list-style-type: none"> 6 Side-Track Wells
Production activities:	<ul style="list-style-type: none"> Average daily net production of 59,895 boed 	<ul style="list-style-type: none"> Average daily net production of 1,504 bbl/d

B. Group's Share of Costs Incurred on Exploration, Development and Production Activities

The following table summarized the Group's share of costs incurred on exploration, development and production activities for the reporting period:

	Pakistan Assets (HK\$'000)	Liaohe EOR Project (HK\$'000)	Total (HK\$'000)
Exploration costs	663,002	–	663,002
Development costs	1,044,348	24,244	1,068,592
Production costs (Note)	327,074	72,970	400,044

Note: Production costs recognized in cost of sales excluding depreciation & amortization and government tax & selling expenses.

Management Discussion and Analysis

Financial Review

The Group continued a strong growth in earnings for the six months ended 30 June 2015 (the “reporting period”). The profit attributable to the owners of the Company was approximately HK\$751,731,000 (30 June 2014: approximately HK\$632,221,000), representing 18.9% growth from the six months ended 30 June 2014 (the “corresponding period of last year”). The increase in net profit was due to the continuous growth in Pakistan Assets. Profit from Pakistan Assets grew by 22.5% to approximately HK\$974,343,000 (30 June 2014: approximately HK\$795,478,000). This was contributed by the ramping up of production as a result of our success in exploration and completion of gas processing facility upgrade.

Turnover

The Group’s turnover for the reporting period was approximately HK\$2,731,523,000, representing an increase of 2.5% as compared with the turnover of approximately HK\$2,665,997,000 for the corresponding period of last year. The increase in turnover was mainly contributed by the increase of production in Pakistan Assets from 40,227 barrels of oil equivalent (“boe”) per day (“boed”) to 59,895 boed.

Cost of sales and services rendered

The Group’s cost of sales and services rendered increased from approximately HK\$1,304,629,000 for the corresponding period of last year to approximately HK\$1,406,285,000 for this reporting period. This was increase with higher production and sale achieved in the reporting period. The cost of sales and services rendered included depreciation and amortisation of approximately HK\$991,263,000 (30 June 2014: approximately HK\$831,317,000). The lifting cost, which is defined as the cost of sales excluding depreciation & amortization, government tax and distribution expenses, of Pakistan Assets and Liaohe EOR Project were US\$3.9 per boe (30 June 2014: US\$5.2 per boe) and US\$32.8 per boe (30 June 2014: US\$35.6 per boe) respectively. The decrease in lifting cost per boe was mainly due to increase in production and the effort of cost control in the development and production activities.

Gross profit

The Group’s gross profit was approximately HK\$1,325,238,000 (gross profit ratio 48.5%) which represented a decrease of 2.7% as compared with gross profit of approximately HK\$1,361,368,000 (gross profit ratio 51.1%) for the corresponding period of last year. The decrease in gross profit was a result of the drop in global crude oil price in the reporting period and the impact was diminished significantly by the effort in cost control and increase in production.

Exploration expenses

The Group's exploration expenses for the reporting period was approximately HK\$65,974,000 (30 June 2014: approximately HK\$168,923,000) which was incurred mainly for the 3D seismic data acquisition, processing and studies performed in Pakistan Assets.

Administrative expenses

The Group's administrative expenses for the reporting period was approximately HK\$204,960,000 (30 June 2014: approximately HK\$221,346,000), representing 7.5% (30 June 2014: 8.3%) of turnover.

Finance costs

The Group's finance costs for the reporting period was approximately HK\$129,339,000, representing 12.2% increase as compared with the finance costs of approximately HK\$115,299,000 for the corresponding period of last year. The increase in finance costs was mainly from the S\$100,000,000 Notes issued on 17 October 2014. The average interest rate of borrowings for the reporting period was 4.91% (30 June 2014: 4.45%).

Income tax expense

The Group's income tax expense for the reporting period was approximately HK\$138,278,000 (30 June 2014: approximately HK\$142,420,000), representing a decrease of 2.9%.

EBITDA

EBITDA represents the profit before finance costs, income tax expense, impairment losses on intangible assets, depreciation and amortisation. It shall be noted that EBITDA is not a measure of operating performance or liquidity defined by generally accepted accounting principles and may not be comparable to similarly titled measures presented by other companies. The EBITDA for the reporting period was approximately HK\$2,021,305,000, increased by 15.9% from the corresponding period of last year of approximately HK\$1,744,205,000.

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

The Group's Audit Committee has reviewed the unaudited condensed consolidated financial statements for the six months ended 30 June 2015. The Audit Committee has reviewed with management the accounting principles and practices adopted by the Group, as well as internal control and financial reporting matters, and found them to be satisfactory.

Business Review

The Group is one of the largest listed upstream oil and gas corporations in Hong Kong, with business now extended to South Asia. The Group is focused on the investment and operation of oil, natural gas and other energy related businesses. Under the implementation of “reliable operation + rapid expansion” business strategy, the performance and operations of the Group’s assets in Pakistan has shown continuous growth and enhancement. In the reporting period, the Group has recorded 2.5% growth in turnover and 18.9% growth in net profit attributable to owners of the Company compared with the corresponding period of last year. The increase is a proof that the Group thereby is fulfilling its promises to deliver to the shareholders and investors on sustainable returns and growth.

For the six month ended 30 June 2015, the Group recorded satisfactory growth in production and financial performance. In this reporting period, the Group delivered an average daily net production of approximately 61,399 boed, representing 45.9% increase from the corresponding period of last year. The Pakistan Assets delivered an average daily net production of approximately 59,895 boed, of which 28.2% was oil and liquids, representing 48.9% increase from the corresponding period of last year. The Liaohe Enhanced Oil Recovery Project in China (“Liaohe EOR Project”) delivered an average daily net production of approximately 1,504 bbld, of which 100% was oil and liquids, representing 19.4% decrease from the corresponding period of last year. In terms of the net production level, the Group is ranked as one of the largest independent upstream oil and gas operator listed on the Hong Kong Stock Exchange.

During the reporting period, the cost of sales and services rendered by the Group is approximately HK\$1,406,285,000 (Pakistan Assets: approximately HK\$1,277,402,000, Liaohe EOR Project: approximately HK\$110,182,000, Oilfield Support Services: approximately HK\$18,701,000), and the Group invested approximately HK\$1,649,411,000 of capital expenditure in oil exploration, development and production activities (Pakistan Assets: approximately HK\$1,625,167,000, Liaohe EOR Project: approximately HK\$24,244,000). The Group has drilled 21 new wells in Pakistan Assets and 6 side-track wells in Liaohe EOR Project.

Under the implementation of “reliable operation + rapid expansion” business strategy, the performance and operations of the Group’s assets in Pakistan and Liaohe asset have both shown significant growth enhancement in past few years. In the reporting period, the Group has recorded another period of growth in both the production and profit. The increase is a proof that the Group thereby is fulfilling its promises to deliver to the shareholders and investors on sustainable returns and growth.

Pakistan Assets:

For the six months ended 30 June 2015, the Pakistan Assets achieved an average daily net production of approximately 59,895 boed, of which 28.2% was oil and liquids, representing an approximately 48.9% increase compared to the corresponding period of last year. Composite Average Sales Price Before Government Take amounted to US\$35.1 per boe, representing an approximately 30.5% decrease compared to the corresponding period of last year. The decrease in Composite Average Sales Price was due to the significant drop in global crude oil price and increase in gas ratio in Pakistan Assets. The financial impact from the decrease in sale price has net off by the increase in production.

During the reporting period, the Group remains as one of the most-active oil and gas upstream operator in Pakistan, completed 18 exploration & appraisal wells and 3 development wells. Furthermore, the Group has made 13 new oil and gas discoveries in Badin and MKK Blocks. In addition, United Energy Pakistan Limited (“UEPL”), a wholly owned subsidiary of the Company, continues to deliver export shipments to the international oil market. For the reporting period, UEPL has successfully exported approximately 1,627,000 boe of oil and condensate to the international oil market. This allows the Group to diversify its sales channel outside of Pakistan.

Naimat Phase 5A, a project to install 60 mmcf/d skid-mounted gas processing plant, was completed with first gas commenced on 1 May 2015. The average daily net production in the MKK Blocks in the second quarter of year 2015 was increased by approximately 7.9% in comparing with the first quarter of year 2015. The Group will continue its strategic focus on exploration and development activities in the enormously potential-rich MKK Blocks and we expect the MKK blocks to become a major source of future organic growth. It would facilitate the implementation of the Group’s business plan in respect of the MKK Concessions which will be beneficial to the business of the Group.

Liaohu EOR Project, China:

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

For the six months ended 30 June 2015, Liaohe EOR Project achieved an average daily net production of approximately 1,504 bbld, representing an approximately 19.4% decrease compared with the corresponding of last year. Average Sales Price Before Government Take amounted to US\$49.3 per bbl, representing an approximately 40.8% decrease compared with the corresponding year of last year. The decrease in Average Sales Price was due to the significant drop in global crude oil price. As at 30 June 2015, a total 265 of the 606 oil producers (representing ~44% of production wells) have been converted into fireflood producers.

Oilfield Support Services:

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

The Group's successful application of fireflood technology can help promoting the technology to elsewhere in the region. This will in turn create a great business potential. Since the Chinese oilfields are aging gradually, the Group has the patented fireflood technology to explore the opportunity of "secondary development" which will enhance the production volume and life of the maturing oilfields. The Group is currently in negotiations with a number of corporations and actively exploring business opportunities.

Business and market outlook

The Group expects the price of oil will remain low in financial year 2015, which will create certain challenge to our Pakistan Assets and Liaohe EOR Project operations. However, the recent sharp fall in oil price may also provide another favorable opportunity for the Group to re-activate its acquisition activities. Refer to our 2015 operation guidance ("2015 Guidance") released on 16 February 2015, the Group's average daily net production is forecasted to be in the range of 63,800 to 67,000 boed, representing at least 30.4% increase compared with 2014.

In 2012, the Group has planned to further increase its average daily net production in Pakistan to above 60,000 boed on or before 2017. The management of the Group expects that this target will be achieved in 2015, 2 years ahead of our original plan. Benefit from the significant growth in production level, the Group expects our free cashflow will remain strong and positive in year 2015 and able to fund the capital expenditure using its internal funding.

To deliver our strategy of “Win-win cooperation to achieve quantum leap growth”, our Group actively explores opportunities for acquiring quality projects together with aggressive exploration and development of existing assets, thereby enhancing the scale of the Group’s upstream operations. The Group signed a project cooperation agreement with China Development Bank at US\$5 billion for five years on 26 October 2012 and established the S\$1,000,000,000 multi-currency medium term note programme on 8 October 2014, signifying the Group’s continued ability to enjoy the preferential financial support in acquisitions. This enhances the Group’s financial power in bidding for quality assets. The Group can make use of this strong support to search for quality assets or cooperation opportunities thereby expanding the portfolio of assets and operations. This creates the best environment to achieve shareholding value maximization.

Pakistan Assets:

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

Following the major discovery at Naimat West, the Group carried out a major maintenance and upgrade of its oil & gas processing facility and optimising the gas gathering system located in the MKK area. The construction of the 160 mmcf/d gas processing plant (“Naimat Phase 5”) in MKK was completed. The project consists of 2 phases:

Phase 5A: 60 mmcf/d skid-mounted gas processing plant (first gas was commenced on 1 May 2015)

Phase 5B: 100 mmcf/d gas processing plant (first gas was commenced on 7 July 2015)

After the completion of the project, the Group is expected to add approximately 110 mmcf/d of sales gas from the MKK Blocks. This is an important step for the Group to further ramp up the production in the year 2015.

Liaohé EOR Project, China:

Since the Liaohé EOR Project entered into development and production stages, the project has recorded double digit growth on net production for three consecutive years. By considering the uncertainty of the global oil price market, the Group will proceed carefully its capital investment to increase the net average daily production and the coverage of fireflood application of Liaohé EOR Project.

Conclusion

As one of the largest listed upstream oil companies in Hong Kong, the Group will keep looking for opportunities to expand its business in China and other regions to maximize the returns for shareholders. The Group is implementing the development strategy of “Win-win cooperation to achieve quantum leap growth”. The Group will work closely with Chinese oil companies and other oil companies in search for the values creation. The Group targets at achieving enhancing oil and gas production in Pakistan, lowering the lifting cost and improvement in profit margins and it will also enhance the exploration scale, increasing the reserves ratio to build a solid base as a large-scale oil and gas operator.

Liquidity and Financial Resources

The Group maintained its strong financial position for the reporting period, with cash and cash equivalents amounting to approximately HK\$2,700,941,000 as at 30 June 2015 (as at 31 December 2014: approximately HK\$2,494,348,000).

As at 30 June 2015, 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\$560,000,000, approximately equivalent to HK\$4,368,000,000 (as at 31 December 2014: US\$560,000,000, approximately equivalent to HK\$4,368,000,000).

On 26 June 2014, United Petroleum & Natural Gas (Panjin) Limited (“United Petroleum (Panjin)”) and United Energy International Finance Limited (“UEIFL”), both are wholly-owned subsidiaries of the Company, entered into facility agreements with Industrial Bank Company Limited Shenyang Branch and Hong Kong Branch respectively. On the same day, United Petroleum (Panjin) deposited cash of RMB120,000,000 (approximately equivalent to HK\$151,284,000) in Industrial Bank Company Limited Shenyang Branch as pledge for issue a financing guarantee to Industrial Bank Company Limited Hong Kong Branch. As such, Industrial Bank Company Limited Hong Kong Branch granted UEIFL a one-year loan facility with limit of US\$20,000,000 (approximately equivalent to HK\$156,000,000) at interest rate of 3-month HIBOR+2.5659% per annum. The purpose of this loan facility was for settlement of account payables of the Group. On 27 June 2014, UEIFL has drawdown the loan in the amount of US\$18,501,240 (approximately equivalent to HK\$144,310,000) for settlement of account payables of the Group with same value. On 26 June 2015, this loan has been fully repaid and the financing guarantee has been released.

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 2015 and 31 December 2014, the outstanding amount of the First Drawdown Notes was S\$100,000,000, approximately equivalent to HK\$564,888,000 (as at 31 December 2014: approximately equivalent to HK\$573,593,000).

On 25 June 2015, a facility letter was to be entered between United Energy International Trading Limited (“UEITL”), 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 Multi-Transche Investment Fund managed by Hai Tong Asset Management (H.K.) Limited (the “Investment Fund”). On 29 June 2015, the Facility has been drawn down for the subscription of the Investment Fund. As at 30 June 2015, the outstanding amount of the Facility was HK\$149,268,000.

As at 30 June 2015, the gearing ratio was approximately 26.1% (as at 31 December 2014: approximately 27.4%), based on borrowings under current liabilities and non-current liabilities of approximately HK\$773,268,000 (as at 31 December 2014: approximately HK\$768,310,000) and HK\$4,308,888,000 (as at 31 December 2014: approximately HK\$4,317,593,000) respectively and total assets of approximately HK\$19,453,168,000 (as at 31 December 2014: approximately HK\$18,594,865,000). As at 30 June 2015, the current ratio was approximately 1.71 times (as at 31 December 2014: approximately 1.69 times), based on current assets of approximately HK\$5,010,736,000 (as at 31 December 2014: approximately HK\$4,806,446,000) and current liabilities of approximately HK\$2,935,740,000 (as at 31 December 2014: approximately HK\$2,839,581,000).

As at 30 June 2015, the Group’s total borrowings amounted to HK\$5,082,156,000 (as at 31 December 2014: HK\$5,085,903,000), including secured bank loans of HK\$4,368,000,000 (as at 31 December 2014: HK\$4,512,310,000), medium term notes of HK\$564,888,000 (as at 31 December 2014: HK\$573,593,000) and other secured borrowings of HK\$149,268,000 (as at 31 December 2014: Nil). 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 2015 and the average interest rate of the secured bank loans as at 30 June 2015 was 4.59% (as at 30 June 2014: 4.45%). The medium term notes are at fixed interest rate of 6.85% per annum.

Capital Structure

During the reporting period, the changes of the share capital structure of the Company are as follows:

There was no change of issued share capital of the Company. The total number of issued shares of the Company was 13,068,128,502 shares as at 1 January 2015 and 30 June 2015.

On 24 April 2015, the Board intends to put forward for approval by the Shareholders at the annual general meeting of the Company a proposal to reduce the entire amount standing to the credit of the share premium account of the Company in the sum of approximately HK\$13,312,566,000 (as of 31 March 2015) with the credit arising therefrom to be entirely transferred to the contributed surplus reserve of the Company (the “Proposed Share Premium Reduction”). The Board considers that the Proposed Share Premium Reduction will give the Company greater flexibility to declare dividends or make distribution to the Shareholders in the future as and when the Board considers appropriate. The Board therefore considers that the Proposed Share Premium Reduction is in the interests of the Company and the Shareholders as a whole. The implementation of the Proposed Share Premium Reduction does not involve any reduction in the authorised or issued share capital of the Company nor does it involve any reduction in the nominal value of the ordinary shares or the trading arrangements concerning the ordinary shares. In the annual general meeting held on 29 May 2015, the Proposed Share Premium Reduction was approved by shareholders of the Company and become effective. The balance of the share premium account of the Company was reduced by an amount of approximately HK\$13,312,566,000 and became nil.

Employees

At as 30 June 2015, the Group employed a total of 1,111 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 report.

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. As the exchange rates of United States dollars and Renminbi against Hong Kong dollars were relatively stable, the exchange rate risk of Singapore dollars and Pakistan Rupee for the Group is relatively insignificant and 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 and Pakistan Rupee and apply appropriate action to prevent any impact to the Group.

Arrangements to Purchase Shares or Debentures

At no time during the six months ended 30 June 2015 was the Company, its subsidiary or holding company, a party to any arrangements to enable the directors of the Company to acquire benefits by means of acquisition of shares in, or debt securities (including debentures) of, the Company or any other body corporate.

Sufficiency of Public Float

The Company has maintained a sufficient public float throughout for the six months ended 30 June 2015.

Share Option Scheme

The Company's share option scheme (the "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 Scheme (the "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 and will expire on 10 May 2016. On 3 December 2007, the 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 Scheme by shareholders of the Company (the "Refreshed Scheme Limit"). The corresponding listing approval for the Refreshed Scheme Limit was granted by the Stock Exchange on 28 February 2008.

During the six months ended 30 June 2015, no share options were granted, exercised, lapsed or cancelled. As at 30 June 2015, 632,709,163 shares under the Refreshed Scheme Limit were not used for granting share option under the Scheme (“Unused Refreshed Scheme Limit”) and the total outstanding share options granted under the Scheme but not exercised was 20,000,000 units of the share options (“Outstanding Option Not Exercised”). The ratio of Unused Refreshed Scheme Limit and the Outstanding Option Not Exercised to the total issued shares of the Company of 13,068,128,502 shares as at 30 June 2015 was 4.99%.

As at 30 June 2015, details of outstanding share options granted but not exercised under the Scheme are as follows:

Grant Date	Exercise		Exercisable Period	Number of Share Options					As at 30.6.2015
	Price HK\$	Vesting Period		As at 1.1.2015	Granted	Exercised	Lapsed	Cancelled	
Employees									
31.12.2010	1.55	31.12.2010 to 30.12.2011	31.12.2011 to 30.12.2015	600,000	-	-	-	-	600,000
31.12.2010	1.55	31.12.2010 to 30.12.2012	31.12.2012 to 30.12.2015	400,000	-	-	-	-	400,000
31.12.2010	1.55	31.12.2010 to 30.12.2013	31.12.2013 to 30.12.2015	400,000	-	-	-	-	400,000
31.12.2010	1.55	31.12.2010 to 30.12.2014	31.12.2014 to 30.12.2015	600,000	-	-	-	-	600,000
29.8.2012	1.20	29.8.2012 to 28.8.2013	29.8.2013 to 28.8.2022	5,400,000	-	-	-	-	5,400,000
29.8.2012	1.20	29.8.2012 to 28.8.2014	29.8.2014 to 28.8.2022	3,600,000	-	-	-	-	3,600,000
29.8.2012	1.20	29.8.2012 to 28.8.2015	29.8.2015 to 28.8.2022	3,600,000	-	-	-	-	3,600,000
29.8.2012	1.20	29.8.2012 to 28.8.2016	29.8.2016 to 28.8.2022	5,400,000	-	-	-	-	5,400,000
Total				20,000,000	-	-	-	-	20,000,000

Disclosure of Interests

Directors' Interests in Shares and Underlying Shares of the Company

As at 30 June 2015, the Directors and their associates had the following interests or short positions in shares, underlying shares and debentures of the Company or any of its associated corporations (within the meaning of the Securities and Futures Ordinance (the "SFO") as recorded in the register required to be kept under Section 352 of the SFO or as otherwise notified to the Company and The Stock Exchange of Hong Kong Limited (the "Stock Exchange") pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code"):

Name of Director	Name of Company	Nature of interest	Number of Shares		Approximate % shareholding
			Long Position	Short Position	
Zhang Hong Wei	The Company	Attributable interest of controlled corporation	9,377,150,115	-	71.76 (Note)
Zhu Jun	The Company	Beneficial owner	1,443,000	-	0.01

Note: Out of the 9,377,150,115 shares, 5,328,879,125 shares were beneficially held by He Fu International Limited, 2,223,726,708 shares were beneficially held by United Petroleum & Natural Gas Holdings Limited, and 1,824,544,282 shares were beneficially held by United Energy Holdings Limited. He Fu International Limited, United Petroleum & Natural Gas Holdings Limited and United Energy Holdings Limited are companies wholly-owned by Mr. Zhang Hong Wei. Therefore, Mr. Zhang Hong Wei is deemed to be interested in those 9,377,150,115 shares.

Save as disclosed above, none of the directors, nor their associates had any interests or short positions in any shares, underlying shares or debentures of the Company or any of its associated corporations as at 30 June 2015.

Substantial Shareholders

As at 30 June 2015, the following persons or corporations, other than the Directors or chief executives of the Company as disclosed above, had interests or short positions in the shares and underlying shares of the Company as recorded in the register required to be kept by the Company pursuant to Section 336 of the SFO:

Name	Name of Company	Capacity and nature of interest	Number of Shares	Approximate % shareholding
He Fu International Limited <i>(Note)</i>	The Company	Beneficial owner	5,328,879,125	40.78
United Petroleum & Natural Gas Holdings Limited <i>(Note)</i>	The Company	Beneficial owner	2,223,726,708	17.02
United Energy Holdings Limited <i>(Note)</i>	The Company	Beneficial owner	1,824,544,282	13.96

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

All the interests stated above represent long positions. As at 30 June 2015, no short position were recorded in the register kept by the Company under Section 336 of the SFO.

Save as disclosed above, the Company has not been notified by any persons or corporations, other than the Directors or chief executives of the Company, who had interests or short positions in the shares or underlying shares of the Company as recorded in the register required to be kept by the Company pursuant to Section 336 of the SFO as at 30 June 2015.

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 2015 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 2015.

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 2015 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 2015.

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, 7 August 2015

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