THIS CIRCULAR IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION

If you are in any doubt as to any aspect of this circular or as to the action to be taken, you should consult your stockbroker or other registered dealer in securities, bank manager, solicitor, professional accountant or other professional advisers.

If you have sold or transferred all your shares in United Energy Group Limited, you should at once hand this circular and the accompanying form of proxy to the purchaser or the transferee or to the bank, stockbroker or other agent through whom the sale or transfer was effected for transmission to the purchaser or the transferee.

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)

VERY SUBSTANTIAL ACQUISITION OF BUSINESS AND ASSETS AND NOTICE OF SPECIAL GENERAL MEETING

Financial Adviser to the Company

MACQUARIE

A letter from the Board of the Company is set out on pages 7 to 33 of this circular. A notice convening the special general meeting of the Company to be held at Aberdeen (Level 3), JW Marriott Hotel Hong Kong, Pacific Place, 88 Queensway, Hong Kong at 10:00 a.m. on 15 July 2011 is set out on pages N-1 to N-2 of this circular. The special general meeting is to be held to approve matters referred to in this circular.

Whether or not you are able to attend the meeting, you are requested to complete and return the accompanying form of proxy in accordance with the instructions printed thereon and deposit the same as soon as possible and in any event not later than 48 hours before the time of the meeting or any adjournment thereof to the office of the Company's branch share registrar and transfer office in Hong Kong, Tricor Secretaries Limited, at 26th Floor, Tesbury Centre, 28 Queen's Road East, Hong Kong. Completion and return of the form of proxy will not preclude you from attending and voting at the meeting or any adjournment thereof should you so wish.

24 June 2011

CONTENTS

A. DEFINITIONS

The following terms are used in this circular with the meanings set opposite them:

"Accountants' Report"	the accountants' report of the Business issued by A.F. Ferguson & Co., set out in Appendix II of this circular
"Acquisition"	the acquisition of the Business pursuant to the Acquisition Agreement
"Acquisition Agreement"	the sale and purchase agreement by and among the Sellers and the Buyer in respect of the Business
"Announcement"	the announcement of the Company dated 14 December 2010 relating to the Acquisition
"Badin Concessions"	the petroleum concessions granted by the Pakistan Government in the Badin area, Sindh Province, Pakistan, which comprise with respect to the Sellers, the Badin-I Petroleum Concession Agreement, Badin-II Petroleum Concession Agreement, Badin-II Revised Petroleum Concession Agreement, Badin-III Petroleum Concession Agreement and the Mehran Petroleum Concession Agreement described more particularly in the letter from the Board under the section headed "C. The Business and Business Assets – The Interests in the Concessions"
"Base Price"	the US$775,000,000 (approximately HK$6,006,250,000) being the initial price for the Acquisition subject to adjustments described in this circular
"Board"	the board of Directors of the Company
"BP"	BP p.l.c., or where the context requires the group of companies affiliated with BP p.l.c. (including Sellers)
"Business"	the upstream petroleum and liquid petroleum gas business carried on by the Sellers in Pakistan as at Closing, including the Business Assets but excluding the offshore blocks (G, J, P and O) which BP has relinquished and were not included as part of the Acquisition Agreement

"Business Assets"	all the property, undertakings, rights and assets of the Sellers relating exclusively to the Business, including the Sellers' working interests in the Badin Concessions, the MKK Concessions, the DSS Concessions and the Offshore Blocks as at Closing but excluding the Non-Acquired Items, to be acquired by the Company pursuant to the Acquisition Agreement
"Business Day"	a day other than a Saturday or Sunday or public holiday in England and Wales and Hong Kong on which banks are open in London and Hong Kong for general commercial business
"Buyer"	a wholly-owned subsidiary of the Company, being United Energy Pakistan Limited to whom the rights and obligations of Gold Trade Group Limited (another wholly-owned subsidiary of the Company) under the Acquisition Agreement were novated under a novation agreement dated 28 February 2011
"Closing"	completion of the sale and purchase of the Business and the Business Assets in accordance with the Acquisition Agreement
"Company"	United Energy Group Limited, a company incorporated in the Cayman Islands and continued in Bermuda with limited liability whose shares are listed on the Stock Exchange
"Competent Person's Report"	the Competent Person's Report set out in Appendix V of this circular, issued by DeGolyer and MacNaughton, in accordance with the requirements under the Listing Rules
"connected person"	has the meaning ascribed to it under the Listing Rules
"DeGolyer and MacNaughton"	DeGolyer and MacNaughton Canada Limited, the Competent Person and Competent Evaluator (which have the meanings ascribed to it under Chapter 18 of the Listing Rules) appointed by the Company in respect of the Acquisition
"DGPC"	Directorate General of Petroleum Concessions, the primary regulatory authority over petroleum and liquid petroleum gas operations in Pakistan
"Director(s)"	director(s) of the Company

"DSS Concessions"	the petroleum concessions granted by the Pakistan Government in the Digri and Sanghar South areas, Sindh Province, Pakistan, which comprise with respect to the Sellers' Digri Petroleum Concession Agreement and Sanghar Petroleum Concession Agreement described more particularly in the letter from the Board under the section headed "C. The Business and Business Assets – The Interests in the Concessions"
"Effective Date"	1 January 2011
"Enlarged Group"	the Group and the Business
"Group"	the Company and its subsidiaries
"Interim Period"	the period from the Effective Date up to Closing
"Latest Practicable Date"	21 June 2011, being the latest practicable date prior to the printing of this circular for ascertaining certain information in this circular
"Listing Rules"	the Rules Governing the Listing of Securities on the Stock Exchange
"MKK Concessions"	the petroleum concessions granted by the Pakistan Government in the Mirpur Khas and Khipro areas, Sindh Province, Pakistan, which comprise with respect to the Sellers, Khipro Petroleum Concession Agreement and Mirpur Khas Petroleum Concession Agreement described more particularly in the letter from the Board under the section headed "C. The Business and Business Assets – The Interests in the Concessions"
"Non-Acquired Items"	certain assets and liabilities which formed part of the Business (including long term loans, net accounts receivable and accounts payable and other working capital items of the Business as at Closing, exclusive of the inventory of crude oil, natural gas and natural gas liquids and the inventory of supplies, equipment and spare parts) not being acquired by the Buyer pursuant to the Acquisition Agreement

"Offshore Blocks"	working interests in four offshore blocks (S, U, V and W) pursuant to production sharing agreements with the Government of Pakistan, Oil and Gas Development Company Limited and Government Holdings (Private) Limited described more particularly in the letter from the Board under the section headed "C. The Business and Business Assets – The Interests in the Concessions"
"Sellers"	BP Pakistan Exploration and Production, Inc., BP Pakistan (Badin) Inc. and BP Exploration (Alpha) Limited, subsidiaries of BP
"SGM"	the special general meeting of the Company to be convened to approve the Acquisition and transactions contemplated under the Acquisition Agreement
"Shareholders"	the holders of the Shares
"Shares"	ordinary shares of HK$0.01 each in the issued share capital of the Company
"Stock Exchange"	The Stock Exchange of Hong Kong Limited
"Valuation Report"	the report on "Evaluation of the Oil, Gas, Natural Gas Liquids Interests of the Business – Fair Market Value" set out in Appendix VI of this circular, issued by DeGolyer and MacNaughton, in accordance with the requirements under the Listing Rules
"working interest"	the right to develop and produce hydrocarbons at the interest owner's expense. It is distinguished from a royalty interest which is the right to receive a percentage of the oil and gas produced without paying the costs of development or production
"HK$"	Hong Kong dollars, the lawful currency of Hong Kong
"US$"	United States dollars, the lawful currency of the United States of America

B. GLOSSARY OF TECHNICAL TERMS

The following technical terms are used in this circular with the meanings set opposite them:

"condensate"	liquid petroleum excluding crude oil and LPG produced at surface by processing or separation of natural gas from a gaseous/gas condensate reservoir
"crude oil"	liquid petroleum, other than condensate and LPG, produced by separation at the surface from a liquid reservoir in its natural state before the same has been refined but after extraction of water and foreign substances
"km"	kilometers
"km^2"	square kilometers
"LPG"	a mixture of propane and butane separated from natural gas by compression, extraction or other processes
"Mbbl/d"	thousand barrels of oil per day
"Mboe"	thousand barrels of oil equivalent
"MMbbl"	million barrels of oil
"MMboe"	million barrels of oil equivalent
"MMboe/d"	million barrels of oil equivalent per day
"MMbtu"	million British thermal units
"MMcf"	million cubic feet
"MMcf/d"	million cubic feet per day
"Mscf"	thousand standard cubic feet
"natural gas"	all hydrocarbons which at standard atmospheric conditions of pressure and temperature are in a gaseous phase including non-hydrocarbon gas which is in association with and produced together with such gaseous hydrocarbons

"PRMS"	the Petroleum Resources Management System published by the Society of Petroleum Engineers, American Association of Petroleum Geologists, World Petroleum Council and Society of Petroleum Evaluation Engineers in March 2007 as amended from time to time
"probable reserves"	has the meaning ascribed to it in the Competent Person's Report
"proved reserves"	has the meaning ascribed to it in the Competent Person's Report
"seismic data"	detailed information obtained from earth vibration produced naturally or artificially (as in geophysical prospecting)
"Tcf"	trillion cubic feet

Unless otherwise specified, references in the "Letter from the Board" to the proved or proved plus probable reserves attributable to Sellers' working interest in the Badin Concessions and the MKK Concessions are based on the Company Share Forecast Prices and Costs Case gross reserves estimate of the Badin Concessions and the MKK Concessions as provided in the Competent Person's Report.

This circular contains translations between US$ and HK$ at the rate of US$1.00 = HK$7.75. The translation is indicative and should not be taken as a representation that the relevant currency could actually be converted in HK$ at that rate.

Numbers described in millions or billions in this circular have been rounded to the nearest million or billions, as the case may be.

Any discrepancies in any table in this circular between the total shown and the sum of the amounts listed are due to rounding.

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)

Executive Directors:
Zhang Hong Wei *(Chairman)*
Zhu Jun
Zhang Meiying
Andrew Leo Kirby

Non-executive Director:
Ho King Fung, Eric

Independent Non-executive Directors:
Chau Siu Wai
San Fung
Zhu Chengwu

Registered office:
Clarendon House
Church Street
Hamilton HM 11
Bermuda

Principal place of business in Hong Kong:
Unit 2505, 25/F.,
Two Pacific Place
88 Queensway
Hong Kong

24 June 2011

To the Shareholders

Dear Sir or Madam,

VERY SUBSTANTIAL ACQUISITION OF BUSINESS AND ASSETS AND NOTICE OF SPECIAL GENERAL MEETING

A. INTRODUCTION

Reference is made to the Announcement in relation to the signing of the Acquisition Agreement for the proposed acquisition by the Buyer, a wholly-owned subsidiary of the Company created for the purpose of the acquisition, from subsidiaries of BP, of the Business, which consists of all of the Business Assets, except for the offshore blocks (G, J, P and O) which BP has relinquished and were not included as part of the Acquisition Agreement.

The Business comprises mature, producing leases, primarily in the Badin Concessions, which represent low cost, high cash margin generation from efficient well operations utilising primary production and secondary recovery techniques. The Base Price of US$775 million is well supported by the independent valuation as at 1 January 2011 ascribed to the proved (1P) and proved plus probable (2P) reserves of these mature properties in the Valuation Report of US$781 million (fair market value) and in the Competent Person's Report of US$984 million in the forecast prices and costs valuation (net present value, being a commonly accepted basis of valuation in the oil and gas industry, applying a 12% discount rate, after tax). As of 1 January 2011, the estimated 2P reserves attributable to Sellers' working interest in the Badin Concessions and the MKK Concessions according to the Competent Person's Report were approximately 73.9 MMboe and production with an average monthly net production (to the Sellers) of 28.6 Mboe per day.

Based on extensive 3D seismic acquisition, the Company believes that there is an opportunity to recreate the successful development of the Badin Concessions in the MKK Concessions and the DSS Concessions. The Company intends to focus its capital expenditure in the next 2-3 years primarily on executing the minimum work commitments under the various petroleum concessions and production sharing agreements. The cashflow from operations are sufficient to support the agreed minimum work commitments. Depending on the results achieved, the Business may elect to increase its exploration expenditures or terminate its exploration activities and pay the Government of Pakistan liquidated damages for the minimum work commitments that are not completed.

Finally, the Business includes 23,070 km^2 of gross offshore acreage representing one of the largest unexplored tertiary depositional systems in the world. The principal play includes a Mio-Pliocene reservoir deposited in an upper-mid fan setting by the Indus River which was draining the emerging Himalayas. The Buyer will benefit from an extensive 2D seismic acquisition across the acreage from which they have identified a number of prospects.

The Acquisition constitutes a very substantial acquisition under the Listing Rules and requires the approval of the Shareholders of the SGM by way of poll. An ordinary resolution will be proposed at the SGM to seek the approval by the Shareholders of the Acquisition Agreement.

The purpose of this circular is to provide you with, among other things, (i) further details of the Acquisition and the Acquisition Agreement; and (ii) a notice convening the SGM.

Macquarie Capital (Hong Kong) Limited is the lead financial adviser to the Company in relation to the Acquisition and Foundation Securities (Private) Limited acted as co-adviser in relation to Pakistan aspects of the Acquisition.

B. BACKGROUND TO, REASONS FOR, AND BENEFITS OF, THE ACQUISITION

The Company is mainly engaged through its subsidiaries in the development of strategic energy reserves, focusing on the investment and operation of oil, natural gas and other energy related businesses. This is accomplished by the merger and acquisition of oil and natural gas assets; the exploitation, development and production of crude oil and natural gas; and the provision of patented technologies supporting services to oilfields. The approach of the Company is to implement the "reliable operation + rapid expansion" market strategy, which is supported by the unique technology and core competitiveness. The Company's operating strategy utilizes resources as the foundation, built on its human capital and guaranteed by its technology. It is the Company's stated strategy to pursue appropriate opportunities for mergers and acquisitions with a view to accreting value for Shareholders.

Pakistan is the world's sixth most populous country, just behind Brazil, with an estimated 170 million people, covering over 800,000 km^2. It is an energy-deficient country which, according to the Medium Term Development Framework by the Planning Commission of Pakistan is likely to face an increasing energy deficit over the next ten years. Pakistan has a highly developed gas infrastructure with over 10,000 km of transmission lines and 92,000 km of distribution lines. Plans are being made for the importation of liquefied natural gas into Pakistan in the near future. The majority of Pakistan's crude oil is imported. Further information regarding the Pakistan oil and gas industry is set out in the section headed "C. Industry Overview" in Appendix IV of this circular.

The Company targeted BP's Pakistan business for the quality of its staff and assets, its leading market position and access to a well balanced portfolio of production, development and exploration opportunities.

The Business includes oil and gas interests in the Sindh Province of Pakistan comprising working interests: (i) ranging from 51% to 100% in five Badin Concessions and two MKK Concessions covering approximately 5,433 km^2 onshore, from which oil and gas is currently being produced; (ii) ranging from 75% to 100% in two DSS Concessions covering approximately 5,000 km^2 onshore, which are in the exploration phase; and (iii) ranging from 50% to 80% in four production sharing agreements (S, U, V and W) covering approximately 23,070 km^2 offshore in waters of depths ranging from 400 meters to 2,800 meters approximately 200 km to 300 km off the coast of Pakistan in the Indus River Basin, which are in the exploration phase.

BP is the operator and holds a large working interest (at least 50%) in all of the concessions. The other working interest owners in the concessions operated by the Business include Oil & Gas Development Company Limited and Government Holdings (Private) Limited, which are owned by the Government of Pakistan, and BowEnergy Resources (Pakistan) SRL, and Zaver Petroleum Corporation Limited, which are privately owned. All of these working interest owners are, to the best of the Directors' knowledge, information and belief, third parties independent of the Company and connected persons of the Company.

Based on the Competent Person's Report, the Business comprised 129 producing crude oil and natural gas wells (120 wells in the Badin Concessions, 9 wells in the MKK Concessions) with an average monthly net production (to the Sellers) of 28.6 Mboe per day as at 1 January 2011. The production consists of 104.5 MMcf per day of natural gas (72%), 6.6 Mboe per day of crude oil (26%) and 0.4 Mboe per day of natural gas liquids (2%). The Company has commissioned the Competent Person's Report prepared under PRMS by DeGolyer and MacNaughton, an independent competent person in compliance with the requirements of Chapter 18 of the Listing Rules, which evaluates the proved and proved plus probable reserves in the Badin Concessions the MKK Concessions, the DSS Concessions and the Offshore Blocks. As of 1 January 2011, the estimated proved plus probable reserves attributable to Sellers' working interest in the Badin Concessions and the MKK Concessions according to the Competent Person's Report were approximately 73.9 MMboe. The Competent Person's Report only covered an evaluation of proved and proved plus probable reserves for which there were no reserves in these categories in the exploration assets of the MKK Concessions, the DSS Concessions and Offshore Blocks.

The Acquisition, if and when completed, will enhance the Company's position as an international energy company, provide current production and cashflow and access a workforce trained by a global oil and gas company.

C. THE BUSINESS AND THE BUSINESS ASSETS

Background of the Business

The map below shows the location of the concessions of the Sellers:

BP and the former owners (Union Texas Petroleum Holdings, Inc and Atlantic Richfield Company) have been operating the Badin Concessions since 1977. The Badin Concessions are producing (as at 1 January 2011) from 120 oil and natural gas wells. Apart from the Sellers, other parties with working interests in the Badin Concessions include the Oil and Gas Development Company Limited and Government Holdings (Private) Limited. The total gross area for the Badin Concessions is approximately 2,301 km^2, and 41 development and production leases were issued under the concessions.

The MKK Concessions were acquired by BP from Orient Petroleum International Inc. in 2009. There are nine producing oil and natural gas wells in the MKK Concessions (as at 1 January 2011). The ongoing 3D seismic work completed thus far (620 km^2 completed to date) has demonstrated exploration upside potential and as a result further exploration drilling is set to commence in 2011 or 2012. Other parties with working interests include Government Holdings (Private) Limited, BowEnergy Resources (Pakistan) SRL and Zaver Petroleum Corporation Limited. The total gross area for the MKK Concessions is approximately 3,132 km^2, and eight development and production leases have been issued under the concessions.

The DSS Concessions were acquired by BP in early 2010 and are of a similar geology to the areas covered by the Badin Concessions. An extensive 3D seismic campaign is planned for 2011 with drilling set to commence thereafter. The total gross area for the DSS Concessions is approximately 5,000 km^2 and no development and production leases have been issued under the concessions to date.

BP holds working interests in four offshore blocks (S, U, V and W) pursuant to production sharing agreements with the Government of Pakistan, Oil and Gas Development Company Limited and Government Holdings (Private) Limited covering 23,070 km^2 of gross area in waters of depths ranging from 400 meters to 2,800 meters approximately 200 to 300 km off the coast of Pakistan in the Indus River Basin, one of the world's largest tertiary depositional systems. BP has conducted a technical evaluation of the Offshore Blocks, and acquired 11,000 km of 2D seismic data and 2,500 km^2 of full-fold 3D seismic data.

Oil and Gas Reserves

According to the Competent Person's Report, as of 1 January 2011 the Business had estimated proved plus probable reserves of approximately 22,039 Mbbl of oil, condensate, and LPG and 300,601 MMcf of sales gas. The forecast prices and costs valuation of the proved plus probable oil and gas reserves of the Business (on net present value, being a commonly accepted basis of valuation in the oil and gas industry, applying a 12% discount rate, after tax) is US$984 million, according to the Competent Person's Report. The following tables set out the estimates of proved and proved plus probable reserves of the Business and the estimated net present values those reserves as reported in the Competent Person's Report:

Estimate of reserves

	Forecast Prices and Costs Case Reserves Summary			
	Gross Reserves		**Net Reserves**	
	Oil, Condensate, and LPG *(Mbbl)*	**Sales Gas** *(MMcf)*	**Oil, Condensate, and LPG** *(Mbbl)*	**Sales Gas** *(MMcf)*
Proved	11,288	140,783	9,877	123,184
Proved plus Probable	22,039	300,601	19,284	263,026

	Constant Prices and Costs Case Reserves Summary			
	Gross Reserves		**Net Reserves**	
	Oil, Condensate, and LPG *(Mbbl)*	**Sales Gas** *(MMcf)*	**Oil, Condensate, and LPG** *(Mbbl)*	**Sales Gas** *(MMcf)*
Proved	11,216	140,871	9,814	123,262
Proved plus Probable	21,933	300,215	19,191	262,688

Estimate of net present value

Forecast Prices and Costs Case Valuation of Reserves Summary

		Net Present Value		
	Future Net Revenue *(US$'000)*	**at 8 Percent** *(US$'000)*	**at 10 Percent** *(US$'000)*	**at 12 Percent** *(US$'000)*
Proved				
Forecast Case	932,682	731,902	694,394	660,478
Tax	50,222	46,635	45,798	44,983
After Tax	882,461	685,267	648,596	615,496
Proved plus Probable				
Forecast Case	1,937,350	1,288,399	1,186,823	1,099,577
Tax	195,500	131,605	122,673	115,246
After Tax	1,741,850	1,156,794	1,064,150	984,331

Constant Prices and Costs Case Valuation of Reserves Summary

		Net Present Value		
	Future Net Revenue *(US$'000)*	**at 8 Percent** *(US$'000)*	**at 10 Percent** *(US$'000)*	**at 12 Percent** *(US$'000)*
Proved				
Constant Case	806,707	641,722	610,371	581,876
Tax	35,988	33,719	33,184	32,661
After Tax	770,719	608,003	577,187	549,215
Proved plus Probable				
Constant Case	1,601,219	1,101,521	1,020,346	949,913
Tax	128,998	92,254	87,059	82,702
After Tax	1,472,221	1,009,267	933,287	867,211

Note:

1. In the forecast prices and costs case, the prices assumed were as follows:

   - The weighted average oil price for the proved reserves over the lives of the properties was US$84.97/bbl.

   - The weighted average natural gas liquids price for the proved reserves over the lives of the properties was US$84.52/bbl based on revenue statement for the first 11 months of 2010 with no escalation applied.

   - The weighted average price for the proved reserves over the lives of the fields was US$3.17 per thousand cubic feet based on the various gas sales agreements.

2. In the constant prices and costs case the prices assumed were as follows:

- The weighted average oil price for the proved reserves over the lives of the properties was US$70.96/bbl with no escalation applied.
- The weighted average natural gas liquids price for the proved reserves over the lives of the properties was US$84.56/bbl based on revenue statement for the first 11 months of 2010 with no escalation applied.
- The weighted average price for the proved reserves over the lives of the fields was US$3.01 per thousand cubic feet with no escalation applied.

3. Probable reserves have not been adjusted for risk.

The fair market valuation of the proved and probable reserves of the Business as at 1 January 2011 according to the Valuation Report is US$781 million.

The Interests in the Concessions

In Pakistan, the Ministry of Petroleum and Natural Resources has the authority to enact petroleum exploration and production rules and policies. A concession generally gives the concession interest owners (or working interest holders) certain rights with respect to the exploration and exploitation of areas which are subject to the relevant concession agreements. When a concession is granted, a petroleum concession agreement (for onshore areas) or a production sharing agreement (for offshore areas) is entered into between the party concerned and the Pakistan government. Under such agreements, the working interest holders are granted the right to explore in the area covered by the concession, and as consideration for the granting of the concession, agree to do a minimum amount of exploration work (frequently described as the "work program"). When a commercial discovery is made, a development and production lease is issued for the area of the discovery which allows for the development and exploitation of the area of the discovery.

Development and production leases are granted for an initial term and may be extended by one or more extension terms, subject to approval by the Government of Pakistan. An extension to the lease is generally granted by the Government of Pakistan if commercial production is expected to continue for the extension period. In certain cases, the extension may be subject to renegotiation of some of the commercial terms of the lease at the time of the extension. In addition, the Petroleum Concession Agreements and Offshore Blocks Production Sharing Agreements contain a maximum length for development and production leases. This maximum length ranges from 50 years under the Badin-I Petroleum Concession Agreement to 25 years under the MKK and DSS Petroleum Concession Agreements and 30 years under the Offshore Block Production Sharing Agreements. Further information relating to the extension of development and production leases of the Business is set out below and in the section headed "E. Risk Factors — 2. *Non-extension of expired exploration periods under the offshore production sharing agreements or the terms of expiring development and production leases by the Government of Pakistan may result in the Business incurring penalties or relinquishing exploration* *rights under the production sharing agreements, or losing the right to produce petroleum from the areas covered by the expiring development and production leases."* in Appendix IV of this circular.

The following table lists the Sellers' working interests by concession:

Petroleum Concession Agreements *(Notes 1, 2, 3 and 4)*	**Gross area** *(km^2)*	**Interest of Sellers** *(%)*	**Interest of other working interest owners** *(%)*	**Sellers' working interest share of proved plus probable reserves** *(MMboe)*
The Badin Concessions *(Note 5)*		**Status: Producing**		
Badin-I Petroleum Concession Agreement dated 20 April 1977	2,014	100.0	0	54.2
Badin-II Petroleum Concession Agreement dated 21 January 1992 *(Note 6)*	186	51.0	49.0	8.6
Badin-II Revised Petroleum Concession Agreement dated 17 December 1994	34	76.0	24.0	1.9
Badin-III Petroleum Concession Agreement dated 24 June 1998	41	60.0	40.0	0.3
Mehran Petroleum Concession Agreement dated 16 November 2000	26	75.0	25.0	0.02
The MKK Concessions *(Note 7)*		**Status: Producing and exploration**		
Khipro Petroleum Concession Agreement dated 29 December 1999	1,277	51.3 *(Note 8)*	48.7	5.3
Mirpur Khas Petroleum Concession Agreement dated 29 December 1999	1,855	51.3 *(Note 8)*	48.7	3.5
SUB-TOTAL	**5,433**			**73.9**

Petroleum Concession Agreements (Notes 1, 2, 3 and 4)	Gross area *(km²)*	Interest of Sellers *(%)*	Interest of other working interest owners *(%)*	Sellers' working interest share of proved plus probable reserves *(MMboe)*
The DSS Concessions		**Status: Exploration**		
Digri Petroleum Concession Agreement dated 16 February 2010	2,500	75	25.0	–
Sanghar South Petroleum Concession Agreement dated 16 February 2010	2,500	100	0	–
The Offshore Blocks		**Status: Exploration**		
Offshore Block U Production Sharing Agreement dated 21 July 2006	6,294	72.5	27.5	–
Offshore Block V Production Sharing Agreement dated 21 July 2006	7,377	72.5	27.5	–
Offshore Block W Production Sharing Agreement dated 21 July 2006	7,270	80.0	20.0	–
Offshore Block S Production Sharing Agreement dated 22 March 2007	2,129	50.0	50.0	–
TOTAL	**33,503**			**73.9**

Notes:

1. The concession agreements have no fixed expiration date. They remain in place until the expiration of the last to expire of the exploration license or the development and production leases. A total of 49 oil mining and oil and gas development and production leases were issued under these concessions, comprising (i) 40 issued under the Badin Concessions and eight under the MKK Concessions that are valid or pending extension, and (ii) one expired lease under the Badin Concessions for which no extension has been requested. The Business holds all leases necessary for its current production activities.

2. Where the Sellers and a third party each hold an interest under a concession, the capital investment, profits and liabilities arising from the area covered by the concession are borne by the Sellers and the third party working interest owners in direct proportion to their respective interests.

3. Each concession agreement specifies an initial exploration period which is followed by one or more "extension exploration periods", with separate work commitments for the initial exploration periods and each of the extension exploration periods. See the next following table for the status of the exploration periods applicable to each concession.

4. The Competent Person's Report assumes that there will be continuation of the production leases by extension and renewals over time as long as commercial production is maintained. An extension to the lease is generally granted by the Government of Pakistan if commercial production is expected to continue for the extension period. As at the Latest Practicable Date, there is no evidence that extensions are not being approved by the Ministry of Petroleum and Natural Resources of Pakistan.

5. There are currently 40 development and production leases issued under the Badin Concessions that are valid or pending extension, covering all areas/wells that are in active production within the concession areas. Amongst these, the current term of (a) 10 leases covering 269.79 km^2 are due to expire on various dates between 29 November 2011 and 31 May 2013, (b) 11 leases covering a total of 632.71 km^2 are due to expire on various dates between 9 March 2014 and 15 July 2016; (c) 16 leases covering a total of 1,370.94 km^2 are due to expire on various dates between 1 January 2018 and 25 July 2021, and (d) 3 leases covering 27.74 km^2 have expired and the Sellers have applied for extension terms to all of these leases.

6. Includes the Buzdar Unit, in which the Sellers have a 43.35% unitised interest.

7. There are currently eight development and production leases issued under the MKK Concessions that are valid or pending extension, covering all areas/wells that are in active production within the concession areas. Amongst these, the current term of (a) 4 leases covering 39.88 km^2 are due to expire on various dates between 20 August 2012 and 25 May 2013, (b) 3 leases covering a total of 37.23 km^2 are due to expire on 12 December 2016, 13 October 2016 and 13 June 2018; and (c) 1 lease covering 10.96 km^2 has expired and the Sellers have applied for an extension term to that lease.

8. These percentages refer to working interests under the development and production leases only. The Sellers hold a 65% working interest in the exploration licences of the MKK Concessions.

9. It is understood that none of the Sellers' applications for extensions of development and production leases have ever been rejected to date.

The Badin Concessions and MKK Concessions include producing assets which have a reserve/production (2010) ratio of 7.1 years as appraised in the Competent Person's Report. The producing assets require a nominal level of investment to sustain operations in the proved plus probable exploitation case as set out in the Competent Person's Report. The Company anticipates that the production profile of the relatively mature assets will continue to decline except to the extent that it can be supplemented by further enhanced recovery techniques or increased level of investment to add reserves through new discoveries. The future net revenue after tax of the proved and plus probable petroleum reserve is estimated at US$1.741 billion in the forecast prices and costs case in the Competent Person's Report.

Under the petroleum concession agreements and production sharing agreements, each working interest owner pays its pro rata share of the development and operating costs in respect of the development and production activities in the area covered by the relevant petroleum concession agreement or production sharing agreement, and is entitled to receive its pro rata share of the oil and gas produced from that area, net of its pro rata share of any royalties payable to, or production sharing with, the Government of Pakistan. In the case of the Offshore Block W Production Sharing Agreement, the Sellers have entered into an arrangement with the minority working interest owner to carry that owner's share of the costs in respect of the minimum work commitment for the first phase of the initial exploration period.

The overall supervision and direction of the operations of a shared concession is typically managed by a operating committee comprising representatives from each working interest owner. Working interest owners share voting power over decisions of the operating committee in proportion to their respective working interests.

Exploration periods under a concession or production sharing agreement typically consist of an initial exploration period (which may be divided into phases) and followed by one or more renewal periods. A work program is prescribed for each period or phase and is defined in terms of a specified number of work units. To be eligible to move from one exploration phase or period to the next, the working interest owners must have completed the required work program for the current period or phase. If the working interest owners do not complete the work commitments within the prescribed period or phase, they are required to relinquish their exploration rights under the concession agreement or production sharing agreement and pay a relinquishment fee of US$10,000 per unperformed work unit. In relation to the MKK Concessions, the agreements with the Government of Pakistan have valued the liquidated damages payable for exploration wells at US$3 million per well and well re-entry at US$1.5 million per well, whilst liquidated damages for seismic activities remain at US$10,000 per work unit. Although no provision for extending exploration periods or phases exist in the petroleum concession agreements or production sharing agreements, it is a common practice to request extensions if the required work program has not been completed. The experience of the Sellers has been that extension requests are generally granted. Further information relating to the extension of exploration periods is set out in the section headed "E. Risk Factors — *2. Non-extension of expired exploration periods under the offshore production sharing agreements or the terms of expiring development and production leases by the Government of Pakistan may result in the Business incurring penalties or relinquishing exploration rights under the production sharing agreements, or losing the right to produce petroleum from the areas covered by the expiring development and production leases."* in Appendix IV of this circular.

At the end of the exploration period under a concession, the areas not covered by oil mining or development and production leases are relinquished back to the government, leaving the working interest owners with rights only to the areas covered by the leases.

The exploration periods for the five Badin Concessions have expired. The MKK Concession agreements provide for an initial exploration period of three years followed by up to three optional one-year renewal periods. The DSS Concession agreements provide for an exploration period with an initial term of five years and up to 2 optional two-year renewal terms. The Offshore Blocks production sharing agreements provide for an exploration period with an initial term of five years and up to 2 two-year renewal terms.

Although the MKK Concessions and DSS Concessions and Offshore Blocks production sharing agreements provide fixed terms for the initial exploration period and for the renewal terms, extensions to the exploration periods or phases therein are frequently requested, and have in the past been granted if the working interest owners are able to justify the extensions as being reasonable under the circumstances. (In some, but not all cases, the working interest owner may propose a modified work program in its extension request to more closely align the required work program to the work program that is best suited for the area covered by the concession based on the exploration results that have already been obtained.)

It is understood that none of the Sellers' applications for extensions or renewal of exploration periods have ever been rejected to date.

Based on extensive 3D seismic acquisition, the Company believes that there is an opportunity to recreate the successful development of the Badin Concession in the MKK Concessions and DSS Concessions. The Company intends to focus its capital expenditure in the next 2-3 years primarily on executing the minimum work commitments under the various petroleum concessions and production sharing agreements. The Offshore Blocks represent one of the largest unexplored tertiary depositional systems in the world. The Company will benefit from an extensive 2D seismic acquisition across the acreage from which a number of prospects have been identified. The cashflow from operations are sufficient to support the minimum work commitments of the MKK Concessions, the DSS Concessions and the Offshore Blocks. Depending on the results achieved, the Business may elect to increase its exploration expenditures or terminate its exploration activities and pay the Government of Pakistan liquidated damages for the work commitments that are not completed.

The following table shows the expiration date of the exploration period for each concession or production sharing agreement and the Sellers' net share of minimum work commitments under each concession or production sharing agreement.

Concession	Exploration Period Expiration Date	Year 2011 (Note 1) Net Minimum Work Commitment *(US$ million)*	Year 2012 (Note 1) Net Minimum Work Commitment *(US$ million)*	Year 2013 (Note 1) Net Minimum Work Commitment *(US$ million)*
Badin Concessions (Note 2)	Not applicable	Not applicable	Not applicable	Not applicable
MKK Concessions (Note 3)	31 March 2014	14.4	30.3	3.1
DSS Concessions (Note 4)	15 February 2015	0.0	60.8	Not available
Offshore Blocks (S, U, V and W) (Note 5)	20 March 2015	6.8	Not available	Not available
Total		21.2	91.1	3.1
(Total in HK$)		*(HK$164.3 million)*	*(HK$706.0 million)*	*(HK$24.0 million)*

Notes:

1. The minimum work commitments are expressed in terms of cost of execution (see Table 2 below) except for the Offshore Blocks, which is expressed in terms of the liquidated damages payable for the outstanding work commitments because the first phase of the initial exploration period of the Offshore Blocks have expired on 20 March 2011 and an application for extension has been submitted to the Government of Pakistan, and there is currently no plan to carry out further seismic work this year if the extension is granted (see Table 2 and Table 3 below). Although the minimum work commitments above are expressed in terms of expenditures, the petroleum concession agreements and production sharing agreements describe the work commitments in terms of "work units" which are intended to measure and equate various exploration activities such as acquisition of seismic data and drilling wells. The amounts in the table above are the Buyer's good faith estimates as to what the satisfaction of the work commitments will cost as at the Latest Practicable Date. The cost of the minimum work commitments stated above is based on the work that is to be undertaken by the Sellers and other working interest owners under the terms of the DSS Concessions, the production sharing agreements for the Offshore Blocks and the recent extension of the exploration period of the MKK Concessions as shown in Table 1 below. Tables 2 and 3 below show the Sellers' net share of the current estimated costs of completing the work commitments and the costs of penalties (or liquidated damages) if all the remaining work commitments were not satisfied, in each case, in 2011 and 2012. Penalties (or liquidated damages) are payable only if (i) the work commitments are not completed within the relevant phase of the exploration period; and (ii) no extension of the relevant period is granted.

Table 1 – Required Number of Work Units/Drilling and Seismic Activity

	Outstanding Minimum Work Commitment (Gross)
MKK Concessions-Seismic #	1,020 km^2 Seismic
MKK Concessions-Drilling #	5 exploration wells & 1 well re-entry
DSS Concessions	2,840 Work Units ##
Offshore Blocks	790 Work Units ##

Notes:

\# *These work commitments are agreed as a term of the extension of the exploration period of the MKK Concessions recently granted by the Government of Pakistan.*

\## *One (1) Work Unit is a measure of exploration work with a nominal value of US$10,000. The actual cost of performing a work unit may differ as illustrated in Table 2 below. There is also risk that the estimates of exploration costs may exceed the Business' budgets as set out in the section headed "E. Risk Factors — 7. The Business requires significant capital expenditure to be invested in the exploration and development activities of the Business which may affect the profitability and liquidity of the Business in the short term." in Appendix IV of this circular.*

Table 2 – Exploration Costs if Minimum Work Commitments are Completed

	Cost Attributable to the Sellers' Working Interests		
	2011	**2012**	**2013**
	(US$ million)	*(US$ million)*	*(US$ million)*
MKK Concessions -Seismic	5.0	11.6	N/A
MKK Concessions – Drilling	9.4	18.7	3.1
DSS Concessions – Seismic	0	60.8	N/A
Offshore Blocks – Seismic	0#	N/A	N/A
Total	**14.4**	**91.1**	**3.1**
(Total in HK$)	*(HK$111.6 million)*	*(HK$706.0 million)*	*(HK$24.0 million)*

\# *The first phase of the initial exploration period of Offshore Blocks expired on 20 March 2011 and 5,561 km of 2D seismic and 1,956 km^2 of 3D seismic have been acquired and interpreted, which is the equivalent of 2,513 Work Units performed, exceeding the 1,737 Work Units commited. An application for extension has been submitted to the Government of Pakistan on 11 March 2011 to complete the ongoing study. As there is no plan to carry out further seismic work this year, there will be no expenditure of costs .*

Table 3 – Liquidated Damages if No Further Exploration Work Performed

	Cost Attributable to the Sellers' Working Interests		
	2011	**2012**	**2013**
	(US$ million)	*(US$ million)*	*(US$ million)*
MKK Concessions -Seismic	0	0	6.6
MKK Concessions – Drilling	0	0	10.7
DSS Concessions – Seismic	0	24.3	N/A
Offshore Blocks – Seismic	6.8#	N/A	N/A
Total	**6.8**	**24.3**	**17.3**
(Total in HK$)	*(HK$52.7 million)*	*(HK$188.3 million)*	*(HK$134.1 million)*

\# *The provision of US$6.8 million for Year 2011 is based on the minimum work commitment under the Offshore Blocks V and W Production Sharing Agreements not satisfied and at the penalty rate of US$10,000 per Work Unit.*

2. The exploration periods for the five Badin Concessions have expired and the Badin Concessions are fully into production phase. The Sellers nevertheless continue to have the sole right to explore for oil and gas under the specific areas which are the subject of the Badin-I and Badin-II oil mining and oil and gas development and production leases. In the case of the areas under the Badin-II Revised, Badin-III and Mehran oil and gas development and production leases, the Sellers have exploration rights, but if a third party makes an exploration proposal to the Government of Pakistan, the Sellers must match that proposal in order to retain those rights.

3. These concessions are both in production and exploration phases. The initial exploration period of the MKK Concessions has expired and the exploration licence has been renewed for three one-year renewal periods granted with effect from 1 April 2009. A further extension of two years was granted to the second year renewal period extending the expiration date of that period from 31 March 2011 to 31 March 2013. The third year renewal period will therefore expire on 31 March 2014.

4. The expiration date reflects the expiration of the initial exploration period of the DSS Concessions which runs for five years from 16 February 2010 to 15 February 2015. The exploration licence may be further extended by two renewal periods not exceeding two years each, subject to completion of the prescribed work program and approval from the Government of Pakistan.

5. The expiration date reflects the expiration of the initial exploration periods for the Offshore Blocks, and assumes that the current extension request is granted. The initial exploration periods under the Offshore Blocks production sharing agreements were due to expire on 20 March 2014. The Sellers have applied to the Government of Pakistan for extension of the first phase of the initial exploration periods for each of the production sharing agreements from 20 March 2011 to 20 March 2012 which would (if granted) extend the initial exploration period expiration date from 20 March 2014 to 20 March 2015. Whether the requested extension will be granted depends on the discretion of the relevant authority. The Sellers have completed the prescribed work program for the first phase of the initial exploration period for Offshore Blocks S and U, but not Offshore Blocks V and W. As at the Latest Practicable Date, the extension has not yet been granted. Apart from the approval of the Government of Pakistan (which is discretionary), it is understood that there are no other impediments to the extension being granted.

The minimum work commitments are not payable at Closing to the Sellers and will not form part of the consideration payable under the Acquisition Agreement. It reflects the minimum investment to be made by the Business in the relevant concessions. The Company expects that the work commitments of the Business will be funded by the operating cash flow of the Business and the US$640 million term loan facility to be provided to the Company by China Development Bank Corporation.

Fiscal Terms of the Concessions

In addition to granting the right to explore the specified area covered by a concession and specifying minimum work commitments, the petroleum concession agreement or (as the case may be) the production sharing agreement establishes the fiscal and tax regimes applicable to commercial discoveries at the time the concession is granted.

Since exploration started in 1977, there have been several sets of rules and policies applicable to the various concessions. Prices for crude oil and natural gas vary under different rules and policies and are therefore dependent on the vintage of the concession agreements and the field from which the crude oil and natural gas is purchased.

Royalty is payable for both crude oil and natural gas produced onshore at 12.5% of the wellhead value. The royalty payable with respect to offshore production starts at zero and ramps up to 12.5% of well head value after 72 months.

Tax associated with income from the Badin Concessions and MKK Concessions is subject to tax at either 50% of profits or gains derived from the operations before deduction of royalty or 55% of profits or gains derived from the operations after deduction of royalty. The tax legislation requires that the concession holder makes payment of the higher of the two calculations. The Business has historically applied and still applies to the Badin Concessions and the MKK Concessions the income tax rate of 50% of profits or gains derived from the operations before deduction of royalty. However, the Sellers (as owners of the Business) are currently involved in proceedings with the tax authorities of Pakistan who are contending that the income tax rate of 55% of profits or gains derived from the operations should be calculated before deduction of royalty. Further information on these proceedings is set out in the section headed "9. Litigation" in Appendix VII of this circular. For the DSS Concessions and the Offshore Blocks, the income tax rate is 40% of the profits or gains derived from the operations after deduction of royalty.

There are also additional profits taxes (workers profit participation fund of 5% of accounting profit and workers welfare fund of 2% of taxable income) and nominal production bonuses. A windfall levy is also imposed on certain oil sales from the DSS Concessions and the offshore blocks.

The offshore fiscal regime allows 85% of gross revenue available for cost recovery and 100% can be recovered including royalty payments. Oil and gas remaining after cost recovery is shared between the working interest owners and the Government of Pakistan on a sliding scale basis.

Infrastructure

Within the Badin Concessions are supporting infrastructure facilities and equipment which are included as part of the Acquisition. The facilities have gas processing capacity for more than 220 MMcf/d of natural gas and 30 Mbbl/d of crude oil. The gas is delivered from 5 points of delivery (Mazari, Tangri, Golarchi, Turk and Bukhari) into Sui Southern Gas Pipelines Limited's 18-inch trunk line.

Within the MKK Concessions are the supporting infrastructure facilities and equipments which are also included in the Acquisition. The facilities have gas processing capacity for more than 125 MMcf/d of natural gas and 5 Mbbl/d of crude oil. The gas is transported from Naimat and Kausar to points of delivery that are connected to Sui Southern Gas Pipelines Limited's 16-inch trunk line.

Key Material Contracts

All crude oil and natural gas production of the Business are sold under a series of crude oil and natural gas sales agreements which contain nomination and delivery terms that are customary in the crude oil and natural gas industry. These contracts are to be novated to the Buyer at Closing.

The price for oil depends on the concession under which the oil is produced and the date on which the relevant development and production lease was issued. Approximately 35% of oil production is sold at prevailing international prices and the remaining 65% is sold at an average discount of 21% from prevailing international prices achieving an average realised sales price of US$69 per barrel of oil in 2010.

The price for gas also depends on the concession under which the gas is produced and the date on which the relevant oil mining or oil and gas development and production lease was issued, but is generally fixed at a discount to Btu equivalent liquid petroleum prices. The average price received for gas sold in 2010 was US$3/MMbtu.

Employees and Management Expertise

The Business, as BP's upstream oil and gas operations in Pakistan, has been operated as a self-contained operating unit, and the employees of that unit located in Pakistan provide all of the management and technical expertise necessary to operate the Business. The Buyer has made conditional offers to employ all of management and the employees of the Business in Pakistan (totalling approximately 560 employees, including the individuals who currently are employed as the Sellers' manager (or the chief executive officer of the Business), the site based technical employees and employees and management in the major business functional areas including "Finance", "Regulatory Affairs", "Legal", "IT Business Information", "Land Management Services", "Health, Safety and the Environment", "Human Resources" and "Planning Performance and Control"). Almost 100% of the employees have accepted the conditional offers from the Buyer.

The retention of these employees will provide the Buyer with the management and technical resources to successfully operate the Business. The workforce comprises almost entirely of Pakistani nationals, who have undergone comprehensive job training by BP. The average length of service of these employees is 11 years with around 30% of the workforce is made up of technical or business support staff and the remaining 70% being field staff. Most management team members of the Business have an average of 20 to 30 years of oil industry experience with appropriate qualifications in different specialised fields including geology and geophysical analysis, petroleum engineering and mechanical and electrical engineering. Continued employment of this workforce will ensure that the Business will run smoothly after Closing.

Apart from employees of the Business, the senior management of the Group led by Mr. Wang Chunpeng, the Chief Operation Officer of the Company, will be overseeing the Enlarged Group (including the Business). The management team includes in addition to the Company's Chief Operation Officer, 8 senior engineers with expertise and experience in oil industry and joint venture experience with oil companies in PRC, most of whom have over 30 years of oil industry experience and have qualifications in geology and petroleum engineering. The Group also has the support of a team of experts familiar with exploration and oil and gas production operations and responsible for the development of geological, seismic, reservoir, oil and gas production, project validation, evaluation and consultation.

Other Related Assets

The consideration payable under the Acquisition Agreement is inclusive of the inventory (being petroleum produced and stored as at the Effective Date) and the Seller's inventory of supplies, equipment and spare parts, the aggregate book value of these two items as at 1 January 2011 being HK$478.77 million (or US$61.78 million), in addition to certain properties related to operating the business including land, leaseholds, facilities and an air strip. Also part of the Business Assets is a stand-alone liquid petroleum gas processing plant located within the Naimat Basal Gas Processing Facility in the Khipro Concession. The processing plant has an output capacity of 60,000 tonnes per day.

Liabilities

In addition, the Buyer will be assuming the liabilities of the Sellers relating to the Business. These liabilities consist primarily of trade payables, liabilities in respect of employee benefit schemes and obligations under the petroleum concession agreements and production sharing agreements. The aggregate amount of such liabilities as at the Effective Date will be taken into account in the working capital adjustments and will be deducted from the Base Price. The petroleum concession agreements and production sharing agreements give the Government of Pakistan the right to require that the obligations of a working interest owner which is a member of a corporate group to be guaranteed by either the working interest owner's ultimate parent company or another financially capable group member. The obligations of the Sellers are currently guaranteed by the Sellers' parent entities, namely BP America Production Company, BP Exploration Operating Company Limited and BP America Inc. At Closing, these guarantees will be replaced by a guarantee from the Company under which the Company will guarantee the performance by the Buyer of its obligations under the petroleum concession agreements and production sharing agreements.

Insurance

All insurance cover arranged by the Sellers in relation to the Business will cease upon Closing. The Buyer as an operator for the Business will maintain insurance coverage that is similar to the Sellers' existing insurance coverage, including vehicle insurance, group life insurance (for employees) and comprehensive third party liabilities insurance required by law. The Buyer will prior to the SGM engage a professional insurance consultant specialising in the oil and gas industry, to identify risks and to recommend the insurance coverage, if appropriate, in specific areas including but not limited to property damage, country-specific risks and third party liabilities.

The large number of wells and wide dispersal of assets within the Sindh province and offshore helps diversify the operating risk and reduces the likelihood of a single casualty event causing large scale losses to the Business. Claim records for the Business have been minimal to date and the Directors expect that it will remain so after Closing.

Financial Overview

According to the Accountants' Report (set out in Appendix II of this circular) prepared in accordance with Hong Kong Financial Reporting Standards, for the three years ended 31 December 2010, the net profit (both before and after taxation attributable to the Business for the financial years ended 31 December 2008, 31 December 2009 and 31 December 2010 are as follows:

Financial Period	**Combined net profit before taxation** *(HK$'000)*	**Combined net profit after taxation** *(HK$'000)*
Year ended 31 December 2008	1,651,657	1,288,376
Year ended 31 December 2009	1,063,442	883,486
Year ended 31 December 2010	627,067	603,504

The combined net assets of the Business amounted to HK$1.25 billion as at 31 December 2010.

D. THE ACQUISITION AGREEMENT

On 14 December 2010, the Company entered into the Acquisition Agreement with the Sellers pursuant to which the Company has conditionally agreed to purchase and the Sellers have conditionally agreed to sell the Business (including the Business Assets).

Parties

Purchaser

The Buyer

The Buyer is a wholly owned subsidiary of the Company established to own the Business.

Sellers

BP Pakistan Exploration and Production, Inc.
BP Pakistan (Badin) Inc.
BP Exploration (Alpha) Limited

The Sellers are subsidiaries of BP, a global oil and gas company listed on the London Stock Exchange and New York Stock Exchange, and are principally engaged in oil and gas exploration and production.

To the best of the Directors' knowledge, information and belief having made all reasonable enquiries, the Sellers and their ultimate beneficial owner of the Sellers are third parties independent of the Company and its connected persons.

Assets to be acquired

Pursuant to the Acquisition Agreement, the Buyer will acquire the Business carried on by the Sellers in Pakistan (except for the offshore blocks (G, J, P and O) which BP has relinquished and were not included as part of the Acquisition Agreement) as at date of Closing, subject to any pre-emption rights described below. The Business Assets being acquired include:

- working interests ranging from 100% to 50% in 48 oil mining and oil and gas development and production leases that are valid or pending extension issued under seven onshore petroleum concession agreements and oil and gas exploration rights under four onshore oil petroleum concession agreements and four offshore production sharing agreements;
- the Sellers' working interests in all real and personal property and equipment used in the Business;

- all contract rights of the Sellers relating to the business, including oil and gas sales and transportation agreements, drilling contracts and other agreements with third parties providing services to the business; and

- Sellers' right to all material data in respect of the Business.

Not included in the Business Assets is certain proprietary software that is used by BP in the analysis of seismic and other geological/geophysical data and certain third party accounting and other data processing software that BP does not use exclusively in respect of the Business. The Buyer believes that replacement software of comparable or better quality is readily available from third party service providers and that it can readily obtain the software capabilities that it needs after Closing at a cost that will not adversely affect the Business. BP has agreed to provide the Business operational services, including software and business systems at a nominal cost until the Buyer is suitably prepared to assume these operations post-Closing, which will minimise disruption of the Business. In addition, BP has agreed to allow the Buyer access to its seismic and geological/geophysical staff, including access to evaluation software for a period of one year following Closing.

As part of the Acquisition, the Buyer has made job offers to the Sellers' entire workforce and has offered recognition of past service with the Sellers. The Sellers have agreed to facilitate the Buyer's employment and retention process by confirming that it will not employ any of the workforce for a period of one year following Closing.

Deposit

The deposit in the amount of US$100,000,000 (approximately HK$775,000,000) was paid by the Buyer following the signing of the Acquisition Agreement. If Closing does not occur and the Acquisition Agreement is terminated as a direct result of a breach or non-performance by the Buyer of its obligations under the Acquisition Agreement (including the failure to obtain Shareholder approval at the SGM), the entire deposit will be forfeited. If Closing does not occur for reasons other than as a direct result of a breach or non-performance of the Buyer, the deposit will be refunded to the Buyer. If Closing does occur, the deposit will be applied against the consideration payable by the Buyer at Closing.

Effective Date and Consideration as at the Effective Date

Assuming that Closing occurs, the Effective Date will be 1 January 2011, and the profits and losses of the Business from the Effective Date onwards will be enjoyed or borne by the Buyer. The consideration of the Acquisition as at the Effective Date comprises the Base Price of US$775,000,000 (or HK$6,006,250,000), which will be adjusted as follows:

- as a working capital adjustment, the Base Price will be adjusted upwards or downwards by net accounts receivable and accounts payable and other working capital items of the Business as at the Effective Date, exclusive of cash and cash equivalents, the Sellers' inventory of crude oil, natural gas and natural gas liquids and the Sellers' inventory of supplies, equipment and spare parts. It is currently expected that the Base Price will be adjusted downwards by at least approximately US$1,100,000 (approximately HK$8,525,000) due to the working capital adjustment;

- as an Interim Period adjustment, the Base Price will be adjusted upwards by any net losses of the Business (which will have been funded by the Sellers) and downwards by any net profits of the Business (which will have been received by the Sellers) during the Interim Period;

- if the sum of the working capital adjustment and the Interim Period adjustment is a negative number, the Base Price will be adjusted downwards by an amount equal the interest payable at 2.5% per annum for the Interim Period on the sum of the working capital adjustment and the Interim Period adjustment during the Interim Period, and if the sum of the working capital adjustment and the Interim Period adjustment is a positive number, the Base Price will be adjusted upwards by an amount equal to the interest payable at 2.5% per annum for the Interim Period on the sum of the working capital adjustment and the Interim Period adjustment; and

- the Base Price will be adjusted upwards by an amount equal to the amount of interest payable at 5% per annum for the Interim Period on the difference between the Base Price and the deposit.

The total adjustments to the Base Price will be estimated immediately prior to Closing and the total consideration payable at Closing will be based on that estimate. The final consideration will be determined within 180 days following Closing, and adjustments to the consideration paid at Closing will be made on the basis of the final determination. The Company will make a further announcement when the final consideration is determined after all adjustments to the Base Price upon Closing when and where appropriate in compliance with the Listing Rules.

Based on information available to the Buyer at the Latest Practicable Date, and the historical profitability of the Business, assuming that Closing takes place, the Buyer expects that the adjustments to the Base Price will result in a reduction of the total consideration to be paid by the Buyer at Closing to an amount which is below the Base Price as a result of profit earned by the Business during the Interim Period.

The consideration of the Acquisition was determined with reference to (i) the Base Price was arrived at after arm's length negotiations between the Buyer and the Sellers and (ii) the preliminary valuation prior to the issue of the Announcement of the net present value of the proved plus probable reserves attributable to Sellers' working interests in the Badin Concessions, MKK Concessions and DSS Concessions and the Offshore Blocks as at 1 January 2011, the Effective Date, was approximately US$870 million (approximately HK$6,742 million) where the discounted cash flow analysis, being a commonly accepted basis of valuation in the oil and gas industry, was prepared under PRMS by DeGolyer and MacNaughton, an independent competent evaluator in compliance with the requirements of Chapter 18 of the Listing Rules and (iii) the adjustments set out above in this section. The Base Price represents a discount of approximately 0.8% and 21.2% respectively to (i) the final valuation (based on fair market value) of the proved plus probable reserves attributable to Sellers' working interests in the Badin Concessions, MKK Concessions and DSS Concessions, and the Offshore Blocks as at the Effective Date of US$781 million (approximately HK$6,053 million) as set out in the Valuation Report in Appendix VI of this circular; and (ii) the net present value being a commonly accepted basis of valuation in the oil and gas industry (based on the forecast prices and costs case, applying a 12% discount rate, after tax) of the said working interests as at the Effective Date of US$984 million (approximately HK$7,626 million) as set out in the Competent Person's Report in Appendix V of this circular, (both of which do not attach any economic value to the exploration interests in the MKK Concessions and the DSS Concessions and Offshore Blocks on the basis that there are no proved plus probable reserves attributable to those properties). The principal value of the Business is in the Sellers' working interests. The value of the ancillary Business Assets are relatively immaterial and therefore no valuation has been commissioned.

The consideration as at the Effective Date is to be wholly-satisfied by the Company in cash. In addition to internal resources available to the Company (inclusive of the US$100 million paid as deposit) of HK$1,046 million (approximately US$135 million) as at the Latest Practicable Date, the Company has secured from China Development Bank Corporation a written commitment (upon approval of the relevant governmental consents referred to in the section "Conditions Precedent" below) to enter into a loan facility agreement in agreed form for US$640 million (approximately HK$4,960 million) to fund the Acquisition. The Directors intend to utilise part of the remaining facilities (if any) to meet working capital needs after Closing.

Pre-Emption Rights

The transfer of working interests under each of those concession agreements in which the Sellers have less than 100% working interests and each of the production sharing agreements referred to in the section headed "C. The Business and the Business Assets – The Interests in the Concessions" is subject to a right of first refusal held by the holder(s) of other working interests under those concessions, to purchase the working interest on the same terms as contemplated in the Acquisition Agreement. Since the signing of the Acquisition Agreement, all the pre-emption rights relating to working interests to be acquired by the Buyer have either lapsed or been waived by their respective working interest owners. None of the companies with a right of first refusal are related to either BP or the Company.

Conditions Precedent

The Sellers' obligation to proceed with Closing is conditional upon there being no physical damage to the working interests where the Buyer's estimation or agreed value of such damage exceeds 22.5% of the Base Price.

The Buyer's obligation to proceed with Closing is conditional upon the approval of the transactions contemplated by the Acquisition Agreement by the Shareholders of the Company at the SGM.

Each party's obligation to proceed with Closing is conditional upon (amongst other things):

(i) the approval of the relevant authorities of the Government of Pakistan to the transfer of the working interests to the Buyer and the receipt of any other relevant governmental consents, including the consent of the Competition Commission of Pakistan; and

(ii) there being no material breaches of the Acquisition Agreement or breaches of warranties given by the other party.

Closing

Unless the parties agree to a different time, Closing will take place on the last Business Day of the calendar month during which all conditions precedent to Closing have been fulfilled or waived, unless the last condition to be fulfilled or waived is fulfilled or waived in the last five Business Days of a month, Closing will take place on the tenth Business Day following the fulfilment or waiver of such condition.

If the conditions to Closing have not been satisfied or waived within one year of the signing of the Acquisition Agreement, the Acquisition Agreement will automatically terminate.

Parent Guarantees

The obligations of BP Pakistan Exploration and Production, Inc. and BP Pakistan (Badin) Inc. in respect of the warranties given by each company are guaranteed by BP America Production Company.

The obligations of the Buyer under the Acquisition Agreement are guaranteed by the Company.

Obligations of the Buyer with Respect to Employees

Under the Acquisition Agreement, the Buyer is obligated to offer employment to all Pakistan employees of Sellers on the same terms and conditions, including compensation and benefits, as the employees were entitled as employees of the Sellers. However, the Buyer is not required to offer benefits such as compensation payable in the form of securities issued by BP which it is not reasonably capable of providing, provided that such benefits are replaced by benefits of equivalent value. The Buyer agrees that it will not terminate any employee for a period of one year following Closing except in the case of gross incompetence.

E. EFFECTS ON EARNINGS, ASSETS AND LIABILITIES

Earnings

After Closing of the Acquisition, the results of the Business will be consolidated into the financial statements of the Group. According to the unaudited pro forma consolidated income statement of the Enlarged Group set out in Appendix III to the Circular, the profit attributable to the owners of the Company would have been increased from HK$112 million to HK$1,115 million if the Acquisition was completed on 1 January 2010.

Assets and Liabilities

As stated in the unaudited pro forma consolidated statement of financial position set out in Appendix III to the Circular, if the Acquisition had been completed on 31 December 2010, the total assets would have been increased from HK$6,862 million to HK$13,922 million. The total liabilities of the Enlarged Group would have been increased from HK$1,338 million to HK$7,207 million. The consideration for the Acquisition will be satisfied in full by cash.

Had the Acquisition been completed on 31 December 2010, the net asset value attributable to the owners of the Company would have increased from HK$5,125 million to HK$6,317 million.

F. IMPLICATIONS UNDER THE LISTING RULES

The Acquisition constitutes a very substantial acquisition under the Listing Rules and requires the approval of the Shareholders at the SGM by way of poll. To the best of the Directors' knowledge, information and belief having made all reasonable enquiries, no Shareholder is required to abstain from voting for the relevant resolution(s) to approve the Acquisition and the transactions contemplated thereunder.

He Fu International Limited, United Petroleum & Natural Gas Holdings Limited and United Energy Holdings Limited, all being companies wholly-owned by Zhang Hong Wei, the Chairman of the Company, together hold 8,701,240,115 Shares (representing 68.1% of the voting rights in the Company) as at the Latest Practicable Date, have undertaken to vote in favour of the resolution to approve the Acquisition and the transactions contemplated thereunder.

The Accountants' Report on the Business has been issued by A.F. Ferguson & Co., Chartered Accountants (Pakistan) and a member firm of PricewaterhouseCoopers International. Pursuant to an application by the Company, the Stock Exchange has granted waiver from strict compliance under Rule 4.03 of the Listing Rules and have permitted the accountants' report on the Business to be issued by A.F. Ferguson & Co. on the basis that A.F. Ferguson & Co. complies with the relevant independence requirements and auditing standards required of reporting accountants under the Listing Rules.

G. SPECIAL GENERAL MEETING

The notice convening the SGM is set out in page N-1 to N-2 to this circular.

A form of proxy for the SGM is enclosed with this circular. Whether or not you intend to be present at the SGM in person, you are requested to complete the form of proxy and return it to Company's branch share registrar and transfer office in Hong Kong, Tricor Secretaries Limited, at 26th Floor, Tesbury Centre, 28 Queen's Road East, Hong Kong, in accordance with the instructions printed thereon as soon as practicable but in any event no later than 48 hours before the time appointed for holding the SGM. The completion and return of a form of proxy will not preclude you from attending and voting at the SGM in person should you so wish.

Pursuant to Bye-law 66 of the Bye-laws, a resolution put to the vote of a meeting shall be decided on a show of hands unless voting by way of a poll is required by the Listing Rules or (before or on the declaration of the result of the show of hands or on the withdrawal of any other demand for a poll) a poll is demanded as stated in Bye-law 66 of the Bye-laws. Pursuant to Rule 13.39(4) of the Listing Rules, all votes of the Shareholders at the general meetings must be taken by poll. The chairman of the meeting will therefore demand a poll for every resolution put to the vote of the SGM pursuant to Bye-law 66 of the Bye-laws.

The results of the poll will be published after the conclusion of the SGM on the websites of the Stock Exchange and of the Company.

H. RECOMMENDATIONS

The Directors are of the view that the terms of the Acquisition Agreement are fair and reasonable and the proposed transactions therein are in the interests of the Company and the Shareholders as a whole. Accordingly, the Directors recommend the Shareholders to vote in favour of the ordinary resolution to be proposed at the SGM to approve the terms of the Acquisition Agreement and the transactions contemplated therein.

I. ADDITIONAL INFORMATION

As Closing is subject to the fulfillment of a number of conditions precedent which are detailed in this circular, the Acquisition may or may not be completed. Shareholders and potential investors should exercise caution when dealing in the Shares.

Your attention is drawn to the additional information set out in appendices to this circular.

Yours faithfully
For and on behalf of
UNITED ENERGY GROUP LIMITED
ZHANG Hong Wei
Chairman

A. FINANCIAL INFORMATION ON THE GROUP FOR THE THREE YEARS AND NINE MONTHS ENDING 31 DECEMBER 2010

For financial information of the Group for the three financial years ended 31 March 2008, 31 March 2009, and 31 December 2010, and the nine months ended 31 December 2009, please refer to pages 26 to 98 of the Company's 2010 annual report published on the Stock Exchange website (http://www.hkexnews.hk) on 18 April 2011, pages 25 to 88 of the Company's 2009 annual report for the 9 months ended 31 December 2009 published on the Stock Exchange website on 30 April 2010, pages 25 to 84 of the Company's 2009 annual report for the 12 months ended 31 March 2009 published on the Stock Exchange website on 9 July 2009, and pages 24 to 90 of the Company's 2008 annual report published on the Stock Exchange website on 29 July 2008.

B. MANAGEMENT DISCUSSION AND ANALYSIS ON THE GROUP

Set out below are the "Management discussion and analysis" sections extracted from the Company's annual reports for the two years ended 31 March 2008 and 31 March 2009, the nine months ended 31 December 2009, and the year ended 31 December 2010.

1. For the year ended 31 March 2008

Financial Review

Turnover during the year under review was HK$4.89 million (2007: HK$15.93 million), and loss attributable to shareholders was HK$101.50 million (2007: profit attributable to shareholders was HK$16.82 million).

On 16 October 2007, the Company raised net capital of approximately HK$2,184 million through the placement of 1,374,000,000 ordinary shares at HK$1.61 per share – further enhancing the Group's financial position.

The Group's Audit Committee has reviewed the audited consolidated financial statements for the year ended 31 March 2008. 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.

Acquisitions

The Group continued its aggressive acquisition strategy throughout the year under review.

In October 2007, the Company acquired 100% interest in United Petroleum, an oil production business that holds 60% participating interests in an oil field project located in the Gaosheng Block of China's Bohai Basin. The project is being jointly developed with CNPC, pursuant to an Enhanced Oil Recovery contract.

Subsequent to the end of the financial year, on 11 June 2008, the Company announced the proposed acquisition of 60% stake in TMEI, which holds 100% interest in South Alibek Field in Kazakhstan, as well as 50% effective interest in Gasha Field in Russia.

Review of the Oil Production Business

1 February 2007 marked the commencement of an Enhanced Oil Recovery ("EOR") contract between CNPC and United Petroleum, when the Company began preparatory work to launch pilot testing.

During the year under review, fieldwork progressed according to schedule, beginning with the assessment and selection of the optimal project implementation scheme. After in-depth discussions and repeated on-site surveillance, one of the three evaluated project implementation schemes was chosen as the most suitable and efficient design for the pilot test area. Fieldwork operations were ramped up as the project design was refined and technical measures were improved.

Drilling of the first well began on 2 July 2007, and fieldwork reached its peak in August and September. Work was completed on 10 December 2007, and steam injection began in March 2008. The steam flood pilot test is currently on schedule.

During the year under review, the Group completed the entire obligated workload stipulated under the EOR contract:

- Completed 11 vertical wells, drilling a total depth of 19,051 metres;
- Completed 6 overhaul wells;
- Rebuilt and expanded one metering station;
- Installed two steam injection boilers;
- Installed 11 well heads;
- Constructed a total of 19.8 km or well grid and between-station pipelines, as well as 2.1 km of steam injection pipelines; and
- Established pilot test area metering and dynamic detection system.

Segment Information

For the year ended 31 March 2008, the Group was organised into four main business segments:

Property development	—	The property development segment engages in development of commercial properties for sales;
Property investment	—	The property investment segment invests in commercial properties for their rental income, property management service fee income and value appreciation potential;
Wholesale of household building materials	—	The wholesale of household building materials segment engages in trading of household building materials on indent basis;
Oil exploitation	—	The oil exploitation segment engages in activities relating to the production of crude oil.

Information about reportable segment profit or loss, assets and liabilities for the year ended 31 March 2008:

	Property development	Property investment	Wholesale of household building materials	Oil exploitation	Consolidated
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
Year ended 31 March 2008					
Total revenue	—	4,893	—	—	4,893
Segment results	(16,201)	154	(125)	(95,502)	(111,674)
As at 31 March 2008					
Segment assets	66,551	203,841	270,256	244,086	784,734
Segment liabilities	–	18,897	119	12,701	31,717

Liquidity and Financial Resources

The Group maintained its strong financial position for the year under review, with cash and cash equivalents amounting to HK$2,113 million as at 31 March 2008 (2007: HK$361 million). The significant improvement in the Group's liquidity was largely the result of the issuance of 1,374 million new shares on 16 October 2007, which generated net proceeds of approximately HK$2,184 million in cash.

The Group had no long-term borrowings, therefore the gearing ratio is not applicable. The current ratio improved to 67.02 (2007: 2.90), based on current assets of HK$2,903 million (2007: HK$1,087 million) and current liabilities of HK$43 million (2007: HK$375 million).

Capital Structure

As at 31 March 2008, the Group had total assets of HK$3,204 million (2007: HK$1,399 milllion) which were financed by shareholders' funds of HK$2,942 million (2007: HK$789 million), total liabilities of HK$71 million (2007: HK$404 million) and minority interests of HK$191 million (2007: HK$207 million).

During the financial year, the Group substantially expanded its capital base, mainly due to the acquisition of United Petroleum and acquisition of loan due to United Energy Holdings Limited. This was achieved through the allotment and issue of 4,527,108,257 ordinary shares. In addition, the Company issued and alloted 1,374,000,000 ordinary shares to raise approximately HK$2,184 million in cash on 16 October 2007.

Orders

In line with its business nature, the Group did not have any order records as at 31 March 2008.

Employees

As at 31 March 2008, the Group employed a total of 50 full time employees, located in Hong Kong and the PRC.

Employees' remuneration packages have been reviewed periodically and determined with reference to the performance of the individual and prevailing market practices. Remuneration packages include base salaries, year end bonus, medical benefits and a contributory provident fund.

Contingent Liabilities

The Group had no significant contingent liabilities as at 31 March 2008.

Exposure to Fluctuations in Exchange Rates and Related Hedges

The Group's transaction was mainly denominated in Hong Kong Dollars, United States dollars and Renminbi. As the exchange rate between these currencies are relatively stable, the exposure to fluctuations in the exchange rate of the currencies is minimal. Accordingly, no hedge on the currencies was made during the period under review.

Major Customers and Suppliers

The Group's largest and five largest customers represented 100% of total turnover, as the Group had only one customer.

Save for the expense of letting business and operating expenses paid, the Group did not make any significant purchases during the year.

Save for the connected transaction disclosed on page 86 of the annual report, none of the Company's directors, their associates or any shareholders of the Company (who, to the knowledge of the Company's directors, hold more than 5% of the Company's shares in issue) had any beneficial interest in the Group's only customer.

2. For the year ended 31 March 2009

Financial Review

During the year under review, the Group's turnover was approximately HK$5.18 million, which represented a slight increase of approximately 6% as compared to the turnover of approximately HK$4.89 million for the year of 2008. The turnover represented rental income and property management services fees income derived from a commercial building located in the PRC.

Other income decreased by 9% to approximately HK$51 million from 2008, mainly comprising an interest income of approximately HK$50 million and a provision of administrative services income of approximately HK$1 million.

Gain on disposal of an associate represents benefit from disposal of an associate company. In January 2009, the Group has successfully completed the disposal of an associate company which engaged in the business of property development for a consideration of approximately HK$102 million. This has resulted in a gain of approximately HK$36 million.

Administrative expenses increased by HK$509 million or 520% over the year of 2008 to HK$606 million. The increases in 2009 included the non-cash expense of approximately HK$78 million due to the share options granted per the share option scheme, and the non-cash loss of approximately HK$8 million as a result of fair value adjustment of the call and put options entered into on its investment in one of its associate companies. This non-cash loss was entirely offset by the non-cash gain of approximately HK$19 million attributable to the Group's equitable results of the same associate company. In addition, the increased in administrative expenses were also comprised an increase of HK$24 million in legal and professional fees, representing an increase of 227% as compared to last year was mainly due to certain professional advisory fees related to its proposed investment in Transmeridian Exploration Incorporated ("Transmeridian"), an increase of HK$197 million in the amount of provision for reduction in the value of its holding of the Senior Notes of Transmeridian, an increase of HK$94 million in the amount of provision for reduction in the value of oil production related equipment purchased from Transmeridian, an increase in the amount of the Group made provision for exchange loss of HK$62 million during the year.

In addition, the Group's investment properties were revalued as at 31 March 2009 on an open market value existing use basis. The net decrease in fair value of investment properties, which has been debited directly to income statement, amounted to approximately HK$45 million.

In summary, loss attributable to equity holders of the Company was approximately HK$550 million for the year ended 31 March 2009 (2008: HK$101 million). The substantial increase in loss by approximately 442% was principally due to the increase in administrative expenses.

The Group's Audit Committee has reviewed the audited consolidated financial statements for the year ended 31 March 2009. 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.

Acquisitions

The Group continued its aggressive acquisition strategy throughout the year under review.

During the year, pursuant to investment agreement dated 6 June 2008, the Company acquired a 26.3% equity interest in Glimmer Stone Investments Limited ("Glimmer") for a cash consideration of HK$100,092,014. The Glimmer is an investment holding company and incorporated in British Virgin Islands.

Subsequent to the end of the financial year, on 9 April 2009, the Company has committed to acquire from an independent third party 100% equity interest in Merry Year Investments Limited ("Merry Year") for a cash consideration of HK$218,000,000. Merry Year is an investment holding company and incorporated in the British Virgin Islands. The sole assets of Merry Year includes its 70% shareholding interest in Universe Energy International Investments Limited ("Universe Energy") and Universe Energy's 100% shareholding interest in Universe Oil & Gas (China), LLC ("Universe Oil"). Universe Oil is principally engaged in the oilfield services business and incorporated in China. It will help the Company to diversify the business portfolio of the Group. A refundable deposit payment for the consideration of approximately HK$80,000,000 was made in April 2009.

Termination of Proposed Investment in Transmeridian

On 11 June 2008 and amended and restated as of 22 September 2008, the Company and Transmeridian Exploration Incorporated entered into an Investment Agreement whereby the Company would invest an aggregate consideration of approximately US$212 million (equivalent to approximately HK$1,654 million) in Transmeridian. The Company's acquisition of majority interest compliments its strategic focus on the upstream oil and natural gas business – diversifying the geographic base of our resources and increasing overall reserves. The approval of the shareholders of the Company for the proposed investment in Transmeridian was obtained at the Special General Meeting of the Company on 16 October 2008.

On 15 November 2008, the Company and Transmeridian mutually agreed to terminate Investment Agreement. No monetary consideration will be paid by either party in connection with the Termination Agreement. In addition, the Company is not owed, nor does it owe, any sums in relation to the Transaction Agreements. The entry by the Company into the Termination Agreement and the related termination of the Transaction Agreements has no material adverse impact on the interests of the Company and the Shareholders.

Arbitration

On 26 June 2008, the Company purchased US$12 million of oil production equipment from Transmeridian. Transmeridian has failed to make delivery of such equipment. The Company has engaged legal advisors and is currently pursuing arbitration proceedings in Singapore under the Rules of Arbitration of the International Chamber of Commerce. Although the Board considers the relevant equipment purchase contract to be valid and binding, consistent with prudent accounting practices, the Company made full provision for this in the financial statements.

Segment Information

For the year ended 31 March 2009, the Group was organised into four main business segments:

Property development	–	The property development segment engages in development of commercial properties for sales;
Property investment	–	The property investment segment invests in commercial properties for their rental income, property management service fees income and value appreciation potential;
Wholesale of household building materials	–	The wholesale of household building materials segment engages in trading of household building materials on indent basis;
Oil exploitation	–	The oil exploitation segment engages in activities relating to the production of crude oil.

Information about reportable segment profit or loss, assets and liabilities for the year ended 31 March 2009:

	Property development	**Property investment**	**Wholesale of household building materials**	**Oil exploitation**	**Consolidated**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
Year ended 31 March 2009					
Total revenue	–	5,178	–	–	5,178
Segment results	–	(41,529)	(710)	(176,956)	(219,195)
As at 31 March 2009					
Segment assets	–	150,674	345,344	256,380	752,398
Segment liabilities	–	2,795	696	13,311	16,802

Liquidity and Financial Resources

The Group maintained its strong financial position for the year under review, with cash and cash equivalents amounting to HK$2,241 million as at 31 March 2009 (2008: HK$2,113 million).

The Group had no long-term borrowings, therefore the gearing ratio is not applicable. The current ratio was about 67.85 (2008: 67.02), based on current assets of HK$2,439 million (2008: 2,903 million) and current liabilities of HK$36 million (2008: 43 million).

Capital Structure

There had been no material change in the capital structure of the Group since 31 March 2008.

Orders

In line with its business nature, the Group did not have any order records as at 31 March 2009.

Employees

As at 31 March 2009, the Group employed a total of 50 full time employees, located in Hong Kong and the PRC.

Employees' remuneration packages have been reviewed periodically and determined with reference to the performance of the individual and prevailing market practices. Remuneration packages include basic salaries, year end bonus, medical benefits and a contributory provident fund.

Contingent Liabilities

The Group had no significant contingent liabilities as at 31 March 2009.

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 Euro. The exchange rates of United States dollars and Renminbi against Hong Kong dollars were relatively stable during the year under review. Euro fluctuated significantly and the Group made provision for exchange loss of HK$62 million during the year. During the year under review, the Group did not use financial instruments for hedging purposes. The Group continues to monitor the exposures to Euro and will take necessary procedures to reduce the fluctuations in exchange rates at reasonable costs.

Major Customers and Suppliers

The Group's largest and five largest customers represented 100% of total turnover, as the Group had only one customer.

Save for the expense of letting business and operating expenses paid, the Group did not make any significant purchases during the year.

Save for the connected transaction disclosed on page 80 of the annual report, none of the Company's directors, their associates or any shareholders of the Company (who, to the knowledge of the Company's directors, hold more than 5% of the Company's shares in issue) had any beneficial interest in the Group's only customer.

3. For the nine months ended 31 December 2009

Financial Review

For the 9 months ended 31 December 2009, the Group's turnover was approximately HK$25.4 million, which represented a significant increase of approximately 390.3% as compared to the turnover of approximately HK$5.18 million for the year ended 31 March 2009. The turnover during the period under review represented services fees income derived from the newly acquired oilfield supporting service business. For the year ended 31 March 2009, the turnover only represented rental income and property management services fees income derived from a commercial building located in the PRC.

For the 9 months ended 31 December 2009, other income increased by 104.7% to approximately HK$103.6 million (for the year ended 31 March 2009: approximately HK$50.6 million). The increase was mainly due to increase in realized foreign exchange gain, net gain on disposals of financial assets at fair value through profit or loss, unrealized fair value gain on investment properties and expiry of derivative financial instruments.

Administrative expenses decreased from approximately HK$606 million for the year ended 31 March 2009 to approximately HK$110 million for the 9 months ended 31 December 2009. These expenses mainly included the non-cash expense of approximately HK$54.3 million due to stock options granted per the share option scheme. The decrease in administrative expenses for the period under review was mainly due to significant decrease in the last year one-off provisions for the 9 months ended 31 December 2009.

In August 2009, the Group has successfully completed the disposal of an associate company, which is an investment holding company for a consideration of approximately HK$116 million. The initial investment cost in June 2008 was approximately HK$100 million. After taking into account of the share of profits of associates, this has resulted in a net loss on disposal of approximately HK$2.78 million. However, the disposal had further improved the Group's financial position and the working capital condition.

In summary, loss attributable to shareholders of the Company was approximately HK$61.5 million for the 9 months ended 31 December 2009, representing a 88.8% decrease over the loss attributable to equity holders of the Company of approximately HK$550.4 million for the year ended 31 March 2009. This result is reflected in the basic loss per share which were 0.48 HK cents as compared with the basic loss per share of 4.31 HK cents for the year ended 31 March 2009.

The Group's Audit Committee has reviewed the audited consolidated financial statements for the 9 months ended 31 December 2009. 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.

Material Acquisition and Disposal

The Group continued its aggressive acquisition strategy throughout the period under review.

On 9 April 2009, the Company entered into a sale and purchase agreement to acquire the entire issued share capital of Merry Year Investments Limited and its subsidiaries ("Merry Year Group") for a cash consideration of HK$218,000,000. The acquisition was completed on 31 July 2009. Merry Year Group is principally engaged in provision of patented technologies supporting services to oilfields. For the 9 months ended 31 December 2009, this newly acquired oilfield supporting service business contributed services fees income of approximately HK$25.4 million to the turnover of the Group.

On 17 June 2009, United Energy International Holdings Limited, a newly incorporated subsidiary of the Company, Ferry Lirungan ("FL") and Madura Petroleum Limited ("Madura Petroleum") entered into a share purchase agreement for which the Group had agreed to acquire the entire issue share capital of PC (NAD) International Limited ("PCI") from Madura Petroleum for a cash consideration of approximately US$21,505,000 (equivalent to approximately HK$167,739,000). PCI holds a 10% participating interest in the Madura PSC contract relating to the right to join and assist BPMIGAS in accelerating the exploration for and development of the potential resources within the Madura Contract Area in Indonesia.

On 20 August 2009, the Company, Glimmer Stone Investments Limited, an associated company of the Company ("Glimmer Stone") and an independent third party ("Purchaser") entered into the Divestment Agreement pursuant to which (1) Glimmer Stone had agreed to redeem all the Redemption Shares held by the Company for a cash consideration of HK$116,257,000; and (2) the Company had agreed to sell the Sale Shares to the Purchaser for a cash consideration of HK$20,514. The disposal was completed on 27 August 2009.

Terminated Investment in Transmeridian and the Arbitration

On 26 June 2008, the Company purchased approximately US$12 million of oil equipment (the "Equipment") from Transmeridian Exploration Incorporated ("Transmeridian"). Transmeridian has failed to make delivery of the Equipment.

Transmeridian commenced voluntary reorganization cases under Chapter 11 of the United States Bankruptcy Code in the United States Bankruptcy Court for the Southern District of Texas, Houston Division (the "Bankruptcy Court") and the Chapter 11 Cases are being jointly administered under In re Transmeridian Exploration Incorporated (the "Bankruptcy Cases"). In connection with the Bankruptcy Cases, the Bankruptcy Court has entered a Confirmation Order confirming the Debtors' First Amended Jointed Consolidated Plan of Liquidation approves a global settlement provides that the Company may take title to and possession of the Equipment (the "Global Settlement"). According to the Global Settlement, on 3 February 2010, the Company received a distribution amount of approximately US$3.2 million from Transmeridian Exploration Liquidating Trust in relation to its claims for the Equipment. This amount will be credited in its forthcoming financial statement.

On 17 November 2009, the Group received a distribution amount of approximately HK$62 million from the Indenture Trustee in relation to its holding of Senior Notes of Transmeridian (which filed Chapter 11, and by order entered 19 August 2009 by the Bankruptcy Court in the jointly-administered Chapter 11 of the Bankruptcy Cases) and recorded a gain of approximately HK$41 million which has been credited in its financial statements for the 9 months ended 31 December 2009.

As at the date of this report, the legal proceedings with Transmeridian is still going on and not yet dismissed and settled completely.

Segment Information

In the prior years, segment information reported was divided into property development, property investment, wholesale of household building materials and oil exploitation. For the nine months ended 31 December 2009, the Group's reportable segments were restated as follows:

1. Oil exploitation – The oil exploitation segment engages in activities relating to the production of crude oil and provision of patented technologies supporting services to oilfields;

2. Property investment – The property investment segment invests in commercial properties for their rental income, property management service fees income and value appreciation potential;

Information about reportable segment profit or loss, assets and liabilities for the nine months ended 31 December 2009:

	Property investment	Oil exploitation	Total
	HK$'000	*HK$'000*	*HK$'000*
Period ended 31 December 2009			
Turnover from external customers	–	25,357	25,357
Segment profit/(loss) *(Note 1)*	7,174	(72,120)	(64,946)
As at 31 December 2009			
Segment assets *(Note 2)*	147,682	657,956	805,638
Segment liabilities *(Note 3)*	20,715	108,851	129,566

Notes:

1. Segment profit or loss do not include the following items:

   – other income (except for the fair value gain on investment properties);

   – corporate expenses;

   – share of profits of associates;

   – (loss)/gain on disposals of associates.

2. Segment assets do not include the following items:

   – other assets;

   – investments in associates;

   – financial assets at fair value through profit or loss;

   – pledged bank deposits;

   – bank and cash balances.

3. Segment liabilities do not include the following items:

   – other liabilities;

   – due to directors;

   – derivative financial instruments;

   – current tax liabilities.

Liquidity and Financial Resources

The Group maintained its strong financial position for the period under review, with cash and cash equivalents amounting to approximately HK$2,118 million as at 31 December 2009 (31 March 2009: approximately HK$2,240.8 million).

As at 30 September 2009, the Group has banking facilities of approximately HK$4.68 million in respect of issuance of performance bond for guarantee of our Group's performance of its obligation to commitment to cover seismic survey cost in the first three years of exploration term as contemplated in the Production Sharing Contract for Madura Block, dated 13 November 2008. The Group's cash at banks with carrying value of approximately HK$4.68 million were pledged for the banking facilities.

As at 26 January 2010, the Group has another banking facilities of approximately HK$468 million (equivalent to approximately US$60 million) in respect of issuance of another performance bond for guarantee of United Petroleum & Natural Gas Investments Limited, a wholly-owned subsidiary of the Company, performance of its obligation in the development period of the EOR Contract in Gaosheng project dated 15 September 2006. The Group's cash at banks with carrying value of approximately HK$468 million (equivalent to approximately US$60 million) were pledged for the banking facilities.

The Group had no long-term borrowings, therefore the gearing ratio is not applicable. As at 31 December 2009, the current ratio was approximately 61.61 (31 March 2009: approximately 67.94), based on current assets of approximately HK$2,168.7 million (31 March 2009: 2,438.9 million) and current liabilities of approximately HK$35.2 million (31 March 2009: approximately 35.9 million).

Capital Structure

There had been no material change in the capital structure of the Group since 31 March 2009.

Orders

In line with its business nature, the Group did not have any order records as at 31 December 2009.

Employees

As at 31 December 2009, the Group employed a total of 137 full time employees, located in Hong Kong and the PRC.

Employees' remuneration packages have been reviewed periodically and determined with reference to the performance of the individual and prevailing market practices. Remuneration packages include base salaries, year-end bonus, medical benefits and a contributory provident fund.

Contingent Liabilities

The Group had no significant contingent liabilities as at 31 December 2009.

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 and Renminbi. The exchange rates of United States dollars and Renminbi against Hong Kong dollars were relatively stable during the period under review. During the period under review, the Group did not use financial instruments for hedging purposes.

Major Customers and Suppliers

The Group's largest and five largest customers represented 100% of total turnover, as the Group had one customer only.

Save for the expense of oilfield supporting business and operating expenses paid, the Group did not make any significant purchases during the period under review.

4. For the year ended 31 December 2010

Financial Review

For the year ended 31 December 2010, the Group's turnover was approximately HK$22,373,000, which represented a significant decrease of approximately 11.8% as compared to the turnover of approximately HK$25,357,000 for the 9 months ended 31 December 2009. The turnover during the period under review represented services fees income derived from the oilfield supporting service business. The decrease in turnover was mainly due to heavy rainfall and flooding during the year in Northern China which suspends business operation for a period of time.

In previous years, the Group adopted the merger accounting method to account for business combinations involving entities under common control of Mr. Zhang Hong Wei, the ultimate controlling party of the Group. During the year, the directors reviewed the appropriateness and practicality of the change of accounting method for business combinations taking into account acquisition method as allowed under the HKFRS 3 (Revised) Business Combinations" ("HKFRS 3") issued by the HKICPA. The directors consider that acquisition method is more appropriate and would provide reliable and more relevant information regarding the conditions on the Group's financial position, financial performance or cash flows in connection with certain business combinations in prior years. Accordingly, the Group changed its accounting policy to apply the acquisition method in accordance with HKFRS 3 to account for the acquisition of entire equity interest in United Petroleum & Natural Gas Investments Limited ("United Petroleum") on 16 October 2007 which was previously accounted for under the merger accounting method.

The change in accounting policy has been applied retrospectively and resulted in changes in the consolidated amounts reported in the financial statements as follows:

Effects of change in accounting policy on the consolidated income statement:	**For the twelve months ended 31 December 2010**	**For the nine months ended 31 December 2009**
	HK$'000	*HK$'000*
Increase in other income	753,056	496,758
Increase in oil exploitation expenses	154,000	98,630
Increase in income tax expenses	149,764	99,532
Increase in earnings per share (HK cents)	3.52	2.34

Effect of change in accounting policy on the consolidated statement of financial position:	**At 31 December 2010**	**At 31 December 2009**	**At 1 April 2009**
	HK$'000	*HK$'000*	*HK'000*
Increase in intangible assets	4,000,000	3,400,944	3,002,816
Increase in deferred tax liabilities	1,000,000	850,236	750,704
Increase in reserves	3,000,000	2,550,708	2,252,112

For the year ended 31 December 2010, other income increased by approximately 38.9% to approximately HK$813,201,000 (For the 9 months ended 31 December 2009 (restated): approximately HK$585,265,000). The increase in other income was mainly due to increase in reversal of impairment losses on intangible assets after change in accounting policy with adoption of acquisition accounting for business combination.

Administrative expenses increased from approximately HK$109,695,000 for the 9 months ended 31 December 2009 (restated) to approximately HK$259,368,000 for the year ended 31 December 2010. These expenses for the year ended 31 December 2010 mainly included the non-cash expense of approximately HK$116,902,000 due to equity settled share-based payment transactions from share options granted to the employees per the share option scheme and unlisted warrants granted to the consultants on 19 July 2010 and the impairment losses on advances to an oil exploitation project of approximately HK$47,580,000.

In July 2010, the enhancing oil recovery plan ("EOR Plan") under Liaohe Oilfields Project of the Group has been approved by the National Development and Reform Commission ("NDRC") and the Liaohe Oilfields Project will proceed to Development Period. The Liaohe Oilfields Project was operated by United Petroleum, a wholly-owned subsidiary of the Group, with the cooperation of China National Petroleum Corporation ("CNPC"). Development includes design, drilling, construction, installation of specific Liaohe Oilfields operations and the related research work and production activities. The development costs for such operations shall be borne by CNPC and the Group in the proportion of 30% by CNPC and 70% by the Group. As at 31 December 2010, the value of the oil exploitation rights under the Liaohe Oilfields Project owned by United Petroleum was of approximately HK$4,000,000,000 (31 December 2009 (restated): approximately HK$3,400,944,000) which was reflected in the consolidated statement of financial position as intangible assets and reversal of impairment losses on intangible assets of approximately HK$753,056,000 for the year ended 31 December 2010 (for the 9 months ended 31 December 2009 (restated): approximately HK$496,758,000) reflected in the consolidated income statement.

Oil exploitation expenses increased from approximately HK$157,443,000 for the 9 months ended 31 December 2009 (restated) to approximately HK$258,761,000 for the year ended 31 December 2010. The increase was mainly due to increase in amortisation charges on intangible assets of approximately HK$154,000,000 after change in accounting policy with adoption of acquisition accounting for business combination (for the 9 months ended 31 December 2009 (restated): approximately HK$98,630,000) and newly incurred development fee due to commencement of the Development Period of Liaohe Oilfields Project during the year.

On 19 July 2010, the Company entered into the service agreements with two consultants respectively to engage them as consultants for provision of business development strategies and advisory services including seeking (i) suitable energy projects for the development or diversification of the business of the Company; and (ii) suitable business partners/investors for the Company for fund raising projects. Under the Service Agreements, the Company agreed to issue to each of them unlisted warrants in the amount of HK$400,000,000. Upon full exercise of the warrants to be issued to both consultants in the aggregate amount of HK$800,000,000 at the price of HK$0.8 per share, a total of 1,000,000,000 new warrant shares will be issued by the Company. As at the date of this report, the two consultants have not exercised the unlisted warrants.

On 13 September 2010, the Group entered into the disposal agreement with an independent third party for the disposal of its 71% owned subsidiary, Shenyang Shengtaicheng Property Development Co., Ltd. ("Shengtaicheng"), which is principally engaged in property letting and management business. Consideration for the disposal is RMB32,750,000 (equivalent to approximately

HK$37,924,000). For the year ended 31 December 2010, loss from discontinued operation of Shengtaicheng was approximately HK$41,196,000. For the 9 months ended 31 December 2009, profit from discontinued operations of Shengtaicheng was approximately HK$10,948,000. The Group will concentrate its available resources on its core energy business after the disposal.

In summary, profit attributable to owners of the Company was approximately HK$112,256,000 for the year ended 31 December 2010, representing a 52.65% decrease over the profit attributable to shareholders of the Company of approximately HK$237,060,000 for the 9 months ended 31 December 2009. This result is reflected in the basic earnings per share which was 0.88 HK cents as compared with the basic earnings per share of 1.86 HK cents for the 9 months ended 31 December 2009 (restated).

The Group's Audit Committee has reviewed the audited consolidated financial statements for the year ended 31 December 2010. 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.

Material Acquisition and Disposal

In December 2010, the Group entered into an agreement with BP to acquire its oil and gas business in Pakistan for the consideration of US$775,000,000 (equivalent to approximately HK$6,006,250,000). The Group is the first nonstate owned Hong Kong listed company to acquire upstream oil and gas assets in of an oil major. As of September 2010, the acquired assets by the Group comprise 120 producing crude oil and natural gas wells with a current average net production of 35,000 barrels of oil equivalent per day. The acquired assets by the Group comprise 120 producing crude oil and natural gas wells with reserves approximately 79 MMboe and a current average net production of 35,000 barrels of oil equivalent per day.

In addition, on 5 March 2010, Shengtaicheng was demergered into two companies, Shengtaicheng and United Energy Technology (China) Limited ("UET"). Before the demerger, Shengtaicheng was principally engaged in property letting and management business and was a joint venture company 71% owned by United Energy International Investments Limited ("UEII"), a wholly-owned subsidiary of the Company, and 29% owned by Guangzhou Yinchuang Investment Co., Ltd. ("Guangzhou Yinchuang"), a third party. After the demerger, the shareholdings ratio of these two companies remains unchanged. Shengtaicheng and UET were still 71% owned by UEII and 29% owned by Guangzhou Yinchuang. UET will be principally engaged in the business of introduction, development and application of energy-saving development technology, resources regeneration and consolidated application technology. Shengtaicheng was still engaged in property letting and management business.

On 13 September 2010, the Group entered into the disposal agreement with an independent third party for the consideration of RMB32,750,000 (equivalent to approximately HK$37,924,000) for the disposal of 71% shareholdings in Shengtaicheng. Assets of Shengtaicheng mainly consist of a commercial property in Shenyang City, Liaoning Province, the PRC. Since the business of Shengtaicheng had been inactive due to the defective fire protection system and problematic quality of the property and the business of Shengtaicheng was not consistent with the current principal business of the Group in upstream oil and natural gas, the Group decided to dispose of Shengtaicheng in order to concentrate its available resources on the principal business of the Group and with a view to streamlining the business structure of the Group.

As Guangzhou Yinchuang wished to withdraw its investment from UET, on 29 October 2010, UET, UEII and Guangzhou Yinchuang signed an shareholdings agreement in which UET proposes to repurchase the 29% interest held by Guangzhou Yinchuang at a consideration of approximately RMB17,876,000 (equivalent to approximately HK$21,161,000). The consideration is the exact amount contributed by Guangzhou Yinchuang for its 29% interest in UET and such contribution was recorded as registered capital of UET. Upon completion of the proposed withdrawal, UET will cancel such registered capital contributed by Guangzhou Yinchuang and, in turn, the Group's interest in UET will increase to 100%. On 13 December 2010, the proposed withdrawal has been completed.

Segment Information

In prior years, the Group's reportable segments were divided into oil exploitation and property investment. For the year ended 31 December 2010, the Group's reportable segments were restated as follows:

1. Oil exploitation – The oil exploitation segment engages in activities relating to the production of crude oil;

2. Oilfields supporting services – The oilfields supporting services segment engages in activities relating to the provision of patented technology supporting services to oilfields;

3. Property investment – The property investment segment invests in commercial properties for their rental income, property management service fees income and value appreciation potential (discontinued operations).

Information about reportable segment profit or loss, assets and liabilities for the year ended 31 December 2010:

	(Discontinued operations) Property investment	Oil exploitation	Oilfields supporting services	Total
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
Year ended 31 December 2010				
Turnover from external customers	–	–	22,373	22,373
Segment (loss)/profit *(Note 1)*	(1,076)	365,821	(40,744)	324,001
As at 31 December 2010				
Segment assets *(Note 2)*	–	4,225,375	431,303	4,656,678
Segment liabilities *(Note 3)*	–	1,172,545	88,624	1,261,169

Notes:

1. Segment profit or loss do not include the following items:

   – other income (except for the fair value gain on investment properties and certain other income included in the oil exploitation segment);

   – corporate expenses;

   – share of profits of associates;

   – loss on disposals of associates;

   – loss on disposal of a subsidiary;

   – finance costs.

2. Segment assets do not include the following items:

   – other assets;

   – intangible assets – participating interest in oil exploitation project;

   – financial assets at fair value through profit or loss;

   – pledged bank deposits;

   – bank and cash balances.

3. Segment liabilities do not include the following items:

   – other liabilities;

   – due to directors;

   – bank loan;

   – current tax liabilities (except for current tax liabilities included in the oil exploitation and oilfields supporting services segments).

Liquidity and Financial Reserves

The Group maintained its strong financial position for the period under review, with cash and cash equivalents amounting to approximately HK$845,000,000 as at 31 December 2010 (as at 31 December 2009: approximately HK$2,118,000,000). The decrease was mainly due to payment of initial deposit of US$100,000,000 (equivalent to approximately HK$780,000,000) for acquisition of BP Pakistan assets and increase in performance bond pledge for banking facilities of HK$380,417,000.

As at 30 September 2009, the Group has banking facilities of approximately HK$4,680,000 in respect of issuance of performance bond for guarantee of our Group's performance of its obligation to commit to cover its share of seismic survey cost in the first three years of exploration term as contemplated in the Production Sharing Contract for Madura Block, dated 13 November 2008. As at 31 December 2010, the Group's cash at banks with carrying value of approximately HK$4,680,000 were pledged for the banking facilities.

As at 26 January 2010, the Group has other banking facilities of approximately HK$468,000,000 (equivalent to approximately US$60,000,000) in respect of issuance of another performance bond for guarantee of United Petroleum's performance of its obligation in the development period of the EOR Contract in Liaohe Oilfields project dated 15 September 2006. As at 13 December 2010, as United Petroleum has completed part of its obligation, CNPC confirmed and agreed to release part of the performance in the amount of HK$88,390,000 (equivalent to approximately US$11,332,000). As at 31 December 2010, the Group's cash at banks with carrying value of approximately HK$379,610,000 (equivalent to approximately US$48,668,000) were pledged for the banking facilities.

On 18 December 2010, the Company entered into a cooperation agreement with China Development Bank Corporation Hong Kong Branch (the "Bank") for a period of five years from the date of such cooperation agreement with the target size of US$5 billion in respect of the Group's oil and gas and natural mineral resources projects. During such period, the Company agrees to take the Bank as its preferred financing partner and the Bank agrees to provide the Group's projects with financing supporting services including consultancy and planning. Any financing to be provided under such cooperation agreement may be by way of bilateral or syndicated loans arranged by the Bank. The Bank also agrees to give preferential consideration to financing applications in respect of the Group's projects. No commitment to lend had been made by the Bank under such cooperation agreement and the actual financing terms and amount are subject to further approvals and loan documentations.

The Group had no long-term borrowings, therefore the gearing ratio is not applicable. As at 31 December 2010, the current ratio was approximately 5.43 (as at 31 December 2009: approximately 61.55), based on current assets of approximately HK$1,380,748,000 (31 March 2009: approximately HK$2,168,716,000) and current liabilities of approximately HK$254,282,000 (as at 31 December 2009: approximately HK$35,233,000).

Capital Structure

There had been no material change in the capital structure of the Group since 31 December 2009.

Orders

In line with its business nature, the Group did not have any order records as at 31 December 2010.

Employees

As at 31 December 2010, the Group employed a total of 171 full time employees, located in Hong Kong and the PRC.

Employees' remuneration packages have been reviewed periodically and determined with reference to the performance of the individual and prevailing market practices. Remuneration packages include base salaries, yearend bonuses, medical benefits and a contributory provident fund.

Contingent Liabilities

The Group had no significant contingent liabilities as at 31 December 2010.

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 and Renminbi. The exchange rates of United States dollars and Renminbi against Hong Kong dollars were relatively stable during the period under review. During the period under review, the Group did not use financial instruments for hedging purposes.

Major Customers and Suppliers

The Group's largest and five largest customers represented 100% of total turnover, as the Group had one customer only. Save for the expense of oilfield supporting business and operating expenses paid, the Group did not make any significant purchases during the period under review.

C. FINANCIAL AND TRADING PROSPECTS

While the global economy is slowly recovering, it is also suffering from significant uncertainties, including the occurrence of a series of natural disasters and man-made calamities, such as political instability in the Middle East and North Africa and major earthquakes in New Zealand, Yunnan and Japan. Estimation of the global demand for fuel will continue to increase and support oil prices. In addition, due to recent nuclear crisis in Japan, many countries are reconsidering the use of nuclear power generation and its safety, and so the future global demand for oil and gas may increase. The Enlarged Group plans to grasp the opportunities afforded by the growing worldwide demand in oil and gas, identify suitable acquisition opportunities and build up its momentum in the acquisition of quality oil and natural resources in key regions. The acquisition of quality energy assets will enable the Enlarged Group to achieve sustainable growth in the future, in line with its long-term strategic objective.

The Enlarged Group plans to increase its production output by (i) expanding the scale of oil production of current projects by improving oil recovery rate; (ii) obtaining new oil reserves; and (iii) increasing capital investments on existing oilfields to improve output. It also plans to increase profitability from the acquisition and disposal of oil and gas assets. The Enlarged Group will continue the momentum of expansion in suitable overseas investment projects, and aim to acquire high quality assets and achieve outstanding economic benefits.

D. INDEBTEDNESS OF THE ENLARGED GROUP

1. Indebtedness of the Group

At the close of business on 30 April 2011 (being the latest practicable date for the purpose of this indebtedness statement prior to the printing of the circular), the Group had outstanding borrowings of approximately HK$52 million, comprising unsecured amounts due to directors of approximately HK$7 million, unsecured amount due to a former non-controlling shareholder of approximately HK$21 million and a secured bank loan of approximately HK$24 million which is secured by the pledge of 100% equity interest of the Group's subsidiary. Save as disclosed above, all the above borrowings are unguaranteed.

At the close of business on 30 April 2011 (being the latest practicable date for the purpose of this indebtedness statement prior to the printing of the circular), the Group has total banking facilities of approximately HK$377 million (equivalent to approximately US$49 million) in respect of issuance of performance bond for guarantee of the Company's performance of its obligations in the development period of the Enhancing Oil Recovery Contract in the Gaosheng project in Liaohe, China dated 15 September 2006. The Group's cash at banks with carrying value of approximately HK$377 million were pledged for the banking facilities.

2. Indebtedness of the Business

Pursuant to the Acquisition Agreement, the Buyer will not assume any indebtedness or contingent liabilities of the Business (which is borrowing in nature) which exist prior to the date of Closing. These Non-Acquired Items have historically formed an integral part of the Business and have been included within the combined financial information as set out in the Accountant's Report and are set out below at the close of business on 30 April 2011 for the purposes of this indebtedness statement.

Borrowings

At the close of business on 30 April 2011, being the latest practicable date for the purpose of this indebtedness statement prior to the printing of the circular, the Business had no outstanding bank borrowings and had unsecured and unguaranteed borrowings with other BP group entities of HK$2,175 million (inclusive of loans of approximately HK$1.4 billion and HK$775.1 million under the Intra Group Loan Facility Agreements dated 1 July 2007 and 29 December 2008 respectively). These unsecured and unguaranteed borrowings will not be assumed by the Buyer at Closing.

Capital Commitments

At the close of the business on 30 April 2011, being the latest practicable date for the purpose of this indebtedness statement prior to the printing of the circular, the Business had commitments for capital expenditure including minimum expenditure required under various petroleum concession agreements and production sharing contracts of approximately HK$1.3 billion. On completion of the Acquisition, these commitments will be assumed by the Group.

Contingent liabilities

At the close of business on 30 April 2011, being the latest practicable date for the purpose of this indebtedness statement prior to the printing of the circular, the Business's share in the indemnity bonds given to Collector of Customs of Pakistan to claim exemptions of levies including custom duties and sales tax on import of machinery, equipment, materials, spares, chemicals and consumables under the onshore petroleum concession agreements, amounted to HK$37 million. These bonds will be released by the Custom Authorities of Pakistan upon submission of, not later than five years from the date of import of these items, certificates of consumption/installation which are to be issued by the DGPC after due verification thereof.

At the close of business on 30 April 2011, the Business had issued/given the following guarantees:

- Bank guarantee of HK$1.6 million to the High Court of Sindh, Pakistan for pending land litigations;

- Bank guarantee of HK$0.9 million to Standard Chartered Bank, Pakistan for corporate credit cards issued to various employees;

- Bank guarantees of HK$24 million to the President of Pakistan for various onshore concessions comprised in the Business Assets and Offshore Blocks;

- BP guarantees issued to the President of Pakistan in respect of the Business's legal and contractual obligations under various onshore concessions; and

- Corporate guarantees of HK$5.4 million given to the Collector of Customs of Pakistan for any disputes relating to claim of exemption of levies including custom duties and sales tax on import of machinery, equipment, materials, specialized vehicles, spares, chemicals and consumables.

At or around Closing, the Group will need to replace all of the guarantees described above, except the indemnity bonds and corporate guarantees given to the Collector of Customs of Pakistan.

At the close of business on 30 April 2011, the Business had operating lease commitments of HK$14.3 million in respect of vehicles and machinery.

Save as aforesaid and apart from intra-group liabilities and normal accounts payables in the ordinary course of business, as at the close of business on 30 April 2011, the Group and the Business did not have any other outstanding mortgages, charges, debentures or other loan capital, bank overdrafts or loans, other similar indebtedness, finance leases or hire purchase commitments, liabilities under acceptances or acceptance credits, guarantees or other material contingent liabilities.

E. WORKING CAPITAL

The Directors are of the opinion that, after taking into account completion of the Acquisition and the present financial resources available to the Enlarged Group, including internally generated revenue and funds, the US$640 million term loan facility to be provided to the Company by China Development Bank Corporation, and other available banking facilities, the Enlarged Group will have sufficient working capital to meet its present requirements for at least 12 months from the date of this circular.

F. MATERIAL ADVERSE CHANGE

The Directors are not aware as at the Latest Practicable Date of any material adverse change in the financial or trading position of the Group or the Business since 31 December 2010, being the date to which the latest published audited accounts of the Group were made up.

The following is the text of a report received from the reporting accountant of the Business, A.F. Ferguson & Co., Chartered Accountants, Pakistan, for the purpose of incorporation in this circular.

A.F.FERGUSON & CO.

A member firm of PRICEWATERHOUSECOOPERS

A.F.Ferguson & Co
Chartered Accountants
State Life Building No. 1-C
11Chundrigar Road, P.O.Box 4716
Karachi-74000, Pakistan

24 June 2011

The Directors
United Energy Group Limited
Clarendon House
2 Church Street
Hamilton HM11
Bermuda

Dear Sirs,

We report on the combined financial information of the upstream petroleum and liquid petroleum business carried on in Pakistan by BP Pakistan Exploration and Production, Inc. ("BP Pakistan"), BP Pakistan (Badin), Inc. ("BP Badin"), and BP Exploration (Alpha) Limited ("BP Alpha") in Pakistan (together the "Business"), which includes all the property, undertakings, rights and assets of BP Pakistan, BP Badin and BP Alpha relating exclusively to the Business, their respective working interests in the petroleum concession agreements and the production sharing contracts summarised in Note 1 of Section II below and the Non-Acquired Items (as defined in Note 2 of Section II below), but excludes the offshore blocks (G, J, P and O) which have been relinquished. The Business (excluding the Non-Acquired Items) will be acquired by United Energy Group Limited (the "Company") pursuant to an acquisition agreement dated 14 December 2010, the details of which are set out in the Announcement dated 14 December 2010 issued by the Company. This report comprises the combined statements of net assets of the Business as at 31 December 2008, 2009 and 2010, and the combined statements of comprehensive income, the combined statements of changes in net assets and the combined statements of cash flow of the Business for each of the years ended 31 December 2008, 2009 and 2010 (the "Relevant Periods") and a summary of significant accounting policies and other explanatory notes. This combined financial information has been prepared by the directors of the Company and is set out below for inclusion in Appendix II to the circular of the Company dated 24 June 2011 (the "Circular") in connection with the proposed acquisition of the Business by the Company.

The statutory financial statements of the Pakistan branches of BP Pakistan, BP Badin and BP Alpha for each of the years ended 31 December 2008, 2009 and 2010 were audited by us pursuant to separate terms of engagement with BP Pakistan, BP Badin and BP Alpha.

The management of the Business during the Relevant Periods are responsible for the preparation and the true and fair presentation of the statutory financial statements of the individual branches comprising the Business in accordance with the requirements and approved accounting standards notified under the provisions of the Companies Ordinance, 1984 of Pakistan and directives issued by the Securities and Exchange Commission of Pakistan. This responsibility includes designing, implementing and maintaining internal control relevant to the preparation and the true and fair presentation of the financial statements that are free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

The combined financial information has been prepared by the directors of the Company based on the aforementioned audited branch statutory financial statements after making such adjustments as are appropriate and on the basis set out in Notes 2 and 3 of Section II below.

Directors' responsibility for the combined financial information

The directors of the Company are responsible for the preparation and the true and fair presentation of the combined financial information in accordance with the basis set out in Notes 2 and 3 of Section II below and in accordance with Hong Kong Financial Reporting Standards ("HKFRSs") issued by the Hong Kong Institute of Certified Public Accountants (the "HKICPA") and accounting policies presently adopted by the Company and its subsidiaries (together, the "Group") as set out in the audited annual consolidated financial statements of the Company for the year ended 31 December 2010. This responsibility includes selecting and applying appropriate accounting policies and making accounting estimates that are reasonable in the circumstances.

Reporting accountant's responsibility

Our responsibility is to express an opinion on the combined financial information and to report our opinion to you. We carried out our procedures in accordance with the Auditing Guideline 3.340 "Prospectuses and the Reporting Accountant" issued by the HKICPA.

Opinion

In our opinion, the combined financial information gives, for the purpose of this report, and presented on the basis set out in Notes 2 and 3 of Section II below, a true and fair view of the combined state of affairs of the Business as at 31 December 2008, 2009 and 2010 and of the Business's combined results and cash flows for each of the Relevant Periods then ended.

I. COMBINED FINANCIAL INFORMATION OF THE BUSINESS

The following is the combined financial information of the Business prepared by the directors of the Company as at 31 December 2008, 2009 and 2010 and for each of the years ended 31 December 2008, 2009 and 2010, presented on the basis set out in Notes 2 and 3 of Section II below:

(a) Combined Statements of Comprehensive Income

		Year Ended 31 December		
		2008	**2009**	**2010**
	Note	*HK$'000*	*HK$'000*	*HK$'000*
Revenue	*6*	3,068,969	2,677,000	2,532,854
Cost of production	*7*	(971,496)	(1,228,457)	(1,566,703)
Gross profit		2,097,473	1,448,543	966,151
Exploration expenditure	*8*	(81,810)	(44,412)	(40,423)
Administrative expenses	*9*	(169,544)	(202,904)	(153,044)
Other operating expenses	*10*	(106,456)	(53,734)	(84,760)
Other income	*11*	20,081	8,396	7,726
Profit from operations		1,759,744	1,155,889	695,650
Finance costs	*12*	(108,087)	(92,447)	(68,583)
Profit before taxation		1,651,657	1,063,442	627,067
Income tax expense	*14*	(363,281)	(179,956)	(23,563)
Profit for the year		1,288,376	883,486	603,504
Other comprehensive income for the year – Currency translation differences		(40,744)	3,799	20,183
Total comprehensive income for the year		1,247,632	887,285	623,687

The accompanying notes form an integral part of the combined financial information.

(b) Combined Statements of Net Assets

	Note	As at 1 January 2008 HK$'000	As at 31 December 2008 HK$'000	2009 HK$'000	2010 HK$'000
Non-current assets					
Property, plant and equipment	15	921,370	1,062,837	1,488,169	1,386,447
Intangible assets – Concession and Lease rights	16	1,510,764	1,248,287	2,089,487	1,391,769
Exploration and evaluation expenditure	17	–	–	5,124	150,507
Long-term advances, deposits and prepayments	18	16,019	11,100	10,770	6,443
Deferred taxation	27	27,469	–	–	19,981
		2,475,622	2,322,224	3,593,550	2,955,147
Current assets					
Inventories	19	247,646	292,380	349,409	478,771
Advances, deposits and prepayments	20	40,003	1,464,065	14,211	17,319
Trade and other receivables	21	766,894	899,047	820,366	502,946
Due from concessions, net	22	30,770	50,835	129,690	44,779
Taxes recoverable		23,219	–	–	93,295
Cash and bank balances	23	49,476	44,845	202,957	5,175
		1,158,008	2,751,172	1,516,633	1,142,285
Current liabilities					
Trade and other payables	24	441,357	542,918	481,849	425,736
Accrued interest		276	577	349	1,053
Taxes payable		–	79,226	39,001	–
		441,633	622,721	521,199	426,789
Net current assets		716,375	2,128,451	995,434	715,496
Total assets less current liabilities		3,191,997	4,450,675	4,588,984	3,670,643
Non-current liabilities					
Long term loans	25	1,789,488	2,553,401	2,554,686	2,172,431
Long term provision – decommissioning costs	26	213,800	210,646	225,819	246,646
Deferred taxation	27	–	44,292	186,706	–
		2,003,288	2,808,339	2,967,211	2,419,077
NET ASSETS		1,188,709	1,642,336	1,621,773	1,251,566

The accompanying notes form an integral part of the combined financial information.

(c) Combined Statements of Changes in Net Assets

	2008	2009	2010
	HK$'000	*HK$'000*	*HK$'000*
Balance as at 1 January	1,188,709	1,642,336	1,621,773
Profit for the year	1,288,376	883,486	603,504
Remitances to existing owners	(794,005)	(907,848)	(993,894)
Currency translation differences	(40,744)	3,799	20,183
Balance as at 31 December	1,642,336	1,621,773	1,251,566

The accompanying notes form an integral part of the combined financial information.

(d) Combined Statements of Cash Flow

		Year Ended 31 December		
		2008	**2009**	**2010**
	Note	*HK$'000*	*HK$'000*	*HK$'000*
CASH FLOW FROM OPERATING ACTIVITIES				
Profit before taxation		1,651,657	1,063,442	627,067
Adjustment for:				
Depreciation/amortisation		427,837	536,304	528,726
Amortisation of intangible assets		254,518	400,259	702,548
Gain on disposal of operating assets		(321)	(793)	(2,366)
Finance costs		108,087	94,797	73,396
		2,441,778	2,094,009	1,929,371
Changes in working capital:				
(Increase)/decrease in current assets:				
Inventory		(46,449)	(17,157)	(128,405)
Due from concessions, net		(20,346)	(78,805)	85,186
Trade and other receivables		(121,130)	79,108	319,290
Advances, deposits and prepayments		12,787	14,244	(3,071)
		(175,138)	(2,610)	273,000
Increase/(decrease) in current liabilities:				
Trade and other payables		88,140	(77,847)	(67,452)
Decommissioning cost incurred		(15,306)	(11,801)	(920)
Taxes paid		(188,568)	(77,863)	(362,909)
Long term advances, deposits and prepayments		4,843	335	4,351
Net cash inflow from operating activites		2,155,749	1,924,223	1,775,441

		Year Ended 31 December		
		2008	2009	2010
	Note	*HK$'000*	*HK$'000*	*HK$'000*
CASH FLOW FROM INVESTING ACTIVITIES				
Capital expenditure		(575,570)	(760,714)	(567,952)
Advance to Orient Petroleum International, Inc.		(1,443,763)	1,437,292	–
Consideration paid to Orient Petroleum International, Inc.		–	(1,473,108)	–
Proceeds from disposal of operating assets		321	793	10,313
Net cash outflow from investing activities		(2,019,012)	(795,737)	(557,639)
CASH FLOW FROM FINANCING ACTIVITIES				
Long term loan received/(repaid)		778,650	–	(388,445)
Interest paid		(94,345)	(65,585)	(49,967)
Remittances to existing owners		(825,394)	(904,863)	(977,563)
Net cash outflow from financing activities		(141,089)	(970,448)	(1,415,975)
Increase/(decrease) in cash and cash equivalents		(4,352)	158,038	(198,173)
Effects of exchange rates on cash and cash equivalents		(279)	74	391
Cash and cash equivalents at beginning of the year		49,476	44,845	202,957
Cash and cash equivalents at end of the year	23	44,845	202,957	5,175

The accompanying notes form an integral part of the combined financial information.

II. NOTES TO THE COMBINED FINANCIAL INFORMATION OF THE BUSINESS

1. GENERAL INFORMATION

The Business comprises certain businesses and assets of the following companies in Pakistan, which are operated through their respective Pakistan branches:

- BP Pakistan
- BP Badin
- BP Alpha

The existing ultimate parent company of the above entities is BP, which is incorporated in the United Kingdom.

The Business is principally engaged in exploration and production of petroleum in Pakistan and holds working interests in various petroleum concession agreements (Onshore) and production sharing contracts (Offshore) in Pakistan.

The respective working interest shares held by BP Pakistan, BP Badin and BP Alpha in petroleum concessions agreements and production sharing contracts that form the subject of the Acquisition as at 31 December 2010 are summarised below:

	BP Pakistan	**BP Badin**	**BP Alpha**
		%	
Badin I	80	20	–
Badin II	51	–	–
Badin II Revised	63.5	12.5	–
Badin III	60	–	–
Mehran	75	–	–
Mirpur Khas			
– exploration	65	–	–
– development and production	51.32	–	–
Khipro			
– exploration	65	–	–
– development and production	51.32	–	–
Offshore Indus 'U'	–	–	72.5
Offshore Indus 'V'	–	–	72.5
Offshore Indus 'W'	–	–	80
Offshore Indus 'S'	–	–	50
Digri	–	–	75
Sanghar South	–	–	100

2. BASIS OF PRESENTATION

The financial information has been presented on a combined basis as BP has had control of the Business throughout the Relevant Periods. The combined financial information has been prepared to present the combined statements of comprehensive income, the combined statements of net assets, the combined statements of changes in net assets and the combined statements of cash flow of the Pakistan branches of BP Pakistan, BP Badin, and BP Alpha, now comprising the Business for the Relevant Periods. The combined financial information has been compiled from the individual branch financial statements, which were prepared to comply with domestic company law in Pakistan. All significant transactions and balances within the Business have been eliminated on combination.

The combined financial information is prepared solely for the purpose of the Acquisition on an existing basis with adjustments made to reflect the applicable accounting policies of the Company and the elimination of operations or balances which do not form part of the Business. Where changes in accounting policies have resulted in a change in the reported result and position of the Business, a consequential adjustment has been made to the associated deferred tax position.

Where the BP Group balance is unconnected with a trading relationship, is long term and interest bearing, it has been presented as related party loans and borrowings.

Pursuant to the Acquisition Agreement, the Company does not assume any contingent liabilities of the Business which exist prior to the date of completion of the Acquisition. In addition, certain assets and liabilities (collectively the "Non-Acquired Items") which historically formed part of the Business are not acquired by the Company. The Non-Acquired Items are the long term loans, net accounts receivable and accounts payable and other working capital items of the Business as at 1 January 2011, exclusive of the inventory of crude oil, natural gas and natural gas liquids and the inventory of supplies, equipment and spare parts. As these Non-Acquired Items are an integral part of the Business, the combined financial information for the Relevant Periods includes these Non-Acquired Items on the same basis as those assets and liabilities to be acquired by the Company.

The combined financial information should not be construed as indicative of the financial performance of the Business in any future period.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The principal accounting policies applied in the preparation of the combined financial information are set out below. These policies have been consistently applied to all the periods presented. The combined financial information is presented in Hong Kong Dollars, rounded to the nearest thousand.

3.1 Basis of preparation

The combined financial information has been prepared in accordance with HKFRS issued by the HKICPA. The combined financial information has been prepared in accordance with those new standards, amendments and Hong Kong (IFRIC) interpretations issued and effective for accounting periods beginning on or after 1 January 2010.

The combined financial information has been prepared on the basis of historical cost convention as modified by the revaluation of financial assets and financial liabilities at fair value through profit or loss which are carried at fair value.

The preparation of the combined financial information in accordance with the principal accounting policies set out below, in conformity with HKFRS, requires the use of certain critical accounting estimates. It also requires management to exercise its judgment in the process of applying the accounting policies. The areas involving a higher degree of judgment or complexity, or areas where assumptions and estimates are significant to the combined financial information are disclosed in Note 4.

a) *New and amended standards adopted by the Business*

For the purpose of preparing and presenting the financial information for the Relevant Periods, the Business has adopted HKFRSs that are effective for the accounting periods beginning on or after 1 January 2010 consistently throughout the Relevant Periods. The following standards and amendments are mandatory for accounting periods beginning on or after 1 January 2010 and were adopted by the Business:

- HKAS 1 (amendments), "Presentation of financial statements". The amendment provides clarification that the potential settlement of a liability by the issue of equity is not relevant to its classification as current or non-current. By amending the definition of current liability, the amendment permits a liability to be classified as non-current (provided that the entity has an unconditional right to defer settlement by transfer of cash or other assets for at least 12 months after the accounting period) notwithstanding the fact that the entity could be required by the counterparty to settle in shares at any time. The amendment currently has no impact on the Business's financial information, as the Business has not entered into any such arrangement for settlement of liabilities.

- HKFRS 2 (amendments), "Group cash-settled share-based payment transaction". In addition to incorporating HK(IFRIC) – Int 8, "Scope of HKFRS 2", and HK(IFRIC) – Int 11, "HKFRS 2 – Group and treasury share transactions", the amendments expand on the guidance in HK(IFRIC) – Int 11 to address the classification of group arrangements that were not covered by that interpretation. The new guidance has no material impact on the Business's financial information.

The other new standards, amendments to standards and interpretations, which are mandatory for the first time for the financial year beginning 1 January 2010, are not relevant for the Business or do not have material impact on the Business's combined financial information.

b) *Standards, amendments and interpretations to existing standards that are not yet effective and have not been early adopted by the Business*

New or revised standards, interpretations and amendments		**Effective for accounting periods beginning on or after**
• HKAS 24 (Revised)	"Related party disclosures"	1 January 2011
• HKAS 32	"Financial instruments: Presentation"	1 February 2010
• HK(IFRIC)-Int 19	"Extinguishing financial liabilities with equity instruments"	1 July 2010
• HK(IFRIC)-Int 14	"The limit on a defined benefit asset, minimum funding requirements and their interaction"	1 January 2011
• HKFRS 7	'Financial instruments: Disclosures'	1 January 2011
• HKFRS 9	'Financial instruments'	1 January 2013
• HKAS 12	'Income taxes'	1 January 2012

Further, third improvements to Hong Kong Financial Reporting Standards (2010) were issued in May 2010, by the HKICPA. All improvements are effective in the financial year 2011.

The Business has not early adopted any of the above standards, interpretations and amendments to the existing standards. The management is in the process of making an assessment of their impact and is not yet in a position to state what impact they would have on the Business's results of operations and financial position.

3.2 Foreign currency translation

a) *Functional and presentation currency*

Items included in the combined financial information of each of the Business's entities are measured using the currency of the primary economic environment in which the entity operates ('the functional currency'). The functional currency of each entity within the Business is US Dollars. The combined financial information is, however, presented in Hong Kong Dollars to facilitate financial analysis by shareholders.

The following exchange rates have been applied to convert 1 US Dollar to Hong Kong Dollars:

	Year end rate 31 December	**Average rate for the year**
2008	7.7502	7.7865
2009	7.7541	7.7516
2010	7.7736	7.7689

b) *Transactions and balances*

Foreign currency transactions are translated in to the functional currency (US Dollars) using the exchange rates prevailing on the dates of the transactions. Closing balances of non-monetary assets and liabilities are included at the exchange rates prevailing on the dates of the transactions and monetary assets and liabilities are translated using the exchange rate prevailing on the reporting date. Foreign exchange gains and losses resulting from the settlement of such transactions and from translation at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in combined statement of comprehensive income.

c) *Translation from functional currency, US Dollars, to presentation currency, Hong Kong Dollars*

The Business has a functional currency which is different from presentation currency. Translation into the presentation currency has been made as follows:

i) assets and liabilities for each statement of net assets presented are translated at the closing rate at the date of that statement of net assets;

ii) income and expenses for each combined statement of comprehensive income are translated at average exchange rates (unless this average is not a reasonable approximation of the cumulative effect of the rates prevailing on the transaction dates, in which case income and expenses are translated at the dates of the transactions); and

iii) all resulting exchange differences are recognised as a separate component of equity – cumulative translation reserve.

3.3 Interests in concessions

The concession agreements are contractual arrangements whereby two or more partners (venturers) undertake an activity where the assets are subject to joint control. Joint control exists only when the strategic financial and operating decisions relating to the assets require the unanimous consent of the venturers. All the Business exploration, development and production activities under the petroleum concession agreements and production sharing contracts are conducted through operations where the venturers have a direct ownership interest in and jointly control the assets of the venture. In Pakistan, the Ministry of Petroleum and Natural Resources (MoP&NR) – Government of Pakistan has the authority to enact petroleum exploration and production rules and policies. A concession generally gives the working interest owners certain rights with respect to the exploration and exploitation of areas which are subject to the relevant concession agreements. When a concession is granted, a petroleum concession agreement for onshore areas or a production sharing contract for offshore areas is entered into between the parties concerned and the Government of Pakistan. Under such agreements, the working or participating interest owners are granted the right to explore in the area covered by the concession, and as consideration for the granting of the concession, agree to do a minimum amount of exploration work i.e. minimum work program. When a commercial discovery is made, a development and production lease is issued for the area of the discovery which allows for the development and exploitation of the area of the discovery. At the end of the exploration period under a concession, the areas not covered by oil mining or development and production leases are relinquished back to the government, leaving the working interest owners with rights only to the areas covered by the leases.

Under the petroleum concession agreements and production sharing contracts, each working or participating interest owner pays its share of the development and operating costs in respect of the development and production activities in the area covered by the relevant petroleum concession agreements or production sharing contracts, and is entitled to receive its pro rata share of the oil and gas produced from that area, net of its pro rata share of any royalties payable to, or production sharing with, the Government of Pakistan. The income, expenses, assets and liabilities of these jointly controlled operations are included in the combined financial information in proportion to the Business's working interests.

3.4 Property, plant and equipment

Property, plant and equipment, including oil and gas exploration and development expenditure (note 3.5) are stated at cost less accumulated depreciation or amortisation and any accumulated impairment losses, except for freehold land and capital work-in-progress which are stated at cost less accumulated impairment losses, if any. Cost includes expenditure that is directly attributable to the acquisition of the items and decommissioning cost (note 3.6). Capital work-in-progress consists of expenditure incurred and advances made in respect of tangible assets in the course of their construction and installation. Transfers are made to the relevant operating fixed assets category as and when assets are available for use.

Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Business and the cost of the item can be measured reliably. The carrying amounts of the replaced items are derecognised. All other repairs and maintenance are charged to the combined statement of comprehensive income during the year in which these are incurred.

Depreciation is charged so as to write off the cost of the assets over their estimated useful lives, using the straight-line method, other than oil and gas exploration and development expenditure (note 3.5), using the following rates:

	Annual rate of depreciation *(%)*
– Plant and machinery – others	20
– Aircraft	10
– Computers	33.33
– Furniture, fixtures and office equipment	20
– Vehicles	25

Depreciation on additions is charged from the year in which the asset is acquired or capitalised while no depreciation is charged for the year in which the asset is disposed off. The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at each reporting date.

An asset's carrying amount, including oil and gas exploration and development expenditure (note 3.5) is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount (note 3.8).

Gains or losses on disposal or retirement of assets, represented by the difference between sale proceeds and carrying amount of asset, is recognised as an income or expense in the period of disposal or retirement in the combined statement of comprehensive income.

3.5 Oil and Gas exploration and development expenditure

a) Exploration and evaluation expenditure

Oil and gas exploration and evaluation expenditure including above and below ground installations, well drilling and related operating expenditure are accumulated until the determination of reserves is evaluated. Geological and geophysical exploration costs are charged against income as incurred. Costs are accumulated on a field-by-field basis and no depreciation or amortisation is charged during the exploration and evaluation phase. Once commercial reserves are found, exploration and evaluation assets are tested for impairment and are transferred to development expenditure. Capitalisation is made within property, plant and equipment according to the nature of the expenditure.

Costs incurred are expensed as and when wells are abandoned as a dry hole or an area is surrendered.

b) *Development expenditure*

Expenditure on the construction, installation or completion of infrastructure facilities such as platforms, pipelines and the drilling of commercially proven development wells, including the transferred exploration and evaluation expenditure, is capitalised within property, plant and equipment according to the nature of the expenditure. When development is completed on a specific field, it is capitalised as Oil and Gas properties. No depreciation is charged during the development phase.

c) *Depreciation or amortisation of Oil and Gas properties*

When exploration, evaluation and development expenditure are transferred to Oil and Gas properties, these are depreciated or amortised using the unit-of-production method over the proved developed reserves of each field.

d) *Impairment*

Oil and Gas properties are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell and value in use. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows.

3.6 Decommissioning costs

Decommissioning cost represents cost for the future abandonment of oil and gas production facilities, representing the legal obligations, at the end of their economic lives. Decommissioning activities may include facility decommissioning and dismantling, removal or treatment of waste materials, land rehabilitation, and site restoration.

The Business makes provision for its share of the full decommissioning cost on the declaration of commercial discovery of the reserves of each field, to fulfil the legal obligation. The amount recognised is the estimated cost of decommissioning, discounted to its net present value. The timing and amount of future expenditure are reviewed annually together with the interest rate to be used in discounting the cash flows. Any change in the present value of the estimated expenditure is dealt with prospectively and reflected as an adjustment to the provision and a corresponding adjustment to property, plant and equipment – Oil and Gas properties.

Decommissioning costs, included in Oil and Gas properties, are depreciated/amortised using the unit-of-production method over the proved developed reserves of each field.

The unwinding of discount of the provision of decommissioning cost is recognised as finance cost in the statement of comprehensive income.

3.7 Intangible assets – Concession and Lease rights

Intangible assets are the contractual or legal rights over the petroleum reserves purchased on acquisition of additional working interests in petroleum concessions.

Concession and lease rights are recognised at fair value, being the consideration paid at the date of acquisition and are subsequently carried at cost less accumulated amortisation and impairment losses, if any. Being the acquisition cost for future share in petroleum rights i.e. petroleum reserves, these are amortised using the unit-of-production method over the proved developed and proved undeveloped reserves of petroleum.

3.8 Impairment of non-financial assets

At the end of each reporting period, the Business reviews the carrying amount of its non-financial assets to determine whether there is any indication of impairment. If any such indication exists, the assets' recoverable amount is estimated to determine the extent of impairment loss, if any. Where it is not possible to estimate the recoverable amount of an individual asset, the Business estimates the recoverable amount of the cash-generating unit to which the asset belongs. Recoverable amount of an asset (or cash-generating unit) is the higher of its fair value less costs to sell and its value in use. If the recoverable amount of an asset (or cash-generating unit) is estimated to be less than its carrying amount, the carrying amount of the asset (or cash-generating unit) is reduced to its recoverable amount. An impairment loss is recognised immediately in the combined statement of comprehensive income. Where an impairment loss subsequently reverses, the carrying amount of the asset (or cash-generating unit) is increased to the revised estimate of its recoverable amount, provided that the increased carrying amount does not exceed its original cost. A reversal of an impairment loss is recognised immediately in the combined statement of comprehensive income.

3.9 Inventories

Inventories are valued at lower of cost and net realisable value. Cost is determined on a moving average basis for stores and spares and on weighted average basis for own produced crude oil.

Net realisable value is the estimated selling price in the ordinary course of business, less estimated costs of completion and the estimated costs necessary to make the sale.

3.10 Trade and other receivables

Trade and other receivables are stated initially at original invoice amount, being the fair value, and subsequently measured at amortised cost using effective interest rate method, as reduced by appropriate provision for receivables considered to be doubtful. A provision is established when there is objective evidence that the Business will not be able to collect all amounts due according to the original terms of receivables. Trade and other receivables are written-off when considered irrecoverable.

3.11 Cash and cash equivalents

For the purpose of the cash flow statement, cash and cash equivalents comprise balances with banks and cash in hand.

3.12 Retirement and other service benefits

The Business accounts for its share in the following employee retirement and other service benefits schemes operated for its national employees.

i) Funded gratuity scheme

A defined contribution gratuity fund is being maintained for all permanent employees, established under a Trust Deed. Contributions to the fund are, as per Trust Deed, based on each individual employee's salary, number of years of service and contribution rate applicable to employee's level or grade.

ii) Contributory provident fund

A defined contribution provident fund is being maintained for all permanent employees. Monthly contributions are made to the fund both by the Business and the employees at the rate of 10% of basic salary.

3.13 Provisions

Provisions are recognised for liabilities of uncertain timing or amount when the Business has a present legal or constructive obligation as a result of past events and it is probable that an outflow of economic benefits will be required to settle the obligation and a reliable estimate of the amount can be made. Provisions are reviewed at each reporting date and adjusted to reflect the current best estimates.

3.14 Trade and other payables

Trade and other payables are stated initially at cost which is the fair value of the consideration to be paid in future for goods and services received, whether or not billed to the Business and subsequently measured at amortised cost using the effective interest rate method.

3.15 Taxation and other levies

3.15.1 Taxation

Current

Provision for current taxation is based on the taxable income for the year, determined in accordance with the prevailing law for taxation on income, using applicable tax rates. The charge for current tax also includes tax credits and adjustments, where considered necessary, for prior years determined during the year or otherwise considered necessary for such years.

Deferred

Deferred income tax is provided using the liability method on all temporary differences arising between the tax bases of assets and liabilities and their corresponding carrying amounts in the combined financial information. Deferred tax liabilities are generally recognised for all taxable temporary differences and deferred tax assets are recognised to the extent that it is probable that taxable profits will be available against which the deductible temporary differences, unused tax losses and tax credits can be utilised.

Deferred income tax is determined using applicable tax rates that are expected to apply when the related deferred income tax asset is realized or the deferred income tax liability is settled. Deferred tax is charged or credited in the combined statement of comprehensive income.

Deferred income tax assets and liabilities are offset when there is a legally enforceable right to offset current tax assets against current tax liabilities and when the deferred income taxes assets and liabilities relate to income taxes levied by the same taxation authority on either the taxable entity or different taxable entities where there is an intention to settle the balances on a net basis.

3.15.2 Other levies

The Business, being an industrial undertaking, also accounts for the following levies:

Workers' profits participation fund (WPPF)

Workers earning a certain monthly average salary, as defined in the Companies Profits (Workers Participation) Act, 1968 of Pakistan (the "Act"), are entitled to a proportionate share in the allocation of the profits made during the year. The Business provides 5% of its annual profits before tax towards the WPPF as required under the Act. Any amounts remaining after distributions to eligible workers is payable to the Government of Pakistan. Payment falls due to the WPPF at the end of each financial year and interest is charged at the rate of 2.5% above the bank rate until the date of payment.

Workers' welfare fund (WWF)

The Business provides 2% of higher of the accounting or taxable profit as determined under the income tax provisions for WWF, as required under the WWF Ordinance, 1971 of Pakistan. Payment is made to the Government for WWF.

3.16 Financial instruments

3.16.1 Financial assets

Classification

The Business classifies its financial assets in the following categories: at fair value through profit or loss, held to maturity, loans and receivables and available for sale. The classification depends on the purpose for which the financial assets were acquired. Management determines the classification of its financial assets at initial recognition.

a) At fair value through profit or loss

Financial assets at fair value through profit or loss are financial assets held for trading.

A financial asset is classified in this category if acquired principally for the purpose of selling in the short-term. Derivatives are also categorized as held for trading unless they are designated as hedges. Assets in this category are classified as current assets if expected to be settled within 12 months; otherwise, these are classified as non-current. The Business has no financial assets held for trading at each reporting date.

b) Held-to-maturity

Held-to-maturity financial assets are non-derivative financial assets with fixed or determinable payments and fixed maturity with a positive intention to hold to maturity. The Business has no held-to-maturity financial assets at each reporting date.

c) Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. These are included in current assets, except for maturities greater than 12 months after the reporting date, which are classified as non-current assets. Loans and receivables comprise advances and deposits, trade and other receivables, due from concessions and cash and bank balances.

d) Available-for-sale

Available-for-sale financial assets are non-derivatives that are either designated in this category or not classified in any of the other categories. These are included in non-current assets unless the investment matures or management intends to dispose of the financial assets within 12 months of the reporting date. The Business has no available-for-sale financial assets at each reporting date.

Recognition and measurement

All financial assets are recognised at the time when the Business becomes a party to the contractual provisions of the instrument. Regular purchases and sales of financial assets are recognised on the date on which the Business commits to purchase or sell the asset. Financial assets not carried at fair value through profit or loss are initially recognised at fair value plus transaction costs. Financial assets carried at fair value through profit or loss are initially recognised at fair value and transaction costs, are expensed in the combined statement of comprehensive income. Financial assets are derecognised when the rights to receive cash flows from the assets have expired or have been transferred and the Business has transferred substantially all the risks and rewards of ownership. Available-for-sale financial assets and financial assets at fair value through profit or loss are subsequently carried at fair value. Loans and receivables and held-to-maturity investments are carried at amortised cost using the effective interest rate method. Changes in the fair value of financial assets classified as available-for-sale are recognised as other comprehensive income in the combined statement of comprehensive income.

Impairment

The Business assesses at each reporting date whether there is objective evidence that a financial asset or a group of financial assets is impaired. Financial assets are impaired where there is objective evidence that as a result of one or more events that occurred after the initial recognition of the financial asset, the estimated future cash flows of the investment have been impacted. If any such evidence exists impairment loss is determined and recognised. For trade receivables, loans receivables and other receivables carried at amortised cost, the impairment loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the financial asset's original effective interest rate, where the effect of discounting is material. If in a subsequent period the amount of an impairment loss decreases and the decrease can be linked objectively to an event occurring after the impairment loss was recognised, the impairment loss is reversed through profit or loss. A reversal of an impairment loss shall not result in the asset's carrying amount exceeding its original value at recognition date.

3.16.2 Financial liabilities

All financial liabilities are recognised at the time when the Business becomes a party to the contractual provisions of the instrument which will result in outflow of resources. A financial liability is derecognised when the obligation under the liability is discharged or cancelled or expired. Where an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a derecognition of the original liability and the recognition of a new liability, and the difference in respective carrying amounts is recognised in the combined statement of comprehensive income.

3.16.3 Offsetting of financial assets and liabilities

A financial asset and a financial liability are off set and the net amount is reported in the combined statement of net assets if the Business has a legally enforceable right to set-off the recognised amounts and intends either to settle on a net basis or to realize the asset and settle the liability simultaneously.

3.17 Revenue recognition

Revenue is measured at the fair value of the consideration received or receivable and is recognised when it is probable that the economic benefits will flow to the Business and the amount of revenue can be measured reliably. Revenue is shown net of sales tax, royalty and discounts. Revenue from the production of crude oil and gas in which the Business has an interest with other producers is recognised based on the Business's working interest and the terms of the relevant agreements and on the transfer of significant risks and rewards of ownership, which generally coincides with the time when the crude oil and gas is delivered and the title has passed to the customers.

Return on bank deposits and savings bank accounts is recognised on accrual basis using the effective interest method.

4. CRITICAL ACCOUNTING ESTIMATES AND JUDGMENTS

Estimates and judgments are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

Management make estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, seldom equal the related actual results. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next twelve months after the Relevant Periods are outlined below.

a) Estimation of crude oil and gas reserves

Crude oil and gas reserves are key factors in the Business's investment decision-making process. They are also an important element in testing for impairment. Changes in proved oil and gas reserves, will affect unit-of-production depreciation, depletion and amortisation recorded in the financial information for property, plant and equipment related to oil and gas production activities and intangible assets. A reduction in proved reserves will increase depreciation, depletion and amortisation charges. Proved reserve estimates are subject to revision, either upward or downward, based on new information, such as from development drilling and production activities or from changes in economic factors, including product prices, contract terms, evolution of technology or development plans.

b) Estimated impairment of property, plant and equipment, oil and gas exploration and development expenditure and intangible assets

Property, plant and equipment, oil and gas exploration and development expenditure and intangible assets are reviewed for possible impairment when events or changes in circumstances indicate that the carrying amount may not be recoverable. Determination as to whether and how much an asset is impaired involves management estimates and judgments such as future prices of crude oil or gas and production profile. However, the impairment reviews and calculations are based on assumptions that are consistent with the business plans.

c) Useful lives, residual values and depreciation of property, plant and equipment

Management determines the estimated useful lives, residual values and related depreciation charges for the property, plant and equipment other than capital work-in-progress. This estimate is based on the historical experience of the actual useful lives and residual values of property, plant and equipment of similar nature and functions. Management adjusts the depreciation charge where useful lives or residual values are different from previous estimates. Actual economic lives may differ from estimated useful lives and actual residual values may differ from estimated residual values. Periodic review could result in a change in depreciable lives and residual values and therefore depreciation expense in future periods.

d) Decommissioning costs

Decommissioning costs will be incurred by the Business at the end of the operating life of some of the Business's facilities and properties. The ultimate decommissioning costs are uncertain and cost estimates can vary in response to many factors including changes to relevant legal requirements, the emergence of new restoration techniques or experience at other production sites. The expected timing and amount of expenditure can also change, for example, in response to changes in reserves or changes in laws and regulations or their interpretation. As a result, there could be significant adjustments to the provisions established which would affect future financial results.

e) Current and deferred income tax

The Business is subject to income taxes based on income tax laws of Pakistan. Judgement is required in determining the provision for income taxes. There are transactions and calculations during the ordinary course of business for which the ultimate tax determination is uncertain. Where the final tax outcome of these matters is different from the amounts that were initially recorded, such differences will impact the income tax and deferred tax provisions in the period in which such determination is made.

Deferred tax assets relating to certain temporary differences and tax losses are recognised when management considers it is probable that future taxable profits will be available against which the temporary differences or tax losses can be utilised. When the expectation is different from the original estimate, such differences will impact the recognition of deferred tax assets and taxation charges in the period in which such estimate is changed.

f) Contingencies

By their nature, contingencies will only be resolved when one or more future events occur or fail to occur. The assessment of contingencies inherently involves the exercise of significant judgment and estimates of the outcome of future events.

5. SEGMENTAL INFORMATION

As part of the BP Group, operating segments have been established on the basis of those components of the BP Group that are evaluated regularly by the chief operating decision maker of BP in deciding how to allocate resources and in assessing performance. The chief operating decision maker of BP is considered to be a combination of the executive management team and the BP board. As such, the Business has one principal segment which relates to exploration and production (which includes oil and gas exploration, field development and production; midstream transportation, storage and processing; and the marketing and trading of oil and gas). This single segment has been determined on the basis of the similarity between and interconnectedness of all of the Business's products sold, the underlying development and associated sales processes, and similarity between the Business's customers.

6. REVENUE

	Year ended 31 December		
	2008	**2009**	**2010**
	HK$'000	*HK$'000*	*HK$'000*
Gross revenue:			
Crude Oil/Condensate			
– Local	2,282,925	1,657,382	1,758,743
– Export	34,524	–	–
Gas – local	1,539,228	1,529,415	1,304,802
Liquified petroleum gas – local	–	40,792	53,208
	3,856,677	3,227,589	3,116,753
Less:			
Discount	349,345	172,902	228,453
Royalty to Government of Pakistan	438,363	377,687	355,446
	787,708	550,589	583,899
Revenue	3,068,969	2,677,000	2,532,854

6.1 The Business's turnover represents revenue from production and sale of crude oil, condensate, gas and liquified petroleum gas. The above revenue is net of sales tax amounting to HK$237.5 million, HK$256.3 million and HK$229.6 million for the years 2008, 2009 and 2010, respectively. The discount applied are based on the contractual arrangements with the customers of the Business.

6.2 Revenue derived from major customers who contributed 10% or more are as follows:

	Year ended 31 December		
	2008	**2009**	**2010**
	HK$'000	*HK$'000*	*HK$'000*
Crude Oil/Condensate	1,796,864	1,073,978	1,412,117
Gas	1,539,228	1,529,415	1,304,802

7. COST OF PRODUCTION

	Year ended 31 December		
	2008	**2009**	**2010**
	HK$'000	*HK$'000*	*HK$'000*
Opening inventory of Crude Oil/Condensate and Liquified petroleum gas *(note 19)*	14,311	3,888	4,345
Field production cost *(note 7.1)*	961,073	1,228,914	1,565,768
	975,384	1,232,802	1,570,113
Less:			
Closing inventory of Crude Oil/Condensate and Liquified petroleum gas *(note 19)*	3,888	4,345	3,410
	971,496	1,228,457	1,566,703

7.1 Field production cost

	Year ended 31 December		
	2008	**2009**	**2010**
	HK$'000	*HK$'000*	*HK$'000*
Salaries, benefits and training	66,861	78,080	82,681
Traveling and transportation	2,489	2,893	5,859
Repairs and maintenance	95,917	101,030	119,703
Fuel, water and power	13,161	12,752	14,656
Depreciation/amortisation *(note 15.1.1)*	409,845	521,630	512,477
Amortisation of intangible assets *(note 16)*	254,518	400,259	702,548
Operating material, stationery and supplies	56,522	67,028	73,337
Other contract services	2,064	12,318	20,299
Equipment and surface lease rentals	9,865	14,899	15,669
Production bonus	38,933	11,627	11,653
Others	10,898	6,398	6,886
	961,073	1,228,914	1,565,768

8. EXPLORATION EXPENDITURE

	Year ended 31 December		
	2008	2009	2010
	HK$'000	*HK$'000*	*HK$'000*
Geological and geophysical	45,459	35,784	23,855
Salaries, benefits and training	11,441	3,043	4,996
Surface use rights	2,799	900	2,692
Communication expenses	1,589	350	557
Contract and other services	13,895	799	4,550
Obligatory expenses			
– Community development	779	207	423
– Marine research	1,168	1,062	1,146
– Training	504	442	770
	2,451	1,711	2,339
Administrative overheads	1,816	1,695	472
Others	2,360	130	962
	81,810	44,412	40,423

9. ADMINISTRATIVE EXPENSES

	Year ended 31 December		
	2008	2009	2010
	HK$'000	*HK$'000*	*HK$'000*
Salaries, benefits and training	77,863	126,676	72,718
Traveling and transportation	3,927	2,906	4,524
Communication	17,780	5,254	4,641
Administrative overheads	10,412	13,972	15,941
Professional fees and services	4,866	4,264	2,775
Auditors' remuneration	324	590	540
Rentals	10,827	6,873	6,035
Computer software costs, other contract services/office expenses	17,463	20,221	23,634
Social welfare	2,349	3,384	2,159
Depreciation/amortisation *(note 15.1.1)*	17,992	14,674	16,249
Others	5,741	4,090	3,828
	169,544	202,904	153,044

10. OTHER OPERATING EXPENSES

	Year ended 31 December		
	2008	2009	2010
	HK$'000	*HK$'000*	*HK$'000*
Workers' profits participation fund	75,363	30,584	58,213
Workers' welfare fund	28,638	11,339	22,014
Exchange loss	–	9,914	3,371
Others	2,455	1,897	1,162
	106,456	53,734	84,760

11. OTHER INCOME

	Year ended 31 December		
	2008	2009	2010
	HK$'000	*HK$'000*	*HK$'000*
LPG processing fees charged to concessions, net	–	6,420	4,782
Interest income	–	1,183	578
Gain on disposal of operating assets	321	793	2,366
Exchange gain	19,760	–	–
	20,081	8,396	7,726

12. FINANCE COSTS

	Year ended 31 December		
	2008	2009	2010
	HK$'000	*HK$'000*	*HK$'000*
Interest on long term loans	94,649	65,357	50,669
Interest on workers' profits participation fund	–	14,174	5,349
Unwinding of discount on provision for decommissioning cost *(note 26)*	13,438	12,916	12,565
	108,087	92,447	68,583

13. STAFF COSTS (INCLUDING DIRECTORS' EMOLUMENTS)

Staff costs included in the operating expenses are as follows:

	Year ended 31 December		
	2008	2009	2010
	HK$'000	*HK$'000*	*HK$'000*
Salaries	93,035	99,496	107,463
Other benefits	35,003	39,377	25,030
	128,038	138,873	132,493

a) Director's emoluments

During the Relevant Periods no expense was charged in the combined financial information for remuneration to the directors of the companies whose Pakistan branches form the Business.

b) Five highest paid individuals

The emoluments payable to the five highest paid individuals of the Business during the Relevant Periods are as follows:

	Year ended 31 December		
	2008	**2009**	**2010**
	HK$'000	*HK$'000*	*HK$'000*
Salaries, allowances and other benefits	12,244	14,301	14,136
Contribution to pension plan	1,703	1,073	1,525
Share option expense *(note 13.1)*	31	29	28
	13,978	15,403	15,689

The emoluments fell within the following bands:

	Numbers of individuals		
	2008	**2009**	**2010**
Emoluments band			
HK$2,000,001 to HK$2,500,000	3	2	2
HK$2,500,001 to HK$3,000,000	1	–	1
HK$3,000,001 to HK$3,500,000	–	2	–
HK$3,500,001 to HK$4,000,000	–	–	1
HK$4,000,001 to HK$4,500,000	–	1	–
HK$4,500,001 to HK$5,000,000	1	–	–
HK$5,000,000 and above	–	–	1
	5	5	5

During the Relevant Periods, no existing director of the companies whose Pakistan branches form the Business or the five highest paid individuals received any emoluments from the Business as an inducement to join, upon joining the Business, leave the Business or as compensation for loss of office.

13.1 Each year, the Business announces a share match plan for its permanent employees. According to the plan each eligible employee is given an offer to purchase the shares of the Business's ultimate parent company up to a certain amount and within a given time period. To purchase these shares, the Business provides interest free advances to the employees, which is recovered through deduction from monthly salary in equal instalment over a maximum period of 11 months.

Further, an equal number of shares are acquired on employee's behalf and paid for by the Business. There is a mandatory holding period of 3 years for the entire investment and the employee may instruct the trustee of the scheme as to how to vote on their behalf. The plan is operated on a cash basis, when employee leaves Business all shares must be removed from the trust and shares under the plan operated on a cash basis must be encashed. The total charge recognised by the Business for the share match plan was HK$2.90 million in 2008, HK$3.02 million in 2009 and HK$3.01 million in 2010. On completion of the Acquisition the share match plan will be terminated.

14. INCOME TAX EXPENSE

	Year ended 31 December		
	2008	2009	2010
	HK$'000	*HK$'000*	*HK$'000*
Current			
– for the year	175,470	63,877	150,872
– for prior years	115,881	(26,266)	79,722
Deferred tax	71,930	142,345	(207,031)
	363,281	179,956	23,563

14.1 Adjustments to prior year tax provisions result from either changes in tax laws or tax assessments finalised during that year. The tax authorities have raised tax demands in respect of assessment years 1999–2000 to 2002–2003 and tax years 2003 to 2005, consequent to differences in interpretation related to the tax rate applied to determine tax liabilities. The Income Tax Appellate Tribunal (ITAT), on appeal by the Business, has decided the matter in favour of the Business, against which the tax department has filed an appeal in the High Court of Sindh, Pakistan. Further, the tax authorities have raised tax demands, in respect of (i) disallowances of exchange losses for tax years 2004 and 2009; (ii) differences in interpretation related to the calculation of depletion allowances for tax years 2004, 2005, 2008 and 2009; (iii) differences in calculation of gain on assignment of working interests by BP Pakistan to BP Badin for tax year 2005; and (iv) carried forward tax losses relating to BP Badin for the assessment years 1992-93 to 1995-96. These matters are being contested at different appellate forums.

The management of the Business, based on the merit of the cases and expert legal opinion, is confident that the outcome of the aforementioned litigations/appeals would be in their favour. Accordingly, no provision has been made in the combined financial information of the potential tax exposure on the aforementioned matters inclusive of related effect thereof to date, aggregating to approximately HK$856 million.

14.2 Relationship between tax expense and accounting profit is as follows:

	Year ended 31 December		
	2008	2009	2010
	HK$'000	*HK$'000*	*HK$'000*
Profit before taxation	1,651,657	1,063,442	627,067
Tax at the applicable tax rate of 50%	825,829	531,721	313,534
Tax effect of expenses that are deductible in determining taxable profit			
– depletion allowance	(279,411)	(223,741)	(212,857)
– royalty	(218,992)	(188,834)	(177,381)
– others	(9,371)	7,077	68,110
Tax effect of expenses that are not deductible in determining taxable profit			
– head office expenses	19,763	41,286	20,007
– unwinding of discount	6,719	6,458	6,288
– production bonus	18,744	5,989	5,862
Income tax expense	363,281	179,956	23,563

15. PROPERTY, PLANT AND EQUIPMENT

	As at 1 January 2008	As at 31 December 2008	As at 31 December 2009	As at 31 December 2010
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
Operating assets *(note 15.1)*	888,860	961,664	1,288,997	1,286,209
Capital work-in-progress *(note 15.2)*	32,510	101,173	199,172	100,238
	921,370	1,062,837	1,488,169	1,386,447

15.1 Operating assets

	Freehold Land	Plant & Machinery: Oil and gas properties	Plant & Machinery: Others	Aircraft	Computers	Furniture, fixtures and office equipment	Vehicles	TOTAL
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
As at 1 January 2008								
Cost	5,134	1,755,201	135,451	13,348	27,531	19,870	19,817	1,976,352
Accumulated depreciation/amortisation	–	(961,638)	(83,335)	(9,125)	(18,473)	(6,844)	(8,077)	(1,087,492)
Currency translation effect	–	–	–	–	–	–	–	–
Net book value	5,134	793,563	52,116	4,223	9,058	13,026	11,740	888,860
Year ended 31 December 2008								
Opening net book value	5,134	793,563	52,116	4,223	9,058	13,026	11,740	888,860
Additions, including transfers *(note 15.2)*	–	482,177	10,257	–	8,264	5,491	199	506,388
Disposals								
Cost	–	–	–	–	–	–	(716)	(716)
Accumulated depreciation/amortisation	–	–	–	–	–	–	716	716
	–	–	–	–	–	–	–	–
Depreciation/amortisation charge	–	(361,605)	(46,818)	2,506	(7,119)	(8,269)	(6,532)	(427,837)
Currency translation effect relating to additions and depreciation charged during the year	(31)	(5,366)	(145)	(37)	(60)	(66)	(42)	(5,747)
Closing net book value	5,103	908,769	15,410	6,692	10,143	10,182	5,365	961,664
As at 1 January 2009								
Cost	5,134	2,237,378	145,708	13,348	35,795	25,361	19,300	2,482,024
Accumulated depreciation/amortisation	–	(1,323,243)	(130,153)	(6,619)	(25,592)	(15,113)	(13,893)	(1,514,613)
Currency translation effect	(31)	(5,366)	(145)	(37)	(60)	(66)	(42)	(5,747)
Net book value	5,103	908,769	15,410	6,692	10,143	10,182	5,365	961,664
Year ended 31 December 2009								
Opening net book value	5,103	908,769	15,410	6,692	10,143	10,182	5,365	961,664
Assets acquired in Mirpur Khas and Khipro *(note 16.1)*	–	189,972	–	–	–	736	686	191,394
Additions, including transfers *(note 15.2)*	–	669,248	2,155	–	217	–	–	671,620
Disposals								
Cost	–	–	–	–	–	–	(1,385)	(1,385)
Accumulated depreciation/amortisation	–	–	–	–	–	–	1,385	1,385
	–	–	–	–	–	–	–	–
Depreciation/amortisation charge	–	(515,779)	(5,855)	(1,011)	(7,476)	(3,660)	(2,523)	(536,304)
Currency translation effect relating to additions and depreciation charged during the year	2	601	8	3	4	4	1	623
Closing net book value	5,105	1,252,811	11,718	5,684	2,888	7,262	3,529	1,288,997

		Plant & Machinery						
	Freehold Land	Oil and gas properties	Others	Aircraft	Computers	Furniture, fixtures and office equipment	Vehicles	TOTAL
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
As at 1 January 2010								
Cost	5,134	3,096,598	147,863	13,348	36,012	26,097	18,601	3,343,653
Accumulated depreciation/amortisation	–	(1,839,022)	(136,008)	(7,630)	(33,068)	(18,773)	(15,031)	(2,049,532)
Currency translation effect	(29)	(4,765)	(137)	(34)	(56)	(62)	(41)	(5,124)
Net book value	5,105	1,252,811	11,718	5,684	2,888	7,262	3,529	1,288,997
Year ended 31 December 2010								
Opening net book value	5,105	1,252,811	11,718	5,684	2,888	7,262	3,529	1,288,997
Additions, including transfers *(note 15.2)*	8,222	469,691	23,010	2,252	11,385	6,095	9,992	530,647
Disposals								
Cost	–	–	–	(15,551)	–	–	–	(15,551)
Accumulated depreciation/amortisation	–	–	–	7,604	–	–	–	7,604
	–	–	–	(7,947)	–	–	–	(7,947)
Depreciation/amortisation charge	–	(502,610)	(9,867)	–	(6,616)	(4,619)	(5,014)	(528,726)
Currency translation effect relating to additions and depreciation charged during the year	18	3,131	37	11	10	19	12	3,238
Closing net book value	13,345	1,223,023	24,898	–	7,667	8,757	8,519	1,286,209
As at 31 December 2010								
Cost	13,356	3,566,289	170,873	–	47,397	32,192	28,593	3,858,700
Accumulated depreciation/amortisation	–	(2,341,632)	(145,875)	–	(39,684)	(23,392)	(20,045)	(2,570,628)
Currency translation effect	(11)	(1,634)	(100)	–	(46)	(43)	(29)	(1,863)
Net book value	13,345	1,223,023	24,898	–	7,667	8,757	8,519	1,286,209

15.1.1 Depreciation/amortisation charge has been allocated to:

	Year ended 31 December		
	2008	2009	2010
	HK$'000	*HK$'000*	*HK$'000*
Field production cost *(note 7.1)*	409,845	521,630	512,477
Administrative expenses *(note 9)*	17,992	14,674	16,249
	427,837	536,304	528,726

15.2 Capital work-in-progress

	Oil and gas properties	Others	Total
	HK$'000	*HK$'000*	*HK$'000*
Year ended 31 December 2008			
Balance as at 1 January 2008	29,231	3,279	32,510
Additions during the year	180,193	21,642	201,835
Transferred to operating assets *(note 15.1)*	(110,356)	(22,297)	(132,653)
Currency translation effect relating to additions during the year	(503)	(16)	(519)
Balance as at 31 December 2008	98,565	2,608	101,173

	Oil and gas properties	Others	Total
	HK$'000	*HK$'000*	*HK$'000*
Year ended 31 December 2009			
Balance as at 1 January 2009	98,565	2,608	101,173
Additions during the year	196,662	10,651	207,313
Transferred to operating assets *(note 15.1)*	(109,391)	(6)	(109,397)
Currency translation effect relating to additions during the year	78	5	83
Balance as at 31 December 2009	185,914	13,258	199,172
Year ended 31 December 2010			
Balance as at 1 January 2010	185,914	13,258	199,172
Additions during the year	140,644	16,627	157,271
Transferred to operating assets *(note 15.1)*	(227,252)	(29,393)	(256,645)
Currency translation effect relating to additions during the year	414	26	440
Balance as at 31 December 2010	99,720	518	100,238

16. INTANGIBLE ASSETS – CONCESSION AND LEASE RIGHTS

	As at 31 December		
	2008	2009	2010
	HK$'000	*HK$'000*	*HK$'000*
Balance as at 1 January	1,510,764	1,248,287	2,089,487
Consideration paid for rights in future petroleum reserves in Mirpur Khas and Khipro *(note 16.1)*	–	1,240,336	–
Amortisation charge for the year *(note 7.1)*	(254,518)	(400,259)	(702,548)
Currency translation effect	(7,959)	1,123	4,830
Balance as at 31 December	1,248,287	2,089,487	1,391,769

16.1 Details of purchase consideration and net identifiable assets acquired in MKK Concessions in 2009 are as follows:

		HK$'000
Purchase consideration		1,472,842
Less: Fair values of net assets acquired		
– Property, plant and equipment *(note 15.1)*	191,394	
– Advances, deposits and prepayments	1,412	
– Inventory – stores and spares	39,700	
		232,506
Consideration paid for rights in future petroleum reserves		1,240,336

17. EXPLORATION & EVALUATION EXPENDITURE

	As at 1 January 2008 HK$'000	As at 31 December 2008 HK$'000	2009 HK$'000	2010 HK$'000
Drilling expenditure	–	–	5,124	150,507

17.1 Exploration & Evaluation expenditure incurred during 2010 mainly related to costs directly associated with exploratory wells drilled in MKK Concessions.

18. LONG-TERM ADVANCES, DEPOSITS AND PREPAYMENTS

	As at 1 January 2008 HK$'000	As at 31 December 2008 HK$'000	2009 HK$'000	2010 HK$'000
Advances to employees and others	3,462	6,766	4,159	3,230
Deposits	277	3,256	3,302	2,181
Prepayments	12,280	1,078	3,309	1,032
	16,019	11,100	10,770	6,443

19. INVENTORIES

Crude oil/Condensate	14,311	3,888	4,317	3,318
Liquified petroleum gas	–	–	28	92
	14,311	3,888	4,345	3,410
Stores and spares	233,335	288,492	345,064	475,361
	247,646	292,380	349,409	478,771

20. ADVANCES, DEPOSITS AND PREPAYMENTS

	As at 1 January 2008 HK$'000	As at 31 December 2008 HK$'000	2009 HK$'000	2010 HK$'000
Advances to:				
– Employees	8,197	6,346	6,495	8,197
– Others	844	2,415	441	–
Advance to OPII *(note 20.1)*	–	1,437,032	–	–
Deposits	10,230	22	1,653	1,440
Prepayments	20,732	18,250	5,622	7,682
	40,003	1,464,065	14,211	17,319

20.1 This represents advance given to Orient Petroleum International Inc. ("OPII") in respect of acquisition of working interests in MKK Concessions, referred to in note 16.1.

21. TRADE AND OTHER RECEIVABLES

	As at 1 January 2008	As at 31 December 2008	2009	2010
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
Trade debtors – unsecured	764,253	895,152	818,401	486,956
Others	2,641	3,895	1,965	15,990
	766,894	899,047	820,366	502,946

21.1 As at 31 December 2007, 2008, 2009 and 2010, trade receivables of HK$104.2 million, HK$382.4 million, HK$242.5 million and HK$8.7 million respectively were past due but not impaired. No other receivables were past due or impaired for payment. The credit quality of these receivables, which relate to various customers, can be assessed with reference to their historical performance with no defaults in recent past. The ageing analysis of these trade debts is as follows:

	As at 1 January 2008	As at 31 December 2008	2009	2010
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
Up to 3 months	62,258	274,789	234,526	9,203
3 to 6 months	6,156	93,715	3,962	(39)
More than 6 months	35,768	13,941	4,052	(491)
	104,182	382,445	242,540	8,673

Credit balance represents credit notes issued to customers following price amendments.

22. DUE FROM CONCESSIONS, NET

	As at 1 January 2008	As at 31 December 2008	2009	2010
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
Badin area petroleum concessions	31,531	51,246	63,265	11,329
Mehran block petroleum concession	(475)	(27)	63	257
Mirpur Khas petroleum concession	–	–	24,846	12,214
Khipro petroleum concession	–	–	25,976	18,886
Offshore blocks	–	–	15,540	2,093
Others (Surrendered concessions), net	(286)	(384)	–	–
	30,770	50,835	129,690	44,779

22.1 The carrying values of these financial assets are neither past due nor impaired. The credit quality of these financial assets can be assessed with reference to their historical performance with no defaults in recent history.

23. CASH AND BANK BALANCES

	As at 1 January 2008	As at 31 December 2008	2009	2010
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
Cash at bank	49,286	44,667	202,735	4,952
Cash in hand	190	178	222	223
	49,476	44,845	202,957	5,175

24. TRADE AND OTHER PAYABLES

	As at 1 January 2008	As at 31 December 2008	2009	2010
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
Trade payables	47,562	67,455	96,077	30,305
Accrued liabilities	136,050	151,454	117,790	133,671
Sales tax payable	7,015	17,541	18,102	15,834
Royalty payable	91,114	106,711	94,750	57,799
Central excise duty	4,153	3,217	3,152	4,220
Due to Castrol Pakistan (Pvt.) Ltd.	–	120	204	–
Security deposit	–	–	1,379	1,359
Due to OXY and OOGPL *(note 24.1)*	58,475	46,217	44,064	44,187
Payable to Employees' gratuity fund	9,707	113	100	32
Workers' profits participation fund *(note 24.2)*	68,155	119,093	88,057	115,791
Workers' welfare fund *(note 24.3)*	14,693	25,298	10,982	21,866
Withholding tax payable	4,433	5,050	4,707	664
Others	–	649	2,485	8
	441,357	542,918	481,849	425,736

24.1 This represents the balance amount due to Occidental Petroleum (Pakistan) Inc. ("OXY") and Occidental Oil & Gas Pakistan LLC. ("OOGPL") for acquisition of their working interests in Badin and Mehran concessions by the Business in 2007.

24.2 This represents WPPF, including interest thereon, distributable to eligible workers by the WPPF, based on monthly average salary. The remaining balance after distribution to eligible workers is payable to the Government of Pakistan by the WPPF.

24.3 This represents liability in respect of WWF, which is payable to the Government of Pakistan along with the filing of annual income tax return.

24.4 The ageing analysis of trade payables (including amount due to a related party of trading in nature) based on invoice date were as follows:

	As at 1 January	**As at 31 December**		
	2008	**2008**	**2009**	**2010**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
0 to 30 days	29,330	31,075	82,317	28,705
31 to 45 days	17,295	22,070	10,344	1,378
above 45 days	937	14,430	3,620	222
	47,562	67,575	96,281	30,305

25. LONG TERM LOANS – Unsecured

	As at 1 January	**As at 31 December**		
	2008	**2008**	**2009**	**2010**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
Loan 1 *(note 25.1)*	1,789,488	1,778,381	1,779,276	1,395,071
Loan 2 *(note 25.2)*	–	775,020	775,410	777,360
	1,789,488	2,553,401	2,554,686	2,172,431

25.1 The Business obtained a loan of US$229,463 thousand (HK$ equivalent 1,794,329 thousand) from a related party under an Intra Group Loan Facility Agreement dated 1 July 2007 for the acquisition of entire working interests of OXY and OOGPL in Badin Concessions. The loan is repayable in US Dollars in one single instalment in June 2012 and carries interest at LIBOR plus 170 basis points payable at the end of each quarter. However, prepayment can be made by giving notice of 10 days as per agreement. The effective interest rates per annum for the years 2008, 2009 and 2010 are 5.3%, 2.6% and 2.1% respectively.

25.2 The Business obtained another loan of US$100 million (approximately HK$775.1 million) from a related party under an Intra Group Loan Facility Agreement dated 29 December 2008 for the acquisition of working interests of OPII in MKK Concessions. The loan is repayable in US Dollars after five years in one single instalment and carries interest at LIBOR plus 150 basis points payable at the end of each quarter. The effective interest rates per annum for the years 2009 and 2010 are 2.4% and 1.9% respectively.

26. LONG TERM PROVISION – DECOMMISSIONING COST

	As at 31 December		
	2008	2009	2010
	HK$'000	*HK$'000*	*HK$'000*
Balance as at 1 January	213,800	210,646	225,822
Add:			
Provision recognised during the year due to:			
– acquisition of working interests in Mirpur Khas and Khipro	–	12,083	–
– revision in estimates *(note 26.1)*	–	1,863	8,603
	–	13,946	8,603
Less:			
Actual cost incurred during the year	(15,306)	(11,801)	(920)
Add:			
Unwinding of discount *(note 26.2 & 12)*	13,438	12,916	12,565
Currency translation effect	(1,286)	112	576
Balance as at 31 December	210,646	225,819	246,646

26.1 Management assesses decommissioninig liabilities at least annually. The estimates for decommissioning cost were revised in 2009 and 2010, which resulted in an increase in provision and related cost included in Oil and Gas properties *(note 15.1)*.

26.2 Unwinding of discount is due to the fact that the provision is one year closer to settlement, and has been recognised to reflect the provision at present value at each reporting date.

27. DEFERRED TAXATION

	Accelerated depreciation/ amortisation	Interest on long term loans	Total
	HK$'000	*HK$'000*	*HK$'000*
As at 1 January 2008	5,641	21,828	27,469
(Charge)/Reversal for the year	(105,351)	33,421	(71,930)
Currency translation effect	458	(289)	169
As at 31 December 2008	(99,252)	54,960	(44,292)
Charge for the year	(101,926)	(40,419)	(142,345)
Currency translation effect	(84)	15	(69)
As at 31 December 2009	(201,262)	14,556	(186,706)
(Charge)/Reversal for the year	210,145	(3,114)	207,031
Currency translation effect	(380)	36	(344)
As at 31 December 2010	8,503	11,478	19,981

27.1 As at 31 December 2010 management expects the majority of the deferred tax asset will be recovered in beyond 12 months.

28. CONTINGENCIES & COMMITMENTS

28.1 Contingencies

28.1.1 Business's share in the indemnity bonds given to the Collector of Customs to claim exemptions of levies including custom duties and sales tax on import of machinery, equipment, materials, spares, chemicals and consumables under the petroleum concession agreements amounted to HK$256.2 million, HK$54.9 million and HK$36.6 million as at 31 December 2008, 2009 and 2010, respectively. These bonds will be released by the custom authorities upon submission of, not later than five years from the date of import of these items, certificates of consumption/installation which are to be issued by the Director General Petroleum Concessions, Pakistan after due verification thereof.

Business's share in the corporate guarantees given to the Collector of Customs 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 agreements amounted to HK$0.25 million, HK$15.1 million and HK$6.3 million as at 31 December 2008, 2009 and 2010, respectively. These guarantees are valid for an initial period of nine months.

28.1.2 The Business has provided bank guarantees to the President of Pakistan in respect of legal and contractual obligations under various onshore concessions and offshore blocks. Such guarantees amounted to HK$42.6 million, HK$39.9 million and HK$23.7 million as at 31 December 2008, 2009 and 2010 respectively.

28.1.3 Bank guarantees provided to the High Court of Sindh, Pakistan for certain pending land litigations amounted to HK$1.7 million, HK$1.6 million and HK$1.5 million as at 31 December 2008, 2009 and 2010 respectively.

28.1.4 Bank guarantee provided to Standard Chartered Bank, Pakistan for corporate credit cards issued to various employees amounted to HK$1.8 million, HK$1.2 million and HK$0.9 million as at 31 December 2008, 2009 and 2010 respectively.

28.2 Commitments

28.2.1 Commitment for capital expenditure

	As at 31 December		
	2008	**2009**	**2010**
	HK$'000	*HK$'000*	*HK$'000*
Commitment for capital expenditure	133,399	506,586	783,096

Commitment for capital expenditure is inclusive of minimum expenditure required under various petroleum concession agreements and production sharing contracts.

28.2.2 Commitments for rental under operating lease agreements

Commitments for rentals under operating lease agreements in respect of vehicles and plant & machinery are as follows:

	As at 31 December		
	2008	**2009**	**2010**
	HK$'000	*HK$'000*	*HK$'000*
Not later than one year	2,374	3,413	4,070
Over one year to five years	5,087	9,149	9,132
	7,461	12,562	13,202

29. FINANCIAL INSTRUMENTS AND RELATED DISCLOSURES

29.1 Financial instruments by category

	As at 1 January 2008 HK$'000	As at 31 December 2008 HK$'000	2009 HK$'000	2010 HK$'000
Financial assets as per statement of net assets				
– Loans and receivables				
Advances and deposits	22,166	16,390	15,609	15,048
Trade and other receivable	766,894	899,047	820,366	502,946
Due from Concessions, net	30,770	50,835	129,690	44,779
Cash and bank balances	49,476	44,845	202,957	5,175
	869,306	1,011,117	1,168,622	567,948
Financial liabilities as per statement of net assets				
– Financial liabilities measured at amortised cost				
Long term loans	1,789,488	2,553,401	2,554,686	2,172,431
Trade and other payables	242,087	265,895	261,999	209,530
	2,031,575	2,819,296	2,816,685	2,381,961

30. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

The Business's activities expose it to a variety of financial risks: market risk (including currency risk, interest rate risk and other price risk), credit risk and liquidity risk. The Business's overall risk management program focuses on unpredictability of the financial markets and seeks to minimize potential adverse effects on the Business's financial performance. These risks are limited by the Business's financial management policies and practices described below.

(a) Market risk

(i) Currency risk

Currency risk represents the risk that the fair values or future cash flows of financial instruments will fluctuate because of changes in foreign exchange rates. The Business is exposed to foreign exchange risk due to transactions denominated in foreign currencies. The Business manages its currency risk by close monitoring of currency markets and expected currency movements and adjusting timing of payments accordingly.

As at 31 December 2007, 2008, 2009 and 2010, if US Dollars had strengthened/weakened by 5% against other foreign currencies in which transaction are made by the Business, with all other variables held constant, the Business's post tax profit for the years 2007, 2008, 2009 and 2010, would have been higher/lower by HK$2.7 million, HK$2.1 million, HK$0.6 million and HK$1.3 million respectively.

As at 31 December 2007, 2008, 2009 and 2010, the carrying amounts of the Business's foreign currency (Pakistan Rupee) denominated monetary assets and monetary liabilities are as follows:

	As at 1 January 2008	As at 31 December 2008	2009	2010
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
Monetary assets				
Trade and other receivables	75,070	60,940	62,163	72,822
Advances, deposits and prepayments	50,498	18,289	15,370	15,134
Cash and bank balances	10,557	10,369	19,279	1,668
Monetary liabilities				
Trade and other payables	22,258	1,014	71,039	34,623

(ii) *Interest rate risk*

Interest rate risk arises from the possibility that changes in interest rate will affect the value of financial instruments. The Business has long term borrowings at variable rates.

As at 31 December 2008, 2009 and 2010, if interest rates had been 0.5% higher/lower with all other variables held constant, the Business's post tax profit for the years 2008, 2009 and 2010, would have been higher/lower by HK$6.4 million, HK$6.4 million and HK$5.4 million respectively.

(iii) *Other price risk*

Price risk represents the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices (other than those arising from currency risk or interest rate risk), whether those changes are caused by factors specific to the individual financial instrument or its issuer, or factors affecting all similar financial instruments traded in the market. The Business is not exposed to other price risk as it does not have any price sensitive instruments.

(b) Liquidity risk

Liquidity risk represents the risk that the Business will encounter difficulties in meeting obligations associated with its financial liabilities. The Business's liquidity management involves maintaining sufficient cash at all times.

The table below analyses the Business's financial liabilities into relevant maturity groupings based on the remaining period at the reporting dates to contractual maturity dates. The amounts disclosed in the table are the contractual undiscounted cash flows.

	2007			2008			2009			2010		
	Maturity up to one year	Maturity after one year	Total	Maturity up to one year	Maturity after one year	Total	Maturity up to one year	Maturity after one year	Total	Maturity up to one year	Maturity after one year	Total
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
Long term loans	–	1,789,488	1,789,488	–	2,553,401	2,553,401	–	2,554,686	2,554,686	–	2,172,431	2,172,431
Trade and other payables	242,087	–	242,087	265,895	–	265,895	261,999	–	261,999	209,530	–	209,530
	242,087	1,789,488	2,031,575	265,895	2,553,401	2,819,296	261,999	2,554,686	2,816,685	209,530	2,172,431	2,381,961

(c) Credit risk

Credit risk represents the risk of financial loss being caused if counter parties fail to discharge their obligations.

Credit risk arises from deposits with banks and financial institutions, advances and deposits, trade and other receivables and due from Concessions. The credit risk on liquid fund is limited because the counter parties are banks with reasonably high credit ratings. The maximum exposure to credit risk is equal to the carrying amount of financial assets. The Business has no significant concentrations on credit risk.

The Business monitors the credit quality of its financial assets with reference to historical performance of such assets and available external credit ratings. The carrying values of financial assets which are not impaired are as under:

	As at 1 January 2008	As at 31 December 2008	2009	2010
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
Advances and deposits	22,166	16,390	15,609	15,048
Trade and other receivables	766,894	899,047	820,366	502,946
Due from Concessions	30,770	50,835	129,690	44,779
Cash and bank balances	49,476	44,845	202,957	5,175
	869,306	1,011,117	1,168,622	567,948

The credit quality of bank balances can be assessed with reference to external credit ratings as follows:

Bank	Rating agency	Rating Short term	Rating Long term	As at 1 January 2008	As at 31 December 2008	2009	2010
				HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
Citibank N.A.	S&P	A – 1	A+	49,286	44,667	202,735	4,952
Allied Bank Limited	PACRA	A1+	AA	–	–	–	–
				49,286	44,667	202,735	4,952

(d) Fair value of financial instruments

The carrying values of the financial instruments reflected in the financial statements approximate their fair values.

31. TRANSACTIONS WITH RELATED PARTIES

Key management and other members of the BP Group are considered as being related parties.

The BP Group has historically recharged costs for central activities, being corporate head office costs, software application charges and allocated charges for operational support services. These costs were affected by the arrangements in the BP Group and will cease to be incurred on completion of the Transaction and are therefore not necessarily representative of the position in the future.

Details of transactions with related parties other than those which have been disclosed elsewhere in this combined financial information are as follows:

Nature of relationship	Nature of transactions	Year ended 31 December 2008	2009	2010
		HK$'000	*HK$'000*	*HK$'000*
Other BP companies				
BP Asia Pacific Holdings Limited	Interest expense	94,649	65,357	50,669
	Receipt/(Repayment) of loan	778,650	–	(388,445)
Castrol Pakistan (Pvt) Limited	General and administrative expenses charged	3,543	3,776	3,600
	Lubricants purchased	3,782	12,877	11,613
AMOCO Production Company	Salaries and benefits for engineering services	2,217	5,056	5,062
BP Shared Services	General and administrative expenses	56,760	84,467	42,686
Remuneration of key management personnel	Managerial remuneration	6,421	8,375	7,580
	Contribution for staff retirement benefits	2,311	2,172	2,424
	Bonus	1,854	3,802	4,226
	Housing and utilities	3,532	4,607	4,172

Due to related party balances outstanding at the respective year ends are as follows:

	As at 31 December 2008	2009	2010
	HK$'000	*HK$'000*	*HK$'000*
Castrol Pakistan (Pvt) Limited *(note 24)*	120	204	–
BP Asia Pacific Holdings Limited			
– Long term loans *(note 25)*	2,553,401	2,554,686	2,172,431
– Accrued interest on loans	577	349	1,053

32. SUBSEQUENT EVENTS

32.1 On 14 December 2010, the owners of the Business entered into an agreement with the Company to sell the Business. Subject to approval by the shareholders of the Company and other conditions to be satisfied, the Effective Date of the acquisition will be 1 January 2011. No other significant transactions took place subsequent to 31 December 2010 and up to the date of this report. As part of the Acquisition Agreement, the Company paid a deposit of US$100 million to the Business on 15 December 2010. This deposit does not form part of the assets being disposed of therefore it has been excluded from the financial information of the Business as presented herein.

32.2 In December 2010, BP Pakistan paid approximately HK$17.7 million to its employees, as an advance payment for their efforts to operate the assets in a safe manner during the Acquisition process. This amount is recoverable from employees if they leave before the completion of the Acquisition. As this liability only falls due upon completion of the Acquisition and will be borne by BP, the amount has not been included in the combined financial information of the Business for the years presented herein.

33. SUBSEQUENT FINANCIAL STATEMENTS

No audited financial statements have been prepared by the Business or the Pakistan branches of the entities forming the Business in respect of any period subsequent to 31 December 2010.

34. TRANSITION TO HKFRS – 1 JANUARY 2008

HKFRS 1 "First-time adoption of HKFRSs" sets out the transitional rules which must be applied when HKFRSs are applied for the first time. The Business is required to select accounting policies, in accordance with HKFRSs, valid at the reporting date and apply those policies retrospectively. The standard sets out certain mandatory exceptions to retrospective application and certain optional exemptions. The Business has not applied any of the optional first time adoption exemptions in HKFRS 1.

The Business has not previously prepared or reported any combined financial information in accordance with any other generally accepted accounting principles (''GAAP''). Consequently, no reconciliation between financial information prepared under any previous GAAP and this combined financial information is presented herein.

Yours faithfully,
A.F. Ferguson & Co.
Chartered Accountants
Pakistan

A. INTRODUCTION TO THE UNAUDITED PRO FORMA FINANCIAL INFORMATION OF THE ENLARGED GROUP

The accompanying unaudited pro forma financial information of the Enlarged Group has been prepared to illustrate how the Acquisition of the Business might have affected the financial information of the Group.

The unaudited pro forma consolidated income statement and consolidated statement of cash flows of the Enlarged Group for the year ended 31 December 2010 are prepared based on the audited consolidated income statement and consolidated statement of cash flows of the Group for the year ended 31 December 2010 as extracted from the annual report of the Company for the year ended 31 December 2010 and the audited combined statement of comprehensive income and combined statement of cash flows of the Business for the year ended 31 December 2010 as extracted from the accountants' report set out in Appendix II to this circular as if the Acquisition had been completed on 1 January 2010.

The unaudited pro forma consolidated statement of financial position of the Enlarged Group as at 31 December 2010 is prepared based on the audited consolidated statement of financial position of the Group as at 31 December 2010 as extracted from the annual report of the Company for the year ended 31 December 2010 and the audited combined statement of net assets of the Business as at 31 December 2010 as extracted from the Accountants' Report set out in Appendix II to this circular as if the Acquisition had been completed on 31 December 2010.

The unaudited pro forma financial information of the Enlarged Group is prepared based on a number of assumptions, estimates, uncertainties and currently available information, and is provided for illustrative purposes only. Accordingly, as a result of the nature of the unaudited pro forma financial information of the Enlarged Group, it may not give a true picture of the actual financial position, results of operation or cash flows of the Enlarged Group that would have been attained had the Acquisition actually occurred on the dates indicated herein. Furthermore, the unaudited pro forma financial information of the Enlarged Group does not purport to predict the Enlarged Group's future financial position, results of operation or cash flows.

The unaudited pro forma financial information of the Enlarged Group should be read in conjunction with the financial information of the Group as set out in Appendix I, the financial information of the Business as set out in Appendix II and other financial information included elsewhere in this circular.

B. UNAUDITED PRO FORMA CONSOLIDATED INCOME STATEMENT OF THE ENLARGED GROUP FOR THE YEAR ENDED 31 DECEMBER 2010

	The Group	The Business	Sub-total	Pro forma adjustments	*Notes*	The Enlarged Group
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*		*HK$'000*
Continuing operations						
Turnover	22,373	2,532,854	2,555,227			2,555,227
Cost of sales and services rendered	(27,656)	(1,566,703)	(1,594,359)	(963,778)	9	(2,558,137)
Gross (loss)/profit	(5,283)	966,151	960,868			(2,910)
Other income	813,201	7,726	820,927			820,927
Gain on bargain purchase	–	–	–	1,283,368	2	1,283,368
Exploration expenditure	–	(40,423)	(40,423)			(40,423)
Oil exploitation expenses	(258,761)	–	(258,761)			(258,761)
Administrative expenses	(259,368)	(153,044)	(412,412)	(92,085)	10	(504,497)
Other operating expenses	–	(84,760)	(84,760)			(84,760)
Profit from operations	289,789	695,650	985,439			1,212,944
				56,018	8	
Finance costs	(522)	(68,583)	(69,105)	(228,160)	11	(241,247)
Profit before tax	289,267	627,067	916,334			971,697
Income tax (expense)/credit	(146,003)	(23,563)	(169,566)	343,775	12	174,209
Profit for the year from continuing operations	143,264	603,504	746,768			1,145,906
Discontinued operations						
Loss for the year from discontinued operations	(41,196)	–	(41,196)			(41,196)
Profit for the year	102,068	603,504	705,572			1,104,710

	The Group HK$'000	The Business HK$'000	Sub-total HK$'000	Pro forma adjustments HK$'000	Notes	The Enlarged Group HK$'000
Attributable to:						
Owners of the Company						
				1,283,368	2	
				56,018	8	
				(963,778)	9	
				(92,085)	10	
				(228,160)	11	
Profit from continuing operations	154,152	603,504	757,656	343,775	12	1,156,794
Loss from discontinued operations	(41,896)	–	(41,896)			(41,896)
Profit attributable to owners of the Company	112,256	603,504	715,760			1,114,898
Non–controlling interests						
Loss from continuing operations	(10,888)	–	(10,888)			(10,888)
Profit from discontinued operations	700	–	700			700
Loss attributable to non-controlling interests	(10,188)	–	(10,188)			(10,188)
Profit for the year	102,068	603,504	705,572			1,104,710

C. UNAUDITED PRO FORMA CONSOLIDATED STATEMENT OF FINANCIAL POSITION OF THE ENLARGED GROUP AS AT 31 DECEMBER 2010

	The Group	The Business	Sub-total	Pro forma adjustments	Notes	The Enlarged Group
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*		*HK$'000*
Non–current assets						
Property, plant and equipment	182,048	1,386,447	1,568,495			1,568,495
Intangible assets	4,518,718	1,391,769	5,910,487	4,664,546	3	10,575,033
Exploration and evaluation expenditure	–	150,507	150,507			150,507
Long-term advances, deposits and prepayments	–	6,443	6,443	(6,443)	1	–
Deferred taxation	–	19,981	19,981	(19,981)	1	–
Other assets	780,000	–	780,000	(780,000)	6	–
	5,480,766	2,955,147	8,435,913			12,294,035
Current assets						
Inventories	1,455	478,771	480,226			480,226
Trade and other receivables	145,637	502,946	648,583	(494,314)	1	154,269
Advances, deposits and prepayments	–	17,319	17,319			17,319
Due from concessions, net	–	44,779	44,779	(44,779)	1	–
Financial assets at fair value through profit or loss	3,387	–	3,387			3,387
Taxes recoverable	–	93,295	93,295	(93,295)	1	–
Pledged bank deposits	385,097	–	385,097			385,097
				(5,175)	1	
Bank and cash balances	845,172	5,175	850,347	(257,960)	6	587,212
	1,380,748	1,142,285	2,523,033			1,627,510

	The Group HK$'000	The Business HK$'000	Sub-total HK$'000	Pro forma adjustments HK$'000	*Notes*	The Enlarged Group HK$'000
Current liabilities						
				(391,495)	1	
Trade and other payables	223,384	425,736	649,120	92,085	10	349,710
Accrued interest	–	1,053	1,053	(1,053)	1	–
Due to directors	6,501	–	6,501			6,501
Bank loan	23,676	–	23,676			23,676
Current tax liabilities	721	–	721			721
	254,282	426,789	681,071			380,608
Net current assets	1,126,466	715,496	1,841,962			1,246,902
Total assets less current liabilities	6,607,232	3,670,643	10,277,875			13,540,937
Non-current liabilities						
Deferred tax liabilities	1,084,156	–	1,084,156	535,776	5	1,619,932
				(2,172,431)	1	
Long term loans	–	2,172,431	2,172,431	4,960,000	6	4,960,000
Long term provision – decommissioning costs	–	246,646	246,646			246,646
	1,084,156	2,419,077	3,503,233			6,826,578
NET ASSETS	5,523,076	1,251,566	6,774,642			6,714,359
Capital and reserves						
Share capital	127,771	–	127,771			127,771
				1,283,368	2	
				(1,251,566)	7	
Reserves	4,997,649	1,251,566	6,249,215	(92,085)	10	6,188,932
Equity attributable to owners of the Company	5,125,420	1,251,566	6,376,986			6,316,703
Non-controlling interests	397,656	–	397,656			397,656
TOTAL EQUITY	5,523,076	1,251,566	6,774,642			6,714,359

D. UNAUDITED PRO FORMA CONSOLIDATED STATEMENT OF CASH FLOWS OF THE ENLARGED GROUP FOR THE YEAR ENDED 31 DECEMBER 2010

	The Group	The Business	Sub-total	Pro forma adjustments	*Notes*	The Enlarged Group
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*		*HK$'000*
CASH FLOWS FROM OPERATING ACTIVITIES						
(Loss)/profit before tax						
				1,283,368	2	
				(963,778)	9	
				(92,085)	10	
				(228,160)	11	
– Continuing operations	289,267	627,067	916,334	56,018	8	971,697
– Discontinued operations	(41,193)	–	(41,193)			(41,193)
	248,074	627,067	875,141			930,504
Adjustments for:						
				228,160	11	
Finance costs	522	73,396	73,918	(56,018)	8	246,060
Fair value loss on financial assets at fair value through profit or loss	413	–	413			413
Depreciation	25,962	528,726	554,688			554,688
Amortisation of intangible assets	197,393	702,548	899,941	963,778	9	1,863,719
Interest income	(14,017)	–	(14,017)			(14,017)
Impairment losses on intangible assets	4,131	–	4,131			4,131
Reversal of impairment losses on intangible assets	(753,056)	–	(753,056)			(753,056)
Equity-settled share-based payments	116,902	–	116,902			116,902
Impairment losses on advances to oil exploitation project	47,580	–	47,580			47,580
Loss/(gain) on disposals of property, plant and equipment	9	(2,366)	(2,357)			(2,357)
Loss on disposal of a subsidiary	43,608	–	43,608			43,608
Gain on bargain purchase	–	–	–	(1,283,368)	2	(1,283,368)

	The Group	The Business	Sub-total	Pro forma adjustments	*Notes*	The Enlarged Group
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*		*HK$'000*
Operating (loss)/profit before working capital changes	(82,479)	1,929,371	1,846,892			1,754,807
Decrease/(increase) in inventories	6,023	(128,405)	(122,382)			(122,382)
(Increase)/decrease in trade and other receivables	(118,774)	319,290	200,516			200,516
Decrease in due from concessions, net	–	85,186	85,186	(85,186)	13	–
Increase in advances, deposits and prepayments	–	(3,071)	(3,071)			(3,071)
Decrease in long term advances, deposits and prepayments	–	4,351	4,351			4,351
Increase/(decrease) in trade and other payables	244,035	(67,452)	176,583			176,583
Decrease in amounts due to directors	(945)	–	(945)			(945)
Cash generated from operations	47,860	2,139,270	2,187,130			2,009,859
Decommissioning cost incurred	–	(920)	(920)			(920)
Interest paid	(522)	–	(522)			(522)
Income taxes paid	(1,691)	(362,909)	(364,600)			(364,600)
Net cash generated from operating activities	45,647	1,775,441	1,821,088			1,643,817

	The Group	The Business	Sub-total	Pro forma adjustments	*Notes*	The Enlarged Group
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*		*HK$'000*
CASH FLOWS FROM INVESTING ACTIVITIES						
Deposits paid for acquisition of an upstream oil and gas business in Pakistan	(780,000)	–	(780,000)	780,000	14	–
Acquisition of the Business	–	–	–	(5,997,960)	14	(5,997,960)
Increase in pledged bank deposits	(380,417)	–	(380,417)			(380,417)
Disposal of a subsidiary	(72,527)	–	(72,527)			(72,527)
Purchases of property, plant and equipment	(136,478)	(567,952)	(704,430)			(704,430)
Proceeds from disposals of property, plant and equipment	–	10,313	10,313			10,313
Interest received	14,017	–	14,017			14,017
Net cash used in investing activities	(1,355,405)	(557,639)	(1,913,044)			(7,131,004)
CASH FLOWS FROM FINANCING ACTIVITIES						
Bank loan raised	23,464	–	23,464	4,960,000	14	4,983,464
Interest paid	–	(49,967)	(49,967)	(228,160)	11	(278,127)
Remittances to existing owners	–	(977,563)	(977,563)	977,563	13	–
Repayment of long term loan	–	(388,445)	(388,445)	388,445	13	–
Net cash generated from/(used in) financing activities	23,464	(1,415,975)	(1,392,511)			4,705,337

	The Group *HK$'000*	The Business *HK$'000*	Sub-total *HK$'000*	Pro forma adjustments *HK$'000*	*Notes*	The Enlarged Group *HK$'000*
NET DECREASE IN CASH AND CASH EQUIVALENTS	(1,286,294)	(198,173)	(1,484,467)			(781,850)
Effect of foreign exchange rate changes	13,474	391	13,865			13,865
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR	2,117,992	202,957	2,320,949	(202,957)	13	2,117,992
CASH AND CASH EQUIVALENTS AT END OF YEAR, REPRESENTED BY BANK AND CASH BALANCES	845,172	5,175	850,347			1,350,007

E. NOTES TO THE UNAUDITED PRO FORMA FINANCIAL INFORMATION OF THE ENLARGED GROUP

1. The adjustment reflects the elimination of the assets and liabilities included in the combined statement of net assets of the Business as at 31 December 2010 which will not be acquired or assumed by the Enlarged Group pursuant to the agreement of the Acquisition dated 14 December 2010 (the "Acquisition Agreement").

2. Upon completion of the Acquisition, the identifiable assets and liabilities of the Business will be accounted for in the consolidated financial statements of the Enlarged Group at their fair values as required by the acquisition method in accordance with Hong Kong Financial Reporting Standard 3 (Revised) "Business Combinations". Details of the identifiable assets and liabilities of the Business to be accounted for in the consolidated financial statements of the Enlarged Group and the calculation of gain on bargain purchase are as follows:

	Carrying amounts of the identifiable assets and liabilities as at 31 December 2010	Fair value adjustments on the identifiable assets and liabilities	Fair values of the identifiable assets and liabilities	
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
		(Note 3 & 5)		
Base consideration				6,006,250
Adjustment to the consideration				(8,290)
Net consideration				5,997,960
Less: identifiable assets and liabilities to be acquired or assumed				
– Property, plant and equipment	1,386,447		1,386,447	
– Intangible assets	1,391,769	4,664,546	6,056,315	
– Exploration and evaluation expenditure	150,507		150,507	
– Inventories	478,771		478,771	
– Trade and other receivables	8,632		8,632	
– Advances, deposits and prepayments	17,319		17,319	
– Trade and other payables	(34,241)		(34,241)	
– Long term provision-decommissioning costs	(246,646)		(246,646)	
– Deferred tax liabilities	–	(535,776)	(535,776)	7,281,328
Gain on bargain purchase				1,283,368

Pursuant to the Acquisition Agreement, the adjustment to the consideration of approximately HK$8,290,000 represents the reduction of consideration in connection with the specified current assets and current liabilities of the Business as at 31 December 2010 to be acquired or assumed by the Enlarged Group, exclusive of Business's cash and cash equivalents and inventories. The details of specified current assets and current liabilities as at 31 December 2010 to be acquired or assumed are as follows:

	HK$'000
Trade and other receivables	8,632
Advances, deposits and prepayments	17,319
Trade and other payables	(34,241)
Adjustment to the consideration	(8,290)

The adjustment represents recognition of gain on bargain purchase as a result of the Acquisition. Since the fair values of the assets and liabilities of the Business as at the date of completion of the Acquisition may be different from their fair values used in the preparation of the unaudited pro forma financial information presented above, the actual gain on bargain purchase arising from the Acquisition, if any, may be different from the estimated amount as presented above. The adjustment has no continuing effects on the consolidated income statement and consolidated statement of cash flows of the Enlarged Group.

3. The adjustment on intangible assets of approximately HK$4,664,546,000 represents excess of fair values of intangible assets of the Business over its carrying amounts as at 31 December 2010. The fair value of the intangible assets as at 31 December 2010 are determined based on the valuation carried out by an independent valuer, DeGolyer and MacNaughton.

   The directors of the Company have assessed whether there is any indication that intangible assets of the Enlarged Group may be impaired as at 31 December 2010 on a pro forma basis, in accordance with Hong Kong Accounting Standard 36 ("HKAS 36") "Impairment of Assets". The directors of the Company have concluded that there is no impairment indication in respect of the intangible assets of Business with reference to the valuation report of DeGolyer and MacNaughton. The reporting accountants of the unaudited pro forma financial information concur with the directors' assessment of impairment of intangible assets in the unaudited pro forma financial information.

Upon completion of the Acquisition and in subsequent reporting periods, valuation of the intangible assets will be performed for the purpose of determining the fair value or recoverable amount of the intangible assets. The directors of the Company confirmed that they will apply consistent accounting policies and principal assumptions to assess impairment of intangible assets in subsequent reporting periods in accordance with the requirement of HKAS 36.

4. In addition to the assessment of impairment on the intangible assets as mentioned in note 3 above, the directors of the Company have performed assessment of impairment on the other underlying assets to be acquired as a result of the Acquisition and have concluded that there is no impairment indication in respect of the other underlying assets to be acquired with reference to the audited financial information presented in the accountants' report of the Business. The reporting accountants of the unaudited pro forma financial information concur with these assessments of impairment in the unaudited pro forma financial information.

5. The adjustment represents the deferred tax liabilities of approximately HK$535,776,000 provided at the applicable tax rate of 50%, after considering the accounting amounts as at 31 December 2010 and the estimated amounts of tax bases of oil and gas properties in property, plant and equipment and intangible assets of the Business in the sum of approximately HK$7,279,338,000 and approximately HK$6,207,786,000 respectively, to reflect the deferred tax effect on such items as if the Acquisition had been taken place on 31 December 2010.

6. The adjustment represents the net consideration paid for the Acquisition, which is satisfied by (a) utilizing of deposits paid for the Acquisition which amounted to approximately HK$780,000,000; (b) new long term bank loans of approximately HK$4,960,000,000 and (c) cash of approximately HK$257,960,000. For the purpose of preparing the unaudited pro forma consolidated statement of financial position, it is assumed that the long term bank loans had been raised on 31 December 2010 for the Acquisition.

7. The adjustment represents the elimination of the pre-acquisition reserves of the Business.

8. Pursuant to the Acquisition Agreement, the long term loans and workers' profits participation fund in trade and other payables included in the combined statement of net assets of the Business as at 31 December 2010 are not acquired or assumed by the Enlarged Group upon completion of the Acquisition. The adjustment represents the corresponding interests on the long term loans and workers' profits participation fund in the sum of

approximately HK$56,018,000 included in the combined statement of comprehensive income and statement of cash flows of the Business for the year ended 31 December 2010 being therefore eliminated. The adjustment has no continuing effects on the consolidated income statement and consolidated statement of cash flows of the Enlarged Group.

9. The adjustment represents the additional amortisation expenses arising from the recognition of the intangible assets as mentioned in note 3 above. The additional amortisation expense is computed based on unit of production method over the proved developed and proved undeveloped reserves of petroleum. The adjustment has continuing effects on the consolidated income statement and consolidated statement of cash flows of the Enlarged Group.

10. The adjustment represents the estimated amount of legal and professional expenses directly attributable to the Acquisition and the relevant accruals. The adjustment has no continuing effects on the consolidated income statement and consolidated statement of cash flows of the Enlarged Group.

11. The adjustment represents the estimated finance costs on the new long term bank loan borrowed for financing the Acquisition as mentioned in note 6 above. The interest was computed based on the assumed interest rate of 4.6% per annum, representing LIBOR plus 420 basis points as mentioned in the agreed form of facility agreement attached to a commitment letter dated 21 June 2011 between China Development Bank Corporation and the Group. For the purpose of preparing the unaudited pro forma consolidated income statement and consolidated statement of cash flows, it is assumed that the long term bank loans had been raised on 1 January 2010. The adjustment has continuous effect on the consolidated income statement and consolidated statement of cash flows of the Enlarged Group.

12. The adjustment reflects the revision of the income tax expenses of the Business after considering the increased or decreased expenses as mentioned in notes 8, 9, 10 and 11 above. The details are as follows:

	HK$'000
Adjustment to current tax of the Business	(110,930)
Adjustment to deferred tax of the Business	454,705
Adjustment to the income tax credit of the Business	343,775

13. The adjustment represents the elimination of bank and cash balances, decrease in due from concessions, net, remittances to existing owners and repayment of long term loans presented in the combined statement of cash flows of the Business for the year ended 31 December 2010 as such assets or liabilities are not acquired or assumed at the Acquisition and no such cash flows are expected.

14. The adjustment reflects the settlement of purchase consideration of approximately HK$5,997,960,000 for the Acquisition as mentioned in note 6 above.

15. Translation of US$ into HK$ is made at the average rate of US$1 = HK$7.7689 for the preparation of the unaudited pro forma consolidated income statement and unaudited pro forma consolidated statement of cash flows of the Enlarged Group and the closing rate of US$1 = HK$7.75 for the preparation of unaudited pro forma consolidated statement of financial position of the Enlarged Group.

F. ACCOUNTANTS' REPORT ON UNAUDITED PRO FORMA FINANCIAL INFORMATION

The following is the text of a report, prepared for the sole purpose of inclusion in this circular, from the independent reporting accountants, RSM Nelson Wheeler, Certified Public Accountants, Hong Kong.

RSM Nelson Wheeler
中瑞岳華（香港）會計師事務所
Certified Public Accountants

29th Floor
Caroline Centre
Lee Gardens Two
28 Yun Ping Road
Hong Kong

24 June 2011

The Board of Directors
United Energy Group Limited

Dear Sirs,

We report on the unaudited pro forma financial information of United Energy Group Limited (the "Company") and its subsidiaries (hereinafter collectively referred to as the "Group"), which has been prepared by the directors of the Company, for illustrative purposes only, to provide information about how the proposed acquisition of the upstream oil and gas businesses in Pakistan (the "Business") might have affected the financial information of the Group presented, for inclusion in Appendix III to the circular of the Company dated 24 June 2011 (the "Circular"). The basis of preparation of the unaudited pro forma financial information is set out on page III-1 to III-14 to the Circular.

Respective Responsibilities of Directors of the Company and Reporting Accountants

It is the responsibilities solely of the directors of the Company to prepare the unaudited pro forma financial information in accordance with paragraph 29 of Chapter 4 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules") and with reference to Accounting Guideline 7 "Preparation of Pro Forma Financial Information for Inclusion in Investment Circulars" issued by the Hong Kong Institute of Certified Public Accountants (the "HKICPA").

It is our responsibility to form an opinion, as required by paragraph 29(7) of Chapter 4 of the Listing Rules, on the unaudited pro forma financial information and to report our opinion to you. We do not accept any responsibility for any reports previously given by us on any financial information used in the compilation of the unaudited pro forma financial information beyond that owed to those to whom those reports were addressed by us at the dates of their issue.

Basis of opinion

We conducted our engagement in accordance with Hong Kong Standard on Investment Circular Reporting Engagements 300 " Accountants' Reports on Pro Forma Financial Information in Investment Circulars" issued by the HKICPA. Our work consisted primarily of comparing the unadjusted financial information with source documents, considering the evidence supporting the adjustments and discussing the unaudited pro forma financial information with the directors of the Company. The engagement did not involve independent examination of any of the underlying financial information.

We planned and performed our work so as to obtain the information and explanations we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the unaudited pro forma financial information has been properly compiled by the directors of the Company on the basis stated, that such basis is consistent with the accounting policies of the Group and that the adjustments are appropriate for the purposes of the unaudited pro forma financial information as disclosed pursuant to paragraph 29(1) of Chapter 4 of the Listing Rules.

The unaudited pro forma financial information is for illustrative purposes only, based on the judgements and assumptions of the directors of the Company, and, because of its hypothetical nature, does not provide any assurance or indication that any event will take place in the future and may not be indicative of:

- the financial position of the Group as at 31 December 2010 or any future date; or

- the results and cash flows of the Group for the year ended 31 December 2010 or any future periods.

Opinion

In our opinion:

(a) the unaudited pro forma financial information has been properly compiled by the directors of the Company on the basis stated;

(b) such basis is consistent with the accounting policies of the Group; and

(c) the adjustments are appropriate for the purposes of the unaudited pro forma financial information as disclosed pursuant to paragraph 29(1) of Chapter 4 of the Listing Rules.

Yours faithfully,

RSM Nelson Wheeler
Certified Public Accountants
Hong Kong

A. MANAGEMENT DISCUSSION AND ANALYSIS ON THE BUSINESS

1. For the year ended 31 December 2008

Results

The Business had conducted normal business during the year and generated net turnover of HK$3.1 billion. The Business recorded a profit after tax of approximately HK$1.3 billion. Expenditure comprised of non-cash items, cash costs and taxation of HK$0.7 billion, HK$0.7 billion and HK$0.4 billion respectively. Production during the year was 36.4 MMboe/d and average realized price of oil and gas was US$82.6 per barrel and US$3.3 per Mscf respectively.

Business Review

The Business is principally engaged in exploration and production of upstream petroleum and liquid petroleum gas in Pakistan and holds working interests in various petroleum concession agreements (onshore) and production sharing agreements (offshore) in Pakistan.

During the year, the Business had acquired the working interests of Orient Petroleum International Inc ("OPII") in two onshore concessions namely the MKK Concessions and also acquired an LPG plant. Consequent to such acquisition of working interest, the operatorship of the MKK Concessions transferred from OPII to the Business effective 1 January 2009.

During the year, the Business and a state-owned exploration and production company (Oil & Gas Development Company Limited "OGDCL"), entered into a "Cross Assignment Agreement" for revision in their participating interests in Offshore Blocks and transfer of operatorship of Block S from OGDCL to the Business.

Capital structure, liquidity and financial resources

As at 31 December 2008, the total assets of the Business amounted to approximately HK$5.1 billion comprising non-current assets of approximately HK$2.3 billion and current assets of approximately HK$2.8 billion. The non-current assets mainly comprised property, plant and equipment, intangible assets-concession rights & long term advances, deposits and prepayments of HK$1.1 billion, HK$1.2 billion and HK$0.01 billion respectively. The current assets mainly comprised inventories, receivables and cash & bank balances of HK$0.3 billion, HK$2.4 billion and HK$0.05 billion respectively.

Receivables balance HK$2.4 billion includes the advance payment made to OPII HK$1.4 billion in respect of acquisition of working interest in the MKK Concessions and the LPG plant.

Total liabilities of the Business amounted to approximately HK$3.4 billion comprising non-current liabilities of approximately HK$2.8 billion and current liabilities of approximately HK$0.6 billion. Non-current liabilities comprised long term loans, decommissioning cost provision of HK$2.6 billion, HK$0.2 billion and deferred taxation of HK$0.04 billion. Current liabilities comprised trade and other payables of HK$0.5 billion and taxation and other payables to Government of HK$0.08 billion.

The long term loans of HK$2.6 billion were obtained to finance the acquisition of working interest of OPII in the MKK Concessions and the LPG plant in 2008 and the acquisition of working interests of Occidental Petroleum (Pakistan) Inc. and Occidental Oil & Gas Pakistan LLC. in the Badin Concessions in 2007.

As at 31 December 2008, the Business did not have any loan/borrowing from banks or other material contingent liabilities.

The Business's funding and treasury policies are established, with sufficient availability of funds at all times to meet all contractual commitments and fund its business development. The Business also had support provided by its holding company.

The Business's transactions were mainly denominated in United States Dollars and Pakistan Rupees. The Business manages its currency risk by close monitoring of currency markets and expected currency movements and adjusts timing of payments accordingly.

Material investments, acquisitions & disposals

Other than acquisition of working interest in the MKK Concessions, the LPG plant and assignment of participating interests in offshore blocks, as noted above, the Business had not made any other material investments or acquisitions and/or any disposals during the year.

Human Resources

As at 31 December 2008, the Business had a total of 450 employees and the total staff costs for the period was HK$128 million. Salaries of employees were maintained at a competitive level and the Business continued to review remuneration packages of employees with reference to general market condition and individual performance. Remuneration packages primarily comprised salaries, bonuses and retirement benefits.

2. For the year ended 31 December 2009

Results

The Business had conducted normal business during the year and generated net turnover of HK$2.7 billion. The Business recorded a profit after tax of approximately HK$0.9 billion. Expenditure comprised of non-cash items, cash costs and taxation of HK$0.9 billion, HK$0.7 billion and HK$0.2 billion respectively. Production during the year was 39.7 MMboe/d and average realized price of oil and gas was US$54.5 per barrel and US$3.1 per Mscf respectively.

Decrease in turnover in 2009 as compared to 2008 was the net result of increase in sales quantity by 7% and reduction in prices by 18% approximately, as noted above. Increase in non-cash expenditure in 2009 as compared to 2008 was primarily due to increase in depreciation, depletion and amortisation charge based on addition of the MKK Concessions in 2009. Decrease in tax provision represents the booking of prior years' tax exposures of the Business in 2008. No such provision was booked in 2009.

Business Review

During the year, on 6 February 2009, on fulfillment of conditions relating to revision in participating interests in various Offshore Blocks, the Deed of Assignment, Joint Operating Agreement and the Novation Agreement were signed by OGDCL, the Business and DGPC.

Capital structure, liquidity and financial resources

As at 31 December 2009, the total assets of the Business amounted to approximately HK$5.1 billion comprising non-current assets of approximately HK$3.6 billion and current assets of approximately HK$1.5 billion. The non-current assets mainly comprised property, plant & equipment, intangible assets-concession rights, exploration & evaluation asset & long term advances, deposits & prepayments of HK$1.5 billion, HK$2.1 billion, HK$0.005 billion and HK$0.01 billion respectively. The current assets mainly comprised inventories, receivables and cash & bank balances of HK$0.35 billion, HK$0.96 billion and HK$0.2 billion respectively.

The increase in property, plant & equipment and intangible assets-concession rights in 2009 as compared to 2008 was the result of acquisition of working interest in the MKK Concessions by Business. Decrease in receivables balance in 2009 as compared to 2008 was the result of settlement of advance payment made to OPII against acquired assets related to the MKK concessions and LPG plant.

Total liabilities of the Business amounted to approximately HK$3.5 billion comprising non-current liabilities of approximately HK$3.0 billion and current liabilities of approximately HK$0.5 billion. Non-current liabilities comprised long term loans, decommissioning cost provision of HK$2.6 billion, HK$0.2 billion and deferred taxation of HK$0.2 billion. Current liabilities comprised trade & other payables of HK$0.48 billion and Taxation & other payables to Government of HK$0.04 billion.

As at 31 December 2009, the Business did not have any loan/borrowing from banks or other material contingent liabilities.

The Business's funding and treasury policies are established, with sufficient availability of funds at all times to meet all contractual commitments and fund its business development. The Business also had support provided by its holding company.

The Business's transactions were mainly denominated in United States Dollars and Pakistan Rupees. The Business manages its currency risk by close monitoring of currency markets and expected currency movements, and adjusting timing of payments accordingly.

Material investments, acquisitions & disposals

Other than finalization of formalities relating to revision in participating interests in offshore blocks, as noted above, the Business had not made any other material investments or acquisitions and/or any disposals during the year.

Human Resources

As at 31 December 2009, the Business had a total of 549 employees and the total staff costs for the period was HK$139 million. Salaries of employees were maintained at a competitive level and the Business continued to review remuneration packages of employees with reference to general market condition and individual performance. Remuneration packages primarily comprised salaries, bonuses and retirement benefits.

3. For the year ended 31 December 2010

Results

The Business had conducted normal business during the year and generated net turnover of HK$2.5 billion. The Business recorded a profit after tax of approximately HK$0.6 billion. Expenditure comprised of non-cash items, cash costs and taxation of HK$1.2 billion, HK$0.65 billion and HK$0.02 billion respectively. Production during the year was 34.2 MMboe/d and average realized price of oil and gas was US$69.3 per barrel and US$3.1 per Mscf respectively.

Decrease in turnover in 2010 as compared to 2009 was the net result of decrease in sales quantity by 14% and increase in prices by 10% approximately, as noted above. The change in tax provision was a consequential impact of the change in revenue and costs as given above and reversal of deferred tax.

Business Review

During the year, on 16 February 2010, the President of Pakistan granted two onshore exploration licenses to the Business. Although the current working interest of the Business in both concessions is 100%, the Business has an obligation to transfer 25% working interest to Pakistan owned company, thereby reducing the interest to 75% and be reimbursed historical cost associated with such interest.

During the year, on 14 December 2010, the Sellers entered into the Acquisition Agreement with the Buyer to sell the Business. Further particulars of the Acquisition are set out in the Letter of the Board of this circular.

Capital structure, liquidity and financial resources

As at 31 December 2010, the total assets of the Business amounted to approximately HK$4.1 billion comprising non-current assets of approximately HK$3.0 billion and current assets of approximately HK$1.1 billion. The non-current assets mainly comprised property, plant & equipment, intangible assets-concession & lease rights, exploration & evaluation expenditure & long term advances, deposits & prepayments and deferred taxation of HK$1.4 billion, HK$1.4 billion, HK$0.15 billion, HK$0.006 billion and HK$0.02 billion respectively. The current assets mainly comprised inventories, receivables and cash & bank balances of HK$0.48 billion, HK$0.6 billion and HK$0.005 billion respectively.

Total liabilities of the Business amounted to approximately HK$2.8 billion comprising non-current liabilities of approximately HK$2.4 billion and current liabilities of approximately HK$0.4 billion. Non-current liabilities comprised long term loans of HK$2.2 billion and decommissioning cost provision of HK$0.2 billion. Current liabilities comprised trade and other payables of HK$0.4 billion.

Decrease in long term loans in 2010 was due to the repayment of loan of US$50 million by the Business.

As at 31 December 2010, the Business did not have any loan/borrowing from banks or other material contingent liabilities.

The Business's funding and treasury policies are established, with sufficient availability of funds at all times to meet all contractual commitments and fund its business development. The Business also had support provided by its holding company.

The Business's transactions were mainly denominated in United States Dollars and Pakistan Rupees. The Business manages its currency risk by close monitoring of currency markets and expected currency movements and adjusts timing of payments accordingly.

Material investments, acquisitions & disposals

Other than acquisition of two onshore licenses and disposal of Pakistan upstream assets to the Buyer, as noted above, the Business had not made any other material investments or acquisitions and/or any disposals during the year.

Human Resources

As at 31 December 2010, the Business had a total of 560 employees and the total staff costs for the period was HK$132 million. Salaries of employees were maintained at a competitive level and the Business continued to review remuneration packages of employees with reference to general market condition and individual performance. Remuneration packages primarily comprised salaries, bonuses and retirement benefits.

4. Future plans

The Company is continuing to refine its post-completion business plan to exploit the reserves and resources in Badin Concessions, MKK Concessions, DSS Concessions and the Offshore Blocks. The plans for the near term are likely to centre around refining the inventory of 173 leads, primarily in MKK Concessions identified by the Sellers following the completion of an extensive 3D seismic program and processing of the survey and regional geological studies. A total of 35 prospects and leads were identified in the Offshore Blocks by the Sellers which are also being assessed and graded.

After 2011 the Company expects to pursue the following activities:

- In respect of the Badin Concessions, manage the decline in production of the existing fields and explore new prospects identified from the reprocessing of 3D seismic data carried out in November 2010. The Company expects the bottom-up analysis of the 3D seismic and lead inventory to be completed by the end of 2011. In addition, the Company may explore some alternative artificial lift systems to the commonly used jet pumps and other enhanced recovery techniques.

- In respect of the MKK Conscssions, rank the inventory of leads by quality, and initiate prospect drilling (including 11 exploration and 6 development wells). In addition, the Business may add compression, plant upgrades, pipeline infrastructure, and perform work overs for existing production.

- In respect of the DSS Concessions, acquire and process new 3D seismic data and create an inventory of prospects and leads.

- In respect of the Offshore Blocks, the Company anticipates reviewing its strategic options in relation to progressing the development of the Offshore Blocks. The Company aims to prove-up the basin through further 3D seismic programs and, better reservoir definition and to consider planning for a test well. Once this has been achieved, the Company intends to consider all strategic alternatives including farm-outs, joint ventures or asset sales of some or all of the Offshore Blocks.

Over the next 2 years the capital expenditure is expected to focus on exploration activity in the MKK Concessions and DSS Concessions in line with the agreed minimum work commitments as disclosed above. To the extent that the results are not as successful as anticipated, the Company may decide to relinquish its exploration rights without completing the minimum work commitments, and it would be required to pay US$10,000 per uncompleted work unit. To the extent that the results are successful, then the Company can pursue a higher level of activity and associated spending with the approval of its joint venture partners but without the need for further approval from the Government of Pakistan. Decision making on investment will be guided by an assessment of economic returns above internal thresholds and within an acceptable level of risk and organisational capacity to deliver.

B. MATERIAL ADVERSE CHANGE

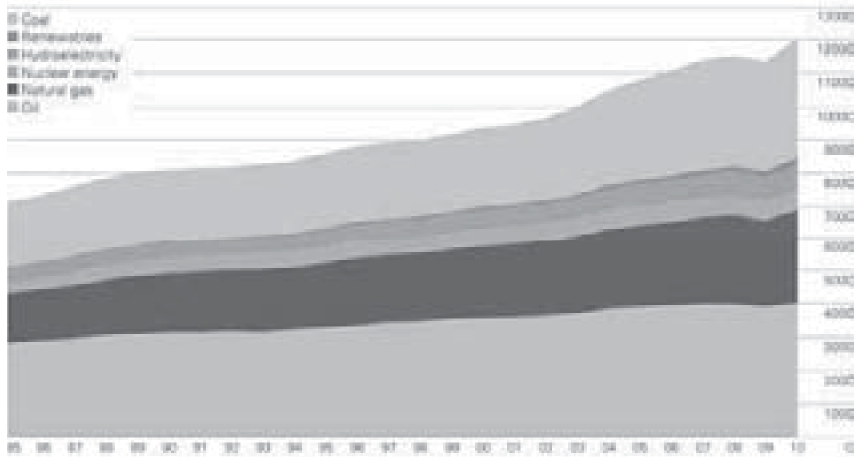
The Directors are not aware as at the Latest Practicable Date of any material adverse change having occurred since the effective date of the Competent Person's Report, being 1 January 2011.

C. INDUSTRY OVERVIEW

Overview of Global Consumption and Reserves

Increasing energy demand and robust oil prices continue to drive growth in the global oil and gas industry, supported by booming emerging market economies (including Brazil and China). According to the BP Statistical Review of World Energy (June 2011), oil and natural gas remain core sources of global energy supply, with oil and natural gas consumption representing 33.6% and 23.8% of total fuel consumption in 2009, respectively. The share of natural gas consumption is the highest on record.

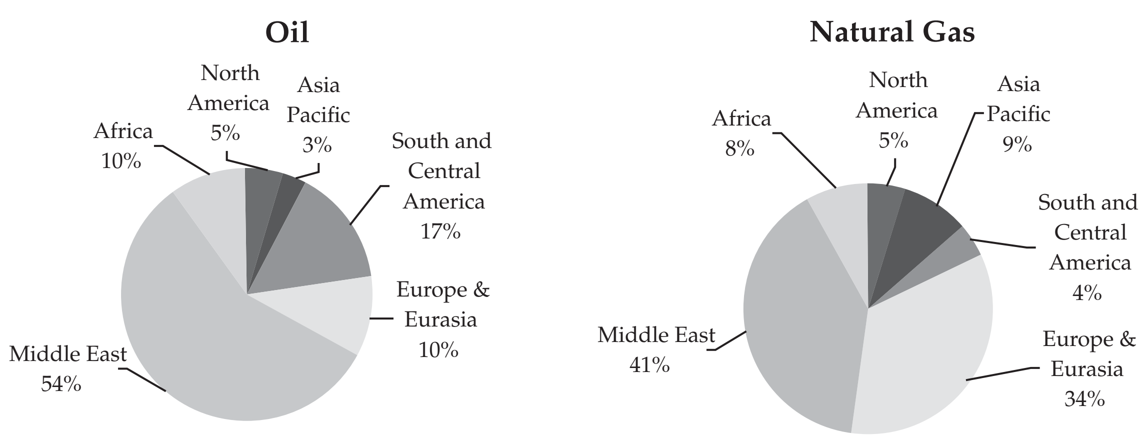
World Consumption (Million tonnes of oil equivalent)



Source: BP Statistical Review of World Energy (June 2011)

According to the BP Statistical Review of World Energy (June 2011), total proved oil reserves in the world amount to 1,383 thousand MMbbl. The Middle East region remains the largest source of proved oil reserves, accounting for almost 54% at 753 thousand MMbbl. With 45 thousand MMbbl, the Asia Pacific region accounts for 3% of the world's proved oil reserves. Total proved natural gas reserves in the world total 6,609 Tcf, with Europe & Eurasia and Middle East regions accounting for 34% and 41% respectively. With 572 Tcf, the Asia Pacific region accounts for 9% of the world's proved natural gas reserves.

Distribution of Proved Reserves

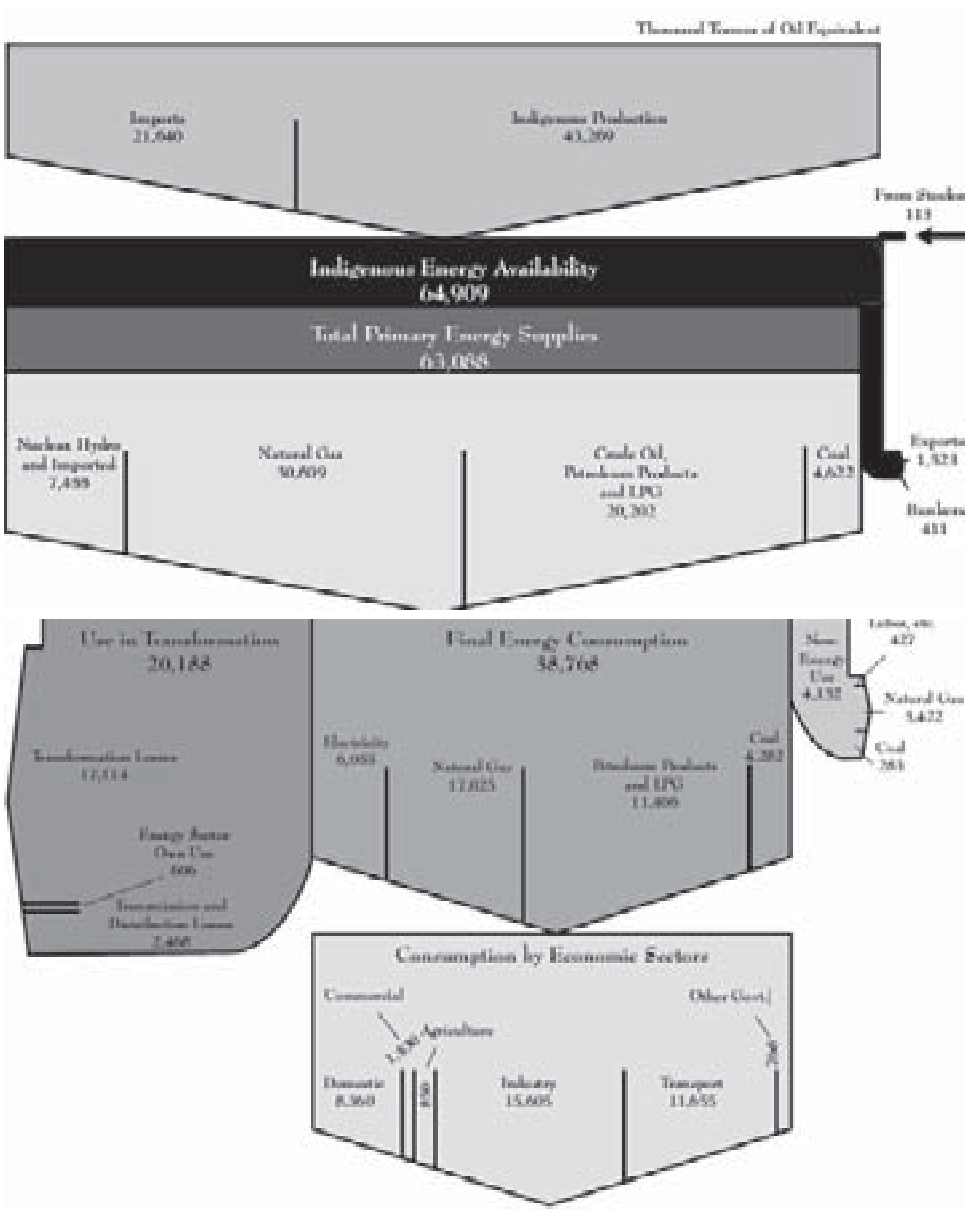


Source: BP Statistical Review of World Energy (June 2011)

Overview of the Pakistan Oil and Gas Industry

Pakistan covers over 800,000 km^2, an area approximately the combined land areas of France and the United Kingdom. Its eastern regions are located on the Indian tectonic plate and the western and northern regions on the Iranian plateau and Eurasian land plate. With an estimated population of 170 million, it is the world's sixth most populous country. Pakistan has the second largest economy in South Asia.

Energy Flow Chart 2010



Source: *Pakistan Energy Yearbook, Hydrocarbon Development Institute of Pakistan, December 2010*

Reserves

It is estimated that as of 30 June 2010, there were 306.6 MMbbl of recoverable oil reserves, 27.6 Tcf of recoverable natural gas reserves and 0.3 Tcf of recoverable associated gas reserves in Pakistan. Of these, the Sindh Province accounted for 71% of gas production in 2009/2010 and the Baluchistan, KPK and Punjab provinces accounted for the remaining 29%. According to the BP Statistical Review of World Energy (June 2011), Pakistan accounts for 0.4% of the world's total proved natural gas reserves and ranks sixth in terms of natural gas reserves in the Asia Pacific region.

Sedimentary Basins and Hydrocarbon Prospectivity

Pakistan is divided into 6 onshore and 2 offshore sedimentary basins. Onshore basins include Kohat-Potwar, Punjab Platform, Lower Indus/ Middle Indus, Kirthar Foldbelt, Sulaiman Foldbelt and Baluchistan. Offshore basins include Indus and Makran.

Kohat-Potwar (Upper Indus Basin)

This basin is located in Northern Pakistan, north of the Sargodha High. The basin has rocks ranging in age from Pre-Cambrian to recent. Total sedimentary thickness of the basin is up to 12,000 metres, holding potential for both oil and gas. A total of 166 exploration wells (including 5 currently active wells) have been drilled since 1900, resulting in 38 discoveries. Discovered oil and gas reserves of the basin as of June 2010, were approximately 545 MMbbl of oil and 5 Tcf of gas, respectively.

Punjab Platform

The Punjab Platform is separated from the Upper Indus Basin by the Sargodha High to the north, Mari-Kandhkot High to the south and Sulaiman Foredeep to the west. This basin has rocks ranging from Pre-Cambrian to recent age. Total sedimentary thickness of the basin ranges from a few hundred metres in the east to about 8,000 metres in the west. Punjab Platform is considered to have the potential for both oil and gas. Basin studies suggest that Punjab Platform may have production potential of 90 MMbbl of oil and 2 Tcf of gas.

Lower Indus/Middle Indus Basin

The Lower Indus/Middle Indus basin is located to the south of the Mari-Kandhkot High and to the east of the Kirthar Foldbelt. The basin has rocks from Pre-Cambrian to recent age. Total sedimentary thickness of the basin ranges from a few hundred metres in the east near the Nagar Parkar High to about 8,000 metres in the west. The southern-most part contains the most oil prone basins in Pakistan. A total of 412 exploration wells have been drilled since 1900, resulting in 178 discoveries. The basin's discovered oil and gas reserves are 400 MMbbl of oil and 17 Tcf of gas, as of June 2010.

Kirthar Foldbelt

The Kirthar Foldbelt has rocks from Triassic to recent age. Total sedimentary thickness of the basin is up to 12,000 metres. Discovered oil and gas reserves of the basin were 12 MMbbl and 5 Tcf respectively, as of June 2010. Approximately 53% of the basin is covered by exploration licenses or applications awaiting bidding.

Sulaiman Foldbelt

The Sulaiman Foldbelt is one of the most prospective regions of Pakistan. Total sedimentary thickness of the basin is up to 12,000 metres. Total discovered reserves of the basin to date are 35 MMbbl of oil and 27 Tcf of gas.

Baluchistan Basin

The Baluchistan Basin is the least explored basin of Pakistan. Total sedimentary thickness of the basin ranges from 5,000 to 10,000 metres. Despite covering more than 30% of the country's sedimentary area, only 6 exploration wells have been drilled, in each case, without success.

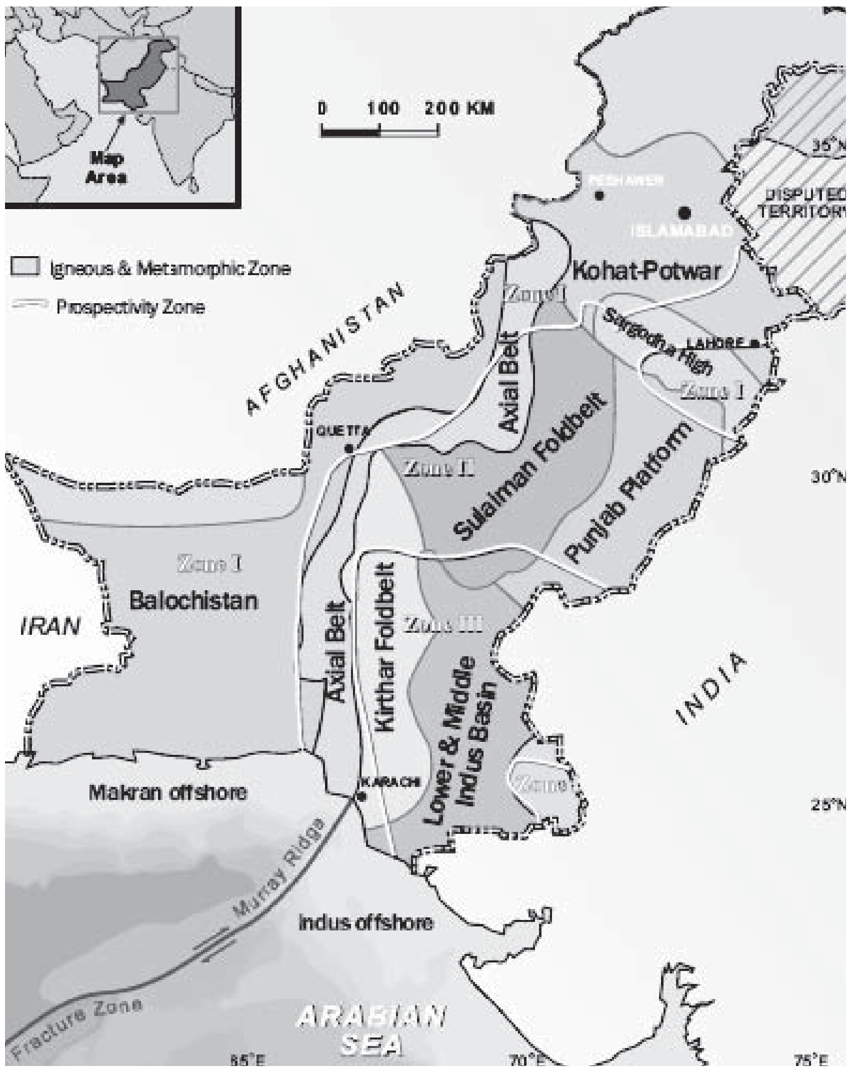
Offshore Indus Basin

The oldest rocks encountered in this basin are from the Eocene age, however, the basin may have rocks up to Pre-Cambrian age. Total sedimentary thickness of the basin is up to 12,000 metres. The Offshore Indus Basin holds considerable potential for hydrocarbon discoveries. Basin studies conducted by Pakistan Petroleum Limited suggests the basin may have potential reserves of 800 MMbbl of oil and 5 Tcf of gas.

Makran Offshore Basin

This basin is located along the Makran coast to the west of the Murray Ridge. The basin has rocks from Paleocene to recent age. Total sedimentary thickness of the basin is up to 12,000 metres. Currently there is no exploration activity in this basin.

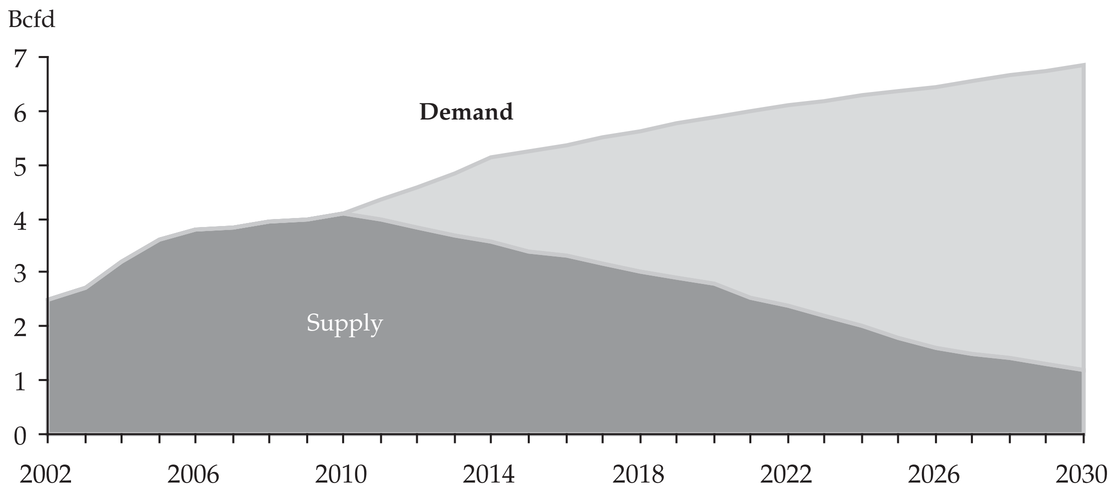
Hydrocarbon Basins in Pakistan



Source: Pakistan Petroleum Limited, March 2011

Supply and Demand Dynamics

Gas Demand and Supply Estimates in Pakistan

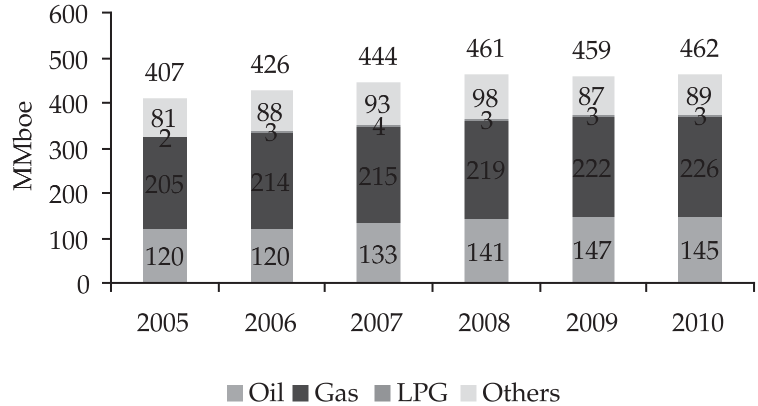


Source: Pakistan Petroleum Limited, March 2011

Oil and gas is the major energy source of Pakistan, contributing over 81% of the energy supply. The remaining 19% is derived from hydropower, coal, nuclear and imported power sources. Pakistan's oil and gas industry enjoys very favourable dynamics. As consumption growth outpaces production growth, Pakistan faces a significant energy deficit (~806 MMboe in the next ten years) and as a result, the Government of Pakistan imports approximately 33% of its energy requirements.

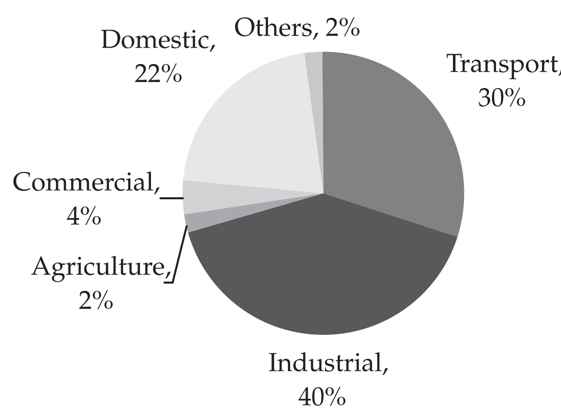
According to statistics released by the Hydrocarbons Development Institute of Pakistan, primary commercial energy supplies increased by 0.8%, from 459 MMboe in 2009 to 463 MMboe in 2010. The largest source of energy supply in Pakistan was natural gas (49%), followed by oil (31%), hydro electricity (11%), coal (7%), nuclear electricity (1%), LPG (1%) and imported electricity (0.1%). In terms of demand, energy consumption was the highest in the industrial sector (40%), followed by the transport sector (30%), domestic needs (22%) and others (8%).

Energy Supply by Source in Pakistan (2005 – 2010)



Source: Pakistan Energy Yearbook, Hydrocarbon Development Institute of Pakistan, December 2010

Energy Consumption by Sector in Pakistan for 2010 (284 MMboe)



Source: Pakistan Energy Yearbook, Hydrocarbon Development Institute of Pakistan, December 2010

During 2009, Pakistan consumed 151.0 MMbbl of oil, 250.0 MMboe of natural gas and 81.4 MMboe of coal, nuclear energy and hydro electricity. This was a 1.5% increase from its consumption in 2008 of 141.5 MMbbl of oil, 247.8 MMboe of natural gas and 86.5 MMboe of coal, nuclear energy and hydro electricity. This shows that Pakistan's energy consumption has a high dependence on oil and gas which is unlikely to lessen in future.

According to a pre-feasibility report prepared by PricewaterhouseCoopers and Hagler Bailly on the Iran-Pakistan gas pipeline in 2007, Pakistan's gas deficit, estimated at 200 MMcf/d, is expected to grow to 2,700 MMcf/d by 2015, 5,800 MMcf/d by 2020 and 10,300 MMcf/d by 2025. Gas supplies are expected to deplete rapidly from 2015 onwards when domestic supply will not be able to meet the country's demand.

In particular, Pakistan is expected to add 6,400MW of electricity projects to the national grid by December 2012. Approximately 65% of the projects are fuel oil-based whilst the remaining 35% are gas-based. Fuel oil projects are expected to consume 7,285 tonnes per day of fuel and oil, whilst gas projects are expected to consume 300 MMcf/d of gas. The situation therefore provides an opportunity for exploration & production firms to enhance exploration activities and cater to rising energy needs.

Given the deficit faced by the country, the Ministry of Petroleum and Natural Resources has been pursuing several options to increase oil and gas supply:

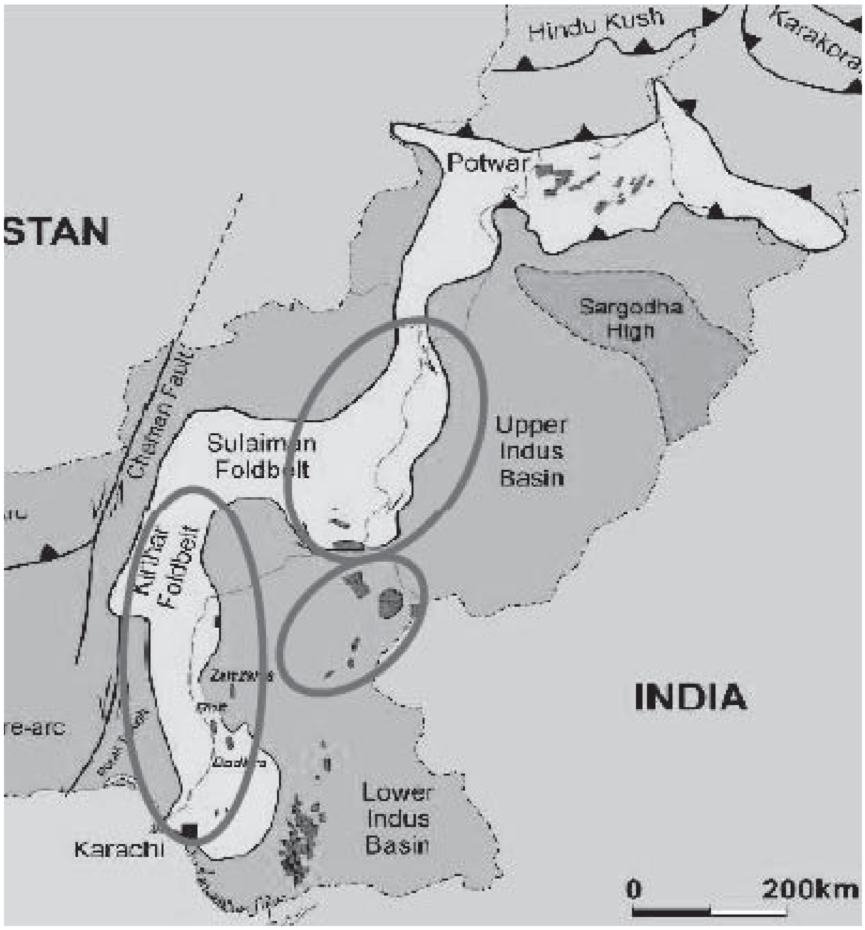
Import options

There are plans in place to pursue the import of gas through pipelines and liquefied natural gas projects from the neighbouring countries, such as Iran, Turkmenistan and Qatar. On 16 March 2010, Pakistan and Iran signed a US$7.6 billion bilateral gas sales and purchase agreement with Turkey to develop the Iran-Pakistan gas pipeline. The pipeline is expected to deliver 750 MMcf/d of gas by mid-2015 and will connect Iran's South Fars gas field with Pakistan's southern Baluchistan and Sindh provinces. There has not been any material development on the Turkmenistan and Qatar projects, where major investments would need to be secured to accelerate the process. Therefore, the timing of gas imports through cross border pipelines and liquefied natural gas imports remain uncertain.

Development of unconventional hydrocarbon resources

Pakistan plans to develop its unconventional hydrocarbon resources, such as tight gas. Tight gas refers to natural gas produced from reservoirs that have very low porosities (i.e. lower volume of void spaces that contain hydrocarbon content) and low permeability (i.e. lower ability of rocks to transfer hydrocarbon content). The process to extract tight gas requires complex drilling technology such as horizontal wells and multilateral wells and uses complex completion system and stimulation technology. However, development of tight gas may be justified with more fiscal and pricing incentives.

Tight Gas Reservoirs in Pakistan



Source: Pakistan Petroleum Limited, March 2011

Adopting pro-market and reform initiatives

From the early 2000s, the Government of Pakistan has implemented a pro-market exploration and development program to enhance domestic oil and gas production and supply. In particular, the Government of Pakistan adopted consistent policies aimed at promoting foreign investments in the upstream oil and gas sector. An attractive fiscal regime will provide incentives for foreign oil and gas companies to venture into areas, where little or no exploration activity has been conducted.

These government initiatives to stimulate domestic production included:

— promoting private investments in the upstream sector;

— gradually reducing its stake in key enterprises in the oil and gas sector, including Oil & Gas Development Company Limited and Pakistan Petroleum Limited;

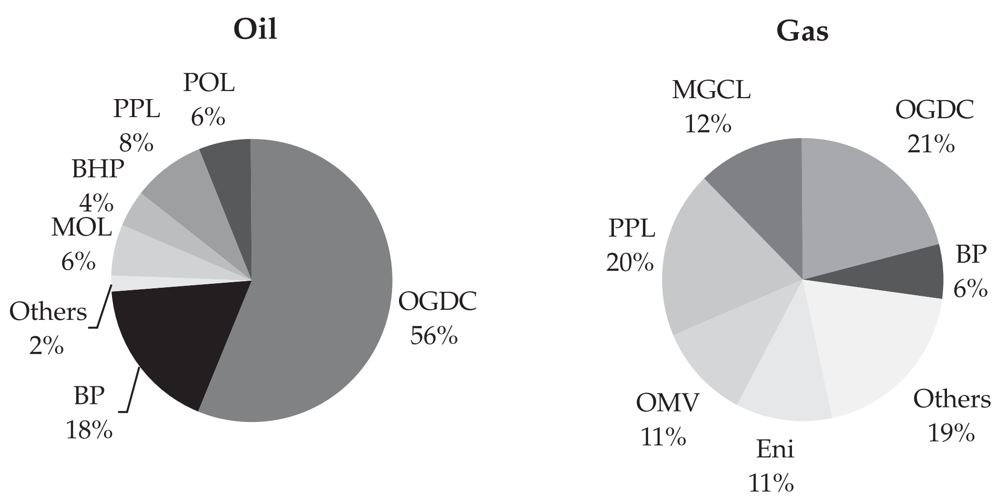
— deregulating most of the market for petroleum products;

— establishing a regulatory agency for the gas sector; and

— introducing market-related pricing policies.

Through these pro-market and reform initiatives, foreign investments in the upstream oil and gas sector remain robust and are dominated by the oil and gas majors, including BHP Billiton, Eni S.p.A, Orient Petroleum International Inc., OMV, Petronas, Tullow Oil plc and BP. These foreign operators account for approximately 24% of Pakistan's oil production and approximately 41% of its gas production in 2009/2010. Of which, BP is the leading foreign operator in Pakistan at 18% overall market share of oil production and 15% overall market share of gas production.

Share of Operators in Pakistan Oil and Gas Production



Source: DGPC, Pakistan Energy Yearbook, Hydrocarbon Development Institute of Pakistan, December 2010

Abbreviations:

OGDC — Oil & Gas Development Company Limited

POL — Pakistan Oilfields Limited

PPL — Pakistan Petroleum Limited

MGCL — Mari Gas Company Limited

Oil and Gas Infrastructure

There is one major 864 km oil pipeline in Pakistan, operated by Pak Arab Refinery Ltd and commissioned in 1982. A second pipeline system links the oil fields of the Upper Indus Basin to a refinery in the northern part of the country. Pakistan also has a highly developed gas infrastructure with approximately 10,000 km of transmission and 92,000 km of distribution lines. There are two principal gas transmission systems, covering the northern and southern parts of the country. The transmission system is sufficiently developed to absorb increased supplies from a major onshore or offshore discovery. The northern system is managed by Sui Northern Gas Limited Pipelines and the southern system is managed by Sui Southern Gas Company Limited.

D. REGULATORY FRAMEWORK IN PAKISTAN

The oil and gas industry in Pakistan is highly regulated by the Government of Pakistan. In addition to complying with the relevant oil and gas regulations (including the applicable fiscal and tax regimes), the Buyer will also have to comply with other regulatory regimes in Pakistan applicable to businesses generally, including environmental and health and safety laws and regulations, and restrictions on repatriation of income.

1. Oil and Gas Regulatory Regime

The exploitation of oil and gas in Pakistan is governed by the Regulation of Mines and Oilfields and Mineral Development (Government Control) Act, 1948, as amended by Ordinance No. XLIV of 1976 (the "**1948 Act**"). The 1948 Act granted the Ministry of Petroleum and Natural Resources the power to enact petroleum exploration and production rules and policies. Although the rules and policies promulgated by the Ministry have changed over time, the basic structure through which petroleum exploration and development rights are granted has remained the same.

The DGPC currently has primary regulatory authority over petroleum operations in Pakistan. It administers and regulates all upstream activities in the oil and gas sector and has jurisdiction over all Pakistan oil and gas concessions. The midstream and downstream oil and gas sectors are regulated by the Oil and Gas Regulatory Authority.

Oil and gas in the ground in Pakistan belongs to the Government of Pakistan. The Government grants to third parties the right to explore for oil and gas through the award of an exploration license which gives the licensee the exclusive right to explore for oil and gas in the area covered by the license for the term of the license and any extensions or renewals of that term. Exploration licenses are generally awarded through a competitive bidding process in which the winning bid is selected based on the value of the exploration work proposed by the winning bidder or bidders.

At the time that an exploration license is awarded, the winning bidder or bidders and the Government of Pakistan enter into a petroleum concession agreement (for on-shore properties) or a production sharing agreement (for off-shore properties) which establishes the fiscal and tax regimes applicable to commercial discoveries made as a result of exploration activities under the license. The fiscal and tax regimes applicable to commercial discoveries are those in effect at the time the license is granted, and unless the parties to the petroleum concession agreement or production sharing agreement agree to change those regimes, a stability clause in the petroleum concession agreement or production sharing agreement locks in the fiscal and tax regimes in effect at the time that the license is granted to all commercial discoveries made under the license or any oil mining or development and production leases issued under the license. The specific fiscal and tax regimes applicable to each petroleum concession agreement and production sharing agreement in which the Buyer is acquiring an interest is described in the section headed "C. The Business and the Business Assets – Fiscal Terms of the Concessions" in the Letter from the Board.

If exploration activity under an exploration license results in a discovery which is capable of commercial production, the licensees under the exploration license are entitled to the award of an oil mining lease (for discoveries before 1987) or a development and production lease (for post-1986 discoveries). Each oil mining or development and production lease grants the exclusive right to develop and produce oil and gas from the area covered by the lease for the term of the lease. The area covered by a lease is the area of the discovered field (subject to a maximum size) and the term of a lease is limited to the period for which commercial production is expected (subject to a maximum term). The rules in place at the time the exploration license is granted establish the maximum term of any lease and the availability, number and terms of any extension of the initial term of the lease.

The applicable rules and the petroleum concession agreements and production sharing agreements require that the DGPC approve the development plan for developing each discovery. This approval requirement gives the DGPC substantial involvement in the exploitation of discoveries.

Since exploration by BP's predecessors was started in Pakistan in 1977, there have been four sets of rules applicable to the oil and gas properties being acquired by the Buyer. Which of these sets of rules are applicable to a particular exploration license or oil mining or development and production lease depends on the date on which the underlying exploration license was granted and whether the relevant petroleum concession agreement or production sharing agreement was amended after the grant of the license to make subsequently issued rules applicable to some or all of the leases issued under that license. The effect of the relevant set of rules and the principal terms of the petroleum concession agreements and production sharing agreements applicable to the oil and gas interests being acquired by the Buyer are described in the sections headed "C. The Business and the Business Assets – The Interests in the Concessions" and "C. The Business and the Business Assets – Fiscal Terms of the Concessions" in the Letter from the Board.

Before the Buyer can acquire the Business, the DGPC must approve the transfer of the oil and gas interests included in the Business to the Buyer. A request for that approval was submitted to the DGPC on 3 March 2011. As of the Latest Practicable Date, the DGPC had not acted on that application.

2. Environmental Regulatory Regime

Pakistan has adopted a comprehensive set of laws and regulations designed to protect the environment and to ensure that businesses in Pakistan operate in a way that prevents environmental damage. As an operator of oil and gas assets in Pakistan, the Buyer will be obligated to comply with all environmental laws and regulations, including the Environmental Protection Ordinance, 1983, the Territorial Waters and Maritime Zone Act, 1976 and the Oil and Gas (Safety in Drilling and Production Regulations, 1974).

In addition, the MKK and DSS concession agreements and the production sharing agreements for the Offshore Blocks require working interest owners to conduct their operations in accordance with good international petroleum practices so as to prevent environmental damage. (Whether or not specifically required in a concession agreement, the standard of using good international petroleum practices is likely to be imposed on all petroleum operators in Pakistan, and therefore, the Buyer will be required to meet this standard in its operations in respect of all of the concessions.)

Before operations in an area covered by a development and production lease are abandoned, the working interest owners are required to submit to the Government of Pakistan plans for the orderly closing down and abandonment of operations, removal of all structures and environmental restoration of the production site following termination of commercial production. Each working interest owner is required to fund its pro rata share of the full amount of the abandonment costs. After the completion of operations, the working interest owners are required to safely plug any wells and to submit comprehensive well completion reports to the Government of Pakistan. According to the Accountants' Report (which is set out in Appendix II of this circular), the Business carried as at 31 December 2010 a deferred liability of HK$246,646,000 for the costs of abandonment and decommissioning that will be incurred in the future by the Business. The anticipated costs of abandonment and decommissioning were taken into account by the Buyer in determining the consideration for the Acquisition.

3. Expatriation of Funds

All of the oil and gas production currently sold by the Business is sold to purchasers in Pakistan. In the case of the sales to the Pakistan Government, the Badin-II Revised, Badin-III, Mehran, MKK and DSS Petroleum Concession Agreements allow the Business to require government purchasers of petroleum to make payment in US dollars to a bank account outside of Pakistan. In the case of the Badin and Badin II concessions, and in the case of sales inside Pakistan to non-governmental entities, there is no express provision allowing remittance of funds outside of Pakistan, and as a result, the remittance of funds from these sales are subject to the general rules of the State Bank of Pakistan governing foreign remittances from operations in Pakistan. (In this regard, the DSS Concessions expressly limit remittances outside of Pakistan to 65% of gross revenues from certain development and production leases. Because no development leases have been issued under the DSS Concessions as at the Latest Practicable Date, it is not possible to say whether this limitation will have any effect on the Business.)

Under the practices currently being followed by the State Bank of Pakistan, profits from the operation of the Business in Pakistan can be remitted outside of Pakistan after arrangements are made to pay applicable Pakistan taxes and other governmental charges. However, there is no assurance the current policy will not change, and the Business will be subject to any change in the current policy in the future.

E. RISK FACTORS

The Directors wish to highlight the following risk factors in connection with the Acquisition.

Risks relating to the Business

1. *There may be future changes to the assessment of tax for the Business, which may affect the profitability of the Business.*

The Sellers are involved in certain proceedings in respect of the Business with the tax authorities of Pakistan relating to the calculation and treatment of rate of income tax, depletion allowances and decommissioning costs. In one of these proceedings, the tax authorities of Pakistan have contended that for the Badin Concessions and the MKK Concessions, income tax at the higher rate of 55% of profits or gains derived from the operations should be calculated before the deduction of royalty. Further details of these proceedings with the tax authorities of Pakistan are set out in the section headed "9. Litigation" in Appendix VII of this circular. While the Sellers have agreed to indemnify the Buyer against any claims relating to taxation attributable to the ownership or operation of the Business prior to the Effective Date, a determination against the Sellers would be illustrative of the tax issues that the Business may face after Closing, which may in turn affect the profitability of the Business.

2. *Non-extension of expired exploration periods under the offshore production sharing agreements or the terms of expiring development and production leases by the Government of Pakistan may result in the Business incurring penalties or relinquishing exploration rights under the production sharing agreements, or losing the right to produce petroleum from the areas covered by the expiring development and production leases.*

The Sellers have applied to the Government of Pakistan for (a) extension of the first phase of the initial exploration period for the Offshore Blocks Production

Sharing Agreements, and (b) extension terms of four development and production leases granted under the Badin Concessions and the MKK Concessions. Further information relating to the grant of extensions to expired exploration periods or the terms of expiring development and production leases is set out in the Letter from the Board under the section headed "C. The Business and the Business Assets — The Interests in the Concessions". If the requested extension of the exploration periods for Offshore Blocks V and W are not granted, the Business's exploration rights in these blocks will be lost and the working interest owners will be required to pay a penalty of US$10,000 per remaining work unit committed under the relevant production sharing agreements. Extensions to the exploration periods under the Offshore Blocks Production Sharing Agreements may be granted or withheld by the Government of Pakistan at its discretion. Extensions to the term of development and production leases may not be unreasonably withheld by the Government of Pakistan as long as the area subject to the lease is capable of continued commercial production. As at the Latest Practicable Date, these extensions have not yet been granted. There is no assurance that the Business will be able to obtain extensions in respect of any expiring exploration periods or the term of any expiring development and production leases. As a result, the Business may be required to relinquish exploration rights under the production sharing agreements and pay US$10,000 for each unperformed work unit, or lose its right to produce petroleum from the areas covered by expiring development and production leases. Moreover, the terms of any extension granted to development and production leases under the Badin-I and Badin-II Petroleum Concession Agreements are subject to renegotiation at the time of extension and therefore carry a risk that the extension may be granted on terms less favourable than those currently enjoyed by the Business.

3. *There are other working interest owners holding interests in the areas covered by all of the Petroleum Concession Agreements and Production Sharing Agreements other than the Badin-I Petroleum Concession Agreement, and in the case of the Badin-III, Mehran and MKK Petroleum Concession Agreements and the Offshore Blocks Production Sharing Agreements, operations must be approved by some or all of the other working interest holders.*

The Business holds less than 100% of the working interests under the petroleum concession agreements and production sharing agreements operated by the Business other than the Badin-I Petroleum Concession Agreement. Under the joint operating agreements for the area covered by each of these petroleum concession agreements or production sharing agreements, major decisions with respect to operations must be approved by an operating committee made up of representatives of each working interest owner and the Government of Pakistan. The working interests of the Business under the Badin-II, Badin-II Revised and DSS Petroleum Concession Agreements are large enough so that the Business controls decisions of the operating committee for these concession agreements. However, the Business' working interest in the Badin-III, Mehran and MKK Petroleum Concession Agreements and the Offshore Blocks Production Sharing Agreements is not sufficient to control decisions of the operating committees for these areas, and therefore, major operating decisions must be approved by some or all of the other working interest owners. This requirement may potentially limit the Business' flexibility in operations and increase the possibility of disagreements on how operations should be conducted.

4. *The Company will assume liabilities in connection with the Acquisition of the Business and may face significant exposure from unknown liabilities.*

The Company will assume certain liabilities and obligations in connection with the acquisition of the Business. These assumed liabilities include, subject to certain exclusions, business liabilities, decommissioning liabilities, environmental liabilities and all other liabilities relating to the Business. The Company enjoys the benefit of certain indemnities from the Sellers for breach of warranties, however, such indemnification survives only for a period of twelve months following the date of Closing, in the case of a non-tax claim or prior to sixty days after the closing of the applicable statute of limitations, including any extensions thereof, in the case of a tax claim. The Company is also subject to a cap and threshold on its indemnification from the Sellers. The maximum indemnification obligation of the Sellers for all claims is limited to 30% of the Base Price.

The Company cannot assure Shareholders that any unknown liabilities will be discovered within the 12 months indemnity period following the date of Closing or that the amount of indemnification it receives from the Sellers will be sufficient to cover the liabilities it assumes or other losses incurred in connection with the Acquisition. The Company may also face significant exposure from unknown liabilities for which it has not obtained indemnification from the Sellers. If liabilities are discovered after 12 months following the date of Closing or if losses exceed the limitations, such liabilities or losses may materially and adversely affect the Enlarged Group's business, financial condition and results of operation.

To the extent that provisions have been made for certain future liabilities by the Business (such as the provision for costs of abandonment and decommissioning amounting to HK$246,646,000 as at 31 December 2010 according to the Accountant's Report (set out in Appendix II of this circular)), there is no assurance that such provision would be adequate for the actual liabilities that may arise. Such costs are and can be affected by a plethora of unknown factors, such as unknown impact of future exploration and development, combined with the unknown implementation terms of abandonment and decommissioning (timing, extent, potential transfer of properties, salvage value, future well-bore utility, community and infrastructure growth).

5. *There is no assurance that the Enlarged Group will be able to retain key employees who have the necessary expertise or experience in the Business.*

The Business is operated by a team of approximately 560 employees comprising senior management members, technical or business support staff and field staff, all of whom have undergone comprehensive training by BP and some of whom have extensive experience working for the Business. As part of the Acquisition, the Enlarged Group has conditionally offered to employ all the employees of the Business and nearly all of the existing employees of the Business have accepted the offers. However, there is no assurance after the Acquisition that the Enlarged Group could retain the entire management team or guarantee the parties will continue to provide services to the Enlarged Group or will honour the agreed terms and conditions of their employment contracts. Any loss of key personnel or failure to recruit and retain personnel for the future operations and development may have a material adverse impact on the Business.

6. *Irregular payment of receivables from downstream customers of the Business may affect the financial condition of the Company.*

The Business's main customers are state-owned enterprises including gas marketing companies, such as Sui Southern Gas Company, who allocate a significant percentage of its production to the independent power producers ("IPPs"). The IPPs' primary customers are electricity distribution companies in Pakistan, the financial conditions of which have been generally deteriorating. As a result, the IPPs have recently experienced a significant increase in number of days receivables have remained outstanding due from their customers, and have, in turn, been slow in paying to purchasers of natural gas from the Business. This has resulted in the accounts receivable of the Business remaining outstanding longer. Further deterioration of electricity distribution companies' financial condition may have a material adverse effect on the Business in the short term.

7. *The Business requires significant capital expenditure to be invested in the exploration and development activities of the Business which may affect the profitability and liquidity of the Business in the short term.*

The Business requires substantial capital expenditures to be invested in the form of minimum work commitments under the petroleum concession agreements and production sharing agreements which are still in their exploration periods, and the ongoing exploration and development activities under the development and production leases, as described in the Letter from the Board under the section headed "C. The Business and Business Assets — The Interests in the Concessions". The capital expenditures are expected to be funded by the operating cash flow of the Business, and actual amount of capital expenditures required may significantly exceed the Business's budgets because of unforeseen events or various factors beyond the Company's control. Any significant increases to the budgeted capital expenditures may affect the profitability and liquidity of the Business in the short term. In addition, there can be no assurance that the capital expenditures invested in the exploration and development activities of the Business will translate into profitable extraction of oil and gas for the Business in the future.

8. *Fluctuations in oil and gas prices may have a material adverse effect on the Company's business, financial condition and results of operation.*

The fluctuations in supply and demand of oil and gas are caused by numerous factors beyond the Company's control, which include but are not limited to global and domestic economic and political conditions and competition from other energy sources, and the growth and expansion in industries with natural gas and high petroleum demand. There is no assurance that the international demand for oil and gas and related products will continue to grow, or that the international demand for oil and gas and related products will not experience excess supply.

Prices for the Business's oil production are determined pursuant to the relevant petroleum policies promulgated by the Ministry of Petroleum and Natural Resources in Pakistan and DGPC and are benchmarked to internationally quoted Arabian/Persian Gulf crude oil prices. The international Arabian/Persian Gulf crude oil prices have demonstrated significant volatility in the past. Hence, a substantial decrease in international crude oil prices may have a material adverse effect on the Company's business, financial condition and results of operation.

Most of the Business's gas prices are based on petroleum policies promulgated prior to 2001. Under those policies, gas prices are determined based on international Middle East crude oil prices that are subject to a floor of US$10 per barrel and a ceiling of US$36 per barrel. Thus, the Business's gas prices have limited exposure to oil price fluctuations whilst the price ceiling would limit the extent to which the Business can maximise returns from its gas production. However, a significant decrease in international Middle East crude oil within the prescribed price band could have a material adverse effect on the Business's gas prices and in turn its financial performance.

9. *If estimates of the oil and gas reserves are incorrect or oil or gas cannot be extracted at a profit, our financial condition and result of operations may be adversely affected.*

The estimates of reserves by the independent competent person, DeGolyer and MacNaughton, reflects the independent competent person's best judgment at the time of the analyses based on up-to-date geological and geophysical analyses and appraisal work. The degree of risk to be applied in evaluating reserves is influenced by economic and technological factors as well as the time element.

As the reserves estimates are subjective and judgmental, the assumptions used in estimating reserves are beyond the Company's control and may prove to be incorrect over time. These include the quality and quantity of oil and gas that are ultimately recovered, operating costs, capital expenditures and future commodity prices.

The accuracy of any reserves or resources evaluation depends on the quality of available information and engineering and geological interpretation. Exploration, drilling, interpretation, testing and production after the date of the estimates may require substantial upward or downward revisions in the reserves or resources data. Moreover, different reservoir engineers may make different estimates of reserves and resources based on the same available data. Changes in the oil and gas prices may also adversely affect the estimates of the reserves because the reserves are evaluated based on prices and costs as of the appraisal date. Actual production, revenues and expenditures with respect to reserves may differ materially from these estimates owing to possible underperformance of the fields or other factors. If estimates of the oil and gas reserves prove to be incorrect or cannot be extracted at a profit, our financial condition and results of operations may be adversely affected.

10. *Changes in petroleum policies governing the oil and gas prices, tax rates, royalties and other fiscal terms of the concessions in Pakistan may have a material adverse effect on operations of the Business going forward.*

In 1991, Government of Pakistan introduced the first petroleum policy document. This was then followed by Petroleum Policies of 1993, 1994, 1997, 2001 and 2007. The most recent petroleum policy document was published in year 2009. Whenever previous policies were superseded by a subsequent policy document, the rights granted under existing licenses/petroleum concession agreements/production sharing agreements were not affected.

Any change in the new petroleum policies governing the oil and gas prices, tax rates, royalties and other fiscal terms of the concessions would only apply to petroleum products produced from development and production leases the Enlarged Group may be awarded in the future. However, there can be no assurance that there will not be any adverse change in petroleum policies, which could have a material adverse effect on the Business's business, financial condition and results of operations going forward.

11. *The Business, by its nature, is inherently susceptible to natural disasters or operational catastrophes which may cause severe damage or extensive liability.*

There are inherent risks associated with the exploration for and production of oil and natural gas. Natural disasters, operator errors or other occurrences can result in oil spills, blowouts, fires, equipment failure, floods and loss of well control, which can injure or kill people, damage or destroy wells and production facilities, damage property and the environment, and subject the Enlarged Group to extensive liability. To the extent the Business engages in offshore production, these operations are subject to marine perils, including severe storms and other adverse weather conditions, vessel collisions, governmental regulations as well as interruptions or termination by governmental authorities based on environmental and other considerations. These operational risks may not be fully covered by the insurance policies of the Enlarged Group.

Risks relating to Pakistan

12. *All the Business' assets are located in Pakistan and the Business is therefore susceptible to country-specific risk factors, such as political, social and economic instability.*

The Business is subject to Pakistan-specific risks, including but not limited to, local currency devaluation, civil disturbances, changes in exchange controls or lack of availability of hard currency, changes in oil and gas prices, changes with respect to taxes, withholding taxes on distributions to foreign investors, changes in anti-monopoly legislation, nationalisation or expropriation of property, and interruption or blockage of hydrocarbons or other strategic materials exports. The occurrence of any of these factors could have a material adverse effect on the

Business, its prospects, financial condition and results of operations. Furthermore, political instability, civil unrest or violence in the region could affect the political or economic stability of Pakistan or the countries to which or through which the Business exports its products, and could have a material adverse effect on the Business, its prospects, financial condition and results of operations.

Neighbouring Baluchistan Province has experienced ongoing disputes between the Federal government and Baloch nationalists. Occasional labour strikes and civil unrest have also been known to interrupt petroleum production activities in parts of Pakistan. While such occurrences affecting the Sindh Province have been relatively less, there can be no assurance that incidents of a similar nature would not occur in the Sindh Province where a large proportion of the Business's oil and gas interests are located. Such incidents, singularly or on an aggregate basis, could cause material disruption to its production and transmission network and therefore a material adverse effect on the Company's business, financial condition and results of operations.

13. *The laws and regulations of Pakistan are developing and uncertain. Any future changes to these laws and regulations, which the Business is subject to, could have a material adverse effect on the Business.*

The laws and regulations of Pakistan are developing and uncertain. Any changes in laws, regulations and permit requirements to which the Business is subject could affect the cost, manner or feasibility of doing business and require it to make substantial expenditures or subject the Enlarged Group to material liabilities or other sanctions. The Business is required to obtain, on an ongoing basis, all permits as are required by the Pakistan laws. The Business is also subject to various laws relating to the compliance of safety, health and environmental regulations. Failure to comply or obtain all such permits could have a material adverse effect on the Business, prospects, financial condition and results of operations, including increased compliance costs. The ongoing rights of the Business under petroleum concession agreements and production sharing contracts, the license to operate and other licenses, approvals and permits (if applicable) and other agreements may be susceptible to revision or cancellation, and legal redress in relation to such revocation or cancellation may be uncertain. Any changes to the rights of the Business, the contracts and agreements, the license to operate and other licenses (and any other relevant legislative changes) could have a material adverse effect on the Business, prospects, financial condition and results of operations.

F. LITIGATION

As at the Latest Practicable Date, to the best knowledge of the Company, there are no legal claims or proceedings that may have an influence on the exploration or production rights of the Business.

The following is the text of the Competent Person's Report issued by DeGolyer and MacNaughton, the independent competent person, for the purpose of inclusion in this circular.

DEGOLYER AND MACNAUGHTON CANADA LIMITED
311 SIXTH AVENUE S.W., SUITE 1430
ENERGY PLAZA EAST TOWER
CALGARY, ALBERTA, CANADA, T2P 3H2

COMPETENT PERSON'S REPORT
as of
JANUARY 1, 2011
on
CERTAIN PROPERTIES
owned by
BP PAKISTAN
prepared for
UNITED ENERGY GROUP LIMITED
in
SINDH, PAKISTAN

MAJOR PROPERTY DISCUSSION

DEGOLYER AND MACNAUGHTON CANADA LIMITED
311 SIXTH AVENUE S.W., SUITE 1430
ENERGY PLAZA EAST TOWER
CALGARY, ALBERTA, CANADA, T2P 3H2

May 12, 2011

United Energy Group Limited
Suite 2505, 25/F, Two Pacific Place
88 Queensway
Hong Kong
Attn: The Board of Directors

Re: Competent Person's Report on BP Pakistan Assets

Dear Sir:

Pursuant to the request of United Energy Group Limited (the "Company"), we have prepared estimates, as of January 1, 2011, of the extent of the proved and probable petroleum reserves and the value of the proved and proved-plus-probable petroleum reserves attributable to BP Pakistan's (the "Sellers") interest in onshore and offshore assets except for the offshore blocks G, J, P and O which the Sellers have relinquished and which did not form part of the proposed acquisition of the assets) in Pakistan. We have undertaken the overall responsibility for preparing this report. The onshore assets include the Badin Concessions (Badin I, Badin-II, Badin II Revised, Badin III, Mehran concessions), the Mirpur Khas and Khipro (MKK) Concessions and the Digri and Sanghar South (DSS) Concessions located in the Sindh province of Pakistan. The offshore assets include Offshore Blocks S, U, V and W of the Sellers' offshore concessions. Estimates of proved and probable reserves presented in this report have been prepared in accordance with the Petroleum Resources Management System (PRMS) approved in March 2007 by the Society of Petroleum Engineers, the World Petroleum Council, the American Association of Petroleum Geologists, and the Society of Petroleum Evaluation Engineers. The PRMS standard is a referenced standard in published guidance notes of the Hong Kong Stock Exchange. A corresponding reserves assessment was prepared titled "Appraisal Report as of January 1, 2011 on certain properties owned by the Sellers prepared for United Energy Group Limited in Sindh, Pakistan. PRMS Case." In that report and its attached appendices, more detailed information on the properties can be found.

This report was prepared for the purpose of valuing the assets of the Sellers supportive to the Company's purchase offer for the assets described herein and for inclusion in the circular of the Company in connection with the proposed acquisition of the assets.

Reserves estimated in this report are expressed as gross, company gross, and company net reserves. Gross reserves are defined as the total estimated petroleum to be produced after January 1, 2011, from the properties evaluated herein. Company gross reserves are defined as the Sellers' working interest reserves (operating or non-operating) before deduction of royalties and without including any royalty interests of the Sellers.

Such interests were obtained through access to the Sellers' data room and are believed to be true as provided. The duration of primary terms and renewal terms for each concession and license were also available through the data room. Information was obtained for many fields that included well completion reports, test results, well-bore logs, core analysis, production history for all developed locations, lease and concession surveys, maps of geophysical and geological interpretation, plant and facilities descriptions, financial data applicable to field operations, historical revenue, historical capital expenditures, abandonment cost estimates, and a description of development activities as provided by the Sellers including timing, cost, and expected results.

To comply with Section 4.2 of PRMS, resource estimates may be prepared using either deterministic or probabilistic methods. A deterministic estimate is a single discrete scenario within a range of outcomes that could be derived by probabilistic analysis. This evaluation used deterministic methodology.

This report uses forecast prices and costs as a base case and constant prices and costs as a sensitivity to the base case.

Company net reserves are defined as that portion of the gross reserves attributable to the interests owned by the Sellers after deductions pursuant to the application of the terms of the current petroleum policy of Pakistan.

This report presents values for proved and proved-plus-probable reserves that were estimated using initial and escalated prices specified by the Sellers' data room. A detailed explanation of the future price and cost assumptions is included under the Valuation of Reserves heading of this report. Operating expenses and capital costs estimated herein are based on current costs as provided by the Sellers' information in its data room. Future costs were adjusted as necessary to reflect changes in production rates or operating conditions. This report does not address possible reserves, contingent resources, or prospective resources.

In this report, certain information has been provided on the fields evaluated herein. To the extent of our knowledge, there are no special factors that would affect the production business of the Sellers' onshore assets that would require additional information for the proper appraisal of these fields.

Values for proved and proved-plus-probable reserves in this report are expressed in terms of future gross revenue, future net revenue, and present worth. The future gross revenue is defined as that revenue to be realized by the Sellers from the sale of the net reserves. Future net revenue is defined as the future gross revenue less direct operating expenses, capital costs, and taxes. Direct operating expenses include field operating expenses and estimated expenses of direct supervision. Present worth is defined as future net revenue discounted at a specified arbitrary discount rate compounded monthly over the expected period of realization. In this report, present worth values using various discount rates of 10 percent are reported in detail. In our opinion, present worth should not be construed to represent what a willing buyer and a willing seller would agree is the value of the property.

In this evaluation all plant and facilities are evaluated as integral to the resource income and have no separately generated income stream. Therefore, no economic evaluation of plant and facility income is prepared in this report.

Estimates of petroleum reserves and future net revenue should be regarded only as estimates that may change as further production history and additional information become available. Not only are such reserves and revenue estimates based on that information which is currently available, but such estimates are also subject to the uncertainties inherent in the application of judgmental factors in interpreting such information.

In the preparation of this report we have relied upon information furnished by the Sellers' information in its data room with respect to the property interests to be evaluated, production from such properties, current costs of operation and development, current prices for production, agreements relating to current and future operations and sales of production, terms of special permits, and various other information and data that were accepted as represented. Although we have not had independent verification, the information used in this report appears reasonable. The technical staff of the Sellers involved with the assessment and implementation of development of the Sellers' petroleum assets have demonstrated that they adhere to the generally accepted practices of the petroleum industry. The staff members appear to be experienced and technically competent in their fields of expertise. No representatives of DeGolyer and MacNaughton have made any facility and site visits to any fields because it was not deemed necessary. The valuation of tangible personal property, plants, and equipment has not been performed and is not contained in this report. DeGolyer and MacNaughton is not aware of any social or environmental issues that could impact the value of the evaluated properties.

At the time of preparation of this report there were no discoveries, production nor data available that would be useful in the preparation of a reserves determination on the exploration assets of the MKK Concessions, the DSS Concessions and on the Offshore Blocks S, U, V and W. Therefore, this report is restricted to the developed reserves and undeveloped reserves only in association with the developed reserves up to a reserve classification of proved-plus-probable reserves. DeGolyer and MacNaughton's evaluation of the exploration assets of the MKK Concessions, the DSS Concessions and the Offshore Blocks S, U, V and W confirms that there is no proved plus probable petroleum reserve in these properties. Therefore, no economic values are attached in this report to the exploration assets of the MKK Concessions, the DSS Concessions and the Offshore Blocks S, U, V and W in accordance with the requirement of Chapter 18 of the Listing Rules.

Any discrepancies in any table in this report between the total shown and the sum of the amounts listed are due to rounding.

EXECUTIVE SUMMARY

The area is referred to as the Greater Indus Basin and is located in the southern region of Sindh province, Pakistan. The basin is primarily controlled by the stratigraphic and tectonic events associated with plate movements in Late Paleozoic to recent times. Source rocks are primarily marine shale of Late Cretaceous age but may also include shale of the Cambrian through Tertiary periods. The reservoirs of interest are the Eocene Sui, Pab, and Rahi limestone formations and sandstones of the Pab and Goru formations. Seal and trapping are regionally developed through deposition of shale on a regional and local basis. Structural trapping was created during the Early Tertiary through Late Tertiary periods. Almost all reservoirs are based on structural trapping in anticlines, thrust faults, and tilted fault blocks.

The reserves evaluated in this report are found in the five exploratory concessions at the Badin Concessions (Badin I, Badin II, Badin II Revised, Badin III, Mehran concessions), and MKK Concessions. The development has encompassed the period 1977 to present with the discovery of 77 fields. In this report, there are 25 fields which represent 90 percent of the total barrels of oil equivalent on a proved plus probable reserves basis, 35 fields which represent the remaining 10 percent of the evaluated reserves, and the remaining 17 fields which have no reserves assigned at this time.

They comprise the Sellers' working interests ranging from 51 percent to 100 percent in Badin Concessions and MKK Concessions covering approximately 5,433 square kilometers onshore, from which oil and gas and natural gas liquids are currently being produced. The MKK Concessions also consist of exploration assets. These assets, together with the Sellers' working interests ranging from 75 percent to 100 percent in DSS Concessions covering approximately 5,000 square kilometers onshore, and working interests ranging from 50 percent to 80 percent in four production sharing agreements covering approximately 23,070 square kilometers offshore in waters of depths ranging from 400 meters to 2,800 meters approximately 200 kilometers to 300 kilometers off the coast of Pakistan in the Indus River Basin, which are in exploration phase, have not been evaluated in this report since DeGolyer and MacNaughton's evaluation of the exploration assets of the MKK Concessions, the DSS Concessions and the Offshore Blocks S, U, V and W confirms that there is no proved plus probable petroleum reserve in these properties.

Estimates of proved and probable oil, condensate, liquefied petroleum gas (LPG), and gas reserves, as of January 1, 2011, attributable to working interests owned by the Sellers in the various fields evaluated herein are listed below, expressed in thousands of barrels (Mbbl) and millions of cubic feet (MMcf). Gas reserves estimated herein are expressed at a temperature base of 60 degrees Fahrenheit and at a pressure base of 14.65 pounds per square inch absolute:

Forecast Prices and Costs Case Reserves Summary

	Gross Reserves		**Net Reserves**	
	Oil, Condensate, and LPG *(Mbbl)*	**Sales Gas** *(MMcf)*	**Oil, Condensate, and LPG** *(Mbbl)*	**Sales Gas** *(MMcf)*
Proved	11,288	140,783	9,877	123,184
Proved plus Probable	22,039	300,601	19,284	263,026

Note: Probable reserves have not been adjusted for risk.

Constant Prices and Costs Case Reserves Summary

	Gross Reserves		Net Reserves	
	Oil, Condensate, and LPG *(Mbbl)*	**Sales Gas** *(MMcf)*	**Oil, Condensate, and LPG** *(Mbbl)*	**Sales Gas** *(MMcf)*
Proved	11,216	140,871	9,814	123,262
Proved plus Probable	21,933	300,215	19,191	262,688

Note: Probable reserves have not been adjusted for risk.

Estimates of future net revenue and present worth, using discount rates of 8, 10, and 12 percent of the future net revenue to be derived from the proved and proved-plus-probable reserves, as of January 1, 2011, of the properties evaluated herein are presented as follows for the forecast and constant prices and costs before and after tax. A detailed explanation of the future price and cost assumptions is included under the Valuation of Reserves heading of this report. Values are expressed in thousands of U.S. dollars (M U.S.$):

Forecast Prices and Costs Case Valuation of Reserves Summary

		Net Present Value		
	Future Net Revenue *(M U.S.$)*	**at 8 Percent** *(M U.S.$)*	**at 10 Percent** *(M U.S.$)*	**at 12 Percent** *(M U.S.$)*
Proved				
Forecast Case	932,682	731,902	694,394	660,478
Tax	50,222	46,635	45,798	44,983
After Tax	882,461	685,267	648,596	615,496
Proved plus Probable				
Forecast Case	1,937,350	1,288,399	1,186,823	1,099,577
Tax	195,500	131,605	122,673	115,246
After Tax	1,741,850	1,156,794	1,064,150	984,331

Note: Values attributable to probable reserves have not been adjusted for risk.

Constant Prices and Costs Case Valuation of Reserves Summary

	Future Net Revenue (M U.S.$)	Net Present Value at 8 Percent (M U.S.$)	Net Present Value at 10 Percent (M U.S.$)	Net Present Value at 12 Percent (M U.S.$)
Proved				
Constant Case	806,707	641,722	610,371	581,876
Tax	35,988	33,719	33,184	32,661
After Tax	770,719	608,003	577,187	549,215
Proved plus Probable				
Constant Case	1,601,219	1,101,521	1,020,346	949,913
Tax	128,998	92,254	87,059	82,702
After Tax	1,472,221	1,009,267	933,287	867,211

Note: Values attributable to probable reserves have not been adjusted for risk.

GEOLOGICAL DISCUSSION

The area referred to as the Greater Indus Basin in this report includes the Lower, Middle, and Upper Indus Basins including that part of the Upper Indus Basin defined as the Kohat-Potwar Plateau. The area is characterized by the relatively flat flood plain of the Indus Basin to the east and the uplifted and folded mountainous areas of Potwar, Kohat, Surgar, Sulaiman, and Kirthar on the north and west side of the basin.

Structurally, the area is divided into foldbelt and foreland regimes. The foldbelt part includes the southwestern Kohat Plateau along the northern boundary and the tightly folded Sulaiman and Kirthar Ranges along the western boundary of the Indian plate. The gently westward sloping continental shelf that makes up the foreland portion of the shelf extends from the foldbelt eastward to the Indian Shield and southward to the 200-meter water depth. The Indus Fan is located entirely offshore of southeastern Pakistan between the Murray Ridge and the Indian border and extends from a water depth of 200 meters (approximate shelf edge) to a water depth of 3,000 meters (approximate base of the middle portion of the fan).

The foreland is subdivided into lower, middle, and upper parts that are separated by the Mari-Kandhot and Sargodha structural highs. The area referred to as the Indus Basin includes the Lower, Middle, and Upper basins extending across most of eastern Pakistan and the western most parts of India covering an area of approximately 673,000 square kilometers (Figures 1 and 2).

The Sellers' interests are located in the main oil, gas and natural gas liquids province of Sindh in the onshore Lower Indus Basin.

Basin Evolution

The Indus Basin acquired its primary structural and stratigraphic features from tectonic events associated with plate movements that occurred from the latest Paleozoic time to present. The Basin originated as an interior sag that progressed through marginal sag and rift phases to a passive margin. It was then modified by wrenching and compression during the collision of India with Eurasia.

Continental and marine clastics and carbonates of the Salt Range Formation and the Jhelum Group were laid down in a Late Precambrian to Middle Cambrian in an interior sag basin. A period of uplift and erosion was followed by Permian glacio-fluvial to marine clastic and carbonate sedimentation in a marginal sag situation.

Rifting associated with the breakup of Gondwanda occupied the Triassic through the Early Cretaceous, during which a clastic and carbonate sequence was laid down. In the Early Cretaceous, the Indian plate detached from Gondwanda, and the Indus Basin became the site of passive margin sedimentation. Fine-grained clastic passing up into widespread carbonates were laid down from Early to Late Cretaceous. Throughout this time a thick, overall shallowing, upwards clastic sequence was deposited during a series of higher order transgressive/regressive cycles. This started with the Sembar Formation, which is the source rock, and passed upwards into the Lower Goru Formation sands and shales, which provide reservoirs at Basal, Middle, and Upper Sand levels. At the end of the Albian, towards the end of Upper Sand deposition, a well-established shallow marine shelf was developed. The shoreline was located in the east and southeast of portions of the Lower Indus Basin with deeper water facing towards the northwest.

In the latest Cretaceous times, the northwest corner of the Indus Basin underwent left-lateral wrenching as it impinged on the Afghanistan block enhancing or imposing the northwest/southeast tectonic grain, which provides the tilted fault block structures of the Badin Rift. This also resulted in the termination of shelf sands deposition through rapid deepening and resulted in the development of the regionally extensive Top Lower Goru Unconformity. The Upper Goru Formation mudstones were then deposited in deep water.

Collision with Eurasia took place in the Eocene, which slowed down India's northward drift. A mixed clastic-carbonate succession was laid down during this period.

In the Oligocene, the northward movement of the Indian Plate began, resulting in its being thrust beneath the Eurasian Plate. Wrenching and compression affected the basin sediment again, and the Himalayas were uplifted from the Miocene through to the present day, shedding great thicknesses of poorly sorted alluvial sediments. Marine sedimentation was displaced to the very south of the basin, where it continues to the present day in the form of the Indus Fan.

Source Rocks

Marine shales of the Sembar Formation are the principal source rock and appear to have generated hydrocarbons from the Late Cretaceous times to the present day. They passed into the oil window during the Late Cretaceous in the Badin area. They probably entered the oil window in the foredeeps during the Tertiary and are now in the gas window there.

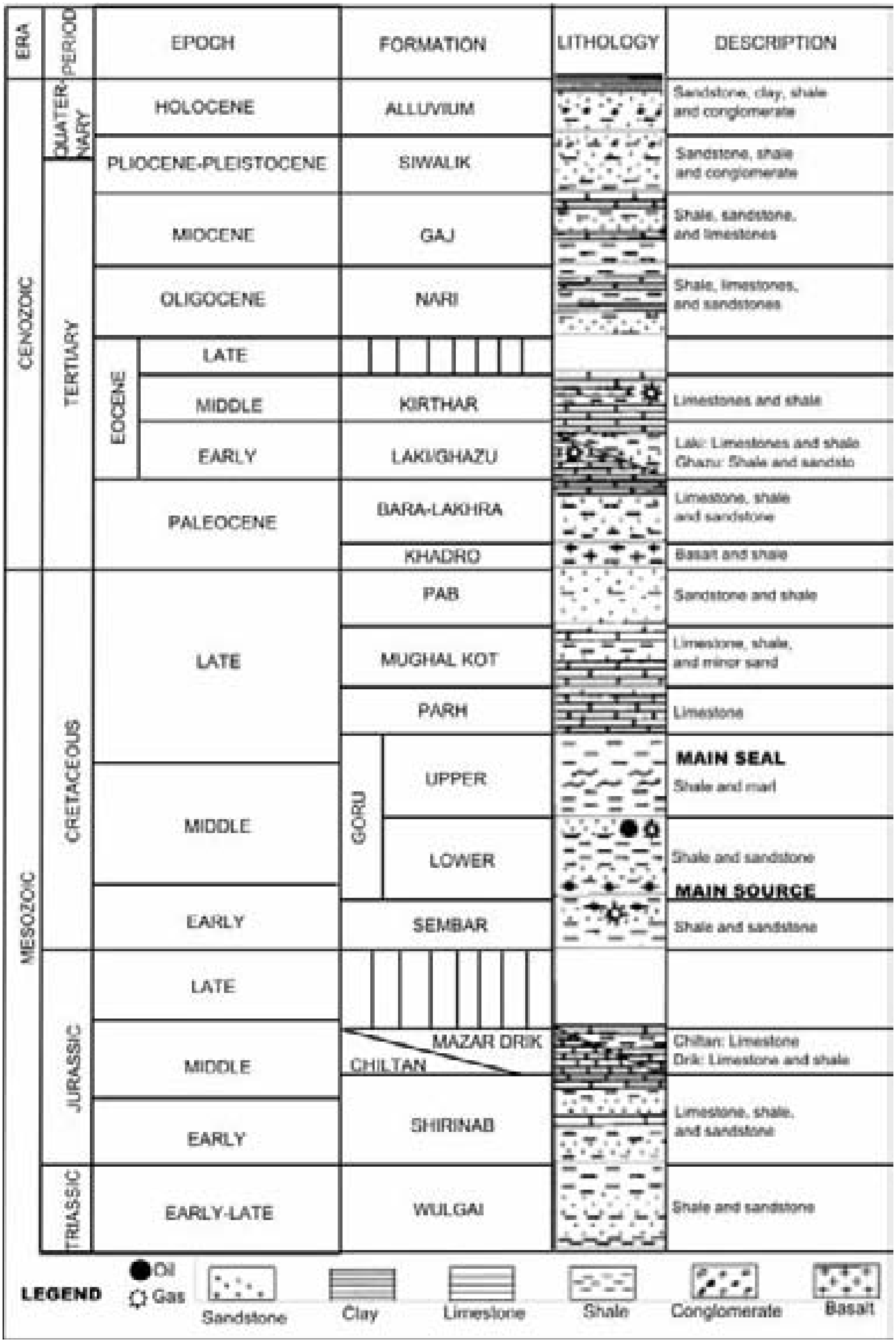
There are other shale prone intervals from the Cambrian to Tertiary that have been described as potential source rocks, but there are limited data in the public domain to confirm these claims.

Reservoirs

Five reservoir intervals are estimated to account for 97.5 percent of the basin's recoverable hydrocarbons. They are the Eocene Sui and Habib Rahi Limestones; sandstones of the Goru and Pab formations; and sandstones and limestones of the Ranikot Group. In the onshore Lower Indus Basin the Lower Goru sands are the only productive reservoirs to date.

The Eocene limestones are regionally developed marine shelfal limestones with occasional reefal facies. The Goru Formation reservoirs are shallow marine, shoreline, barrier bar and channel fill sandstones interbedded with shales. The Pab Formation is a more massive shelf sandstone with a higher net to gross ratio. The Ranikot Group reservoirs are less laterally persistent than the other reservoirs.

Other proved reservoirs occur in the Cambrian, the Cretaceous, the Eocene and the Miocene. There are also potential reservoirs elsewhere in the Cambrian, and in the Permian, Triassic, and Jurassic intervals. A stratigraphic column is illustrated below.



Generalized Stratigraphic Sequence and Occurrence of Hydrocarbons in the Lower Indus Basin (adapted from N. Zaigham and K Mailick, AAPG Bulletin, V. 84 No. 11 Nov 2000 pp 1833-1848)

Seals

The Lower Goru Formation sandstones are sealed by interbedded shales in the lower part of the formation and by the regionally developed shales of the upper part of the formation. The Pab Formation is sealed by shales of the basal Paleocene Khadro Formation, but the latter formation has a somewhat restricted distribution, so that in places the Pab Formation is overlain by the other, non-sealing Paleocene formations. Eocene limestones are sealed by interbedded and regionally developed shales of the Late Eocene Ghazij Formation.

Hydrocarbons in the Indus Basin can be shown to have migrated substantial distances both vertically and laterally.

Structures and Trapping

Extensional normal faulting took place in several episodes during the interior sag, marginal sag, rifting, and passive margin phases. During the Early Tertiary, wrenching resulted in the formation of folds and faults in the foredeeps and on the platform. Late Tertiary compression gave rise to numerous anticlinal and thrust folds and reactivated many earlier structures. On the platform areas, episodic salt withdrawal has given rise to a number of broadly anticlinal structures at various levels in the stratigraphic column.

Almost all the production in the Indus Basin is from structural traps. No pure stratigraphic accumulations have been identified, although the giant Sui gas field is a dome-shaped reef structure (possibly an algal mound) expressed on the surface as an anticline. The variety of structural traps includes anticlines, thrust-faulted anticlines, and tilted fault blocks. The anticlines and thrusted anticlines occur in the foreland portions of the Greater Indus Basin as a consequence of compression related to collision of the Indian and Eurasian plates.

The tilted fault traps in the Lower Indus Basin are a product of extension related to rifting and the formation of horst and graben structures. The temporal relationships among trap formation and hydrocarbon generation, expulsion, migration, and entrapment are variable throughout the Greater Indus Basin.

In the foreland portion, formations of structural traps predate hydrocarbon generation, especially in the Lower Indus Basin. In the Middle and Upper Indus Basins, traps may also have formed prior to hydrocarbon generation, although the temporal relationships between trap formation and hydrocarbon generation are not as distinct as in the Lower Indus Basin. The structural deformation in the fold belt region is generally contemporaneous with hydrocarbon generation, suggesting that some of the hydrocarbons generated from the Sembar probably leaked to the surface prior to trap formation.

Plays

The Sui Limestone, Habib Rahi Limestone, Goru Formation, Pab Formation, and the Ranikot Group plays account for 97.5 percent of the basin's hydrocarbon reserves.

The Sui and Habib Limestone plays comprise marine limestone reservoirs with traps in reactivated basement anticlines or in Tertiary compressional anticlines. Seals are provided by shales of the Ghazij Formation. The Goru Formation play in the Badin area consists of sandstone reservoirs in tilted fault blocks, sealed by interbedded and regionally developed shales in the upper part of the formation. The Pab Formation play consists of sandstone reservoirs in anitclinal folds in the fold belts, sealed by Paleocene shales. The Ranikot Group play comprises sandstone and limestone reservoirs involved in compressional folds in the foredeeps and fold belts, sealed by interbedded and overlying shales.

In the onshore Lower Indus Basin the main producing reservoirs are the Cretaceous Lower Goru Formation sandstones. Discoveries have been made in all of the Lower Goru Sand reservoirs.

To date the most prolific reservoirs are those associated with Lower Goru Upper Sands (A, B, C, and D Sands) with 80 separate reservoirs in 47 fields in Badin Concessions. The Upper Sands are stacked prograding shoreline systems with the upper shoreface facies providing the best quality reservoirs. The Upper Sands are relatively shallow (2,200 to 7,300 feet) and the primary porosity and permeability has been largely preserved. To date, no Lower Goru Upper Sand discoveries have been made in MKK Concessions, but the play extends through the acreage and accumulations are expected at the level in MKK Concessions.

Nineteen reservoirs have been encountered in nine Lower Goru Middle Sand fields in Badin Concessions. The Middle Sand was deposited in a more proximal setting than the Upper Sands; depositional facies include distributary channels, channel levee, overbank, and other delta top and marginal facies. As a result the reservoirs are generally much thinner and there is more stratigraphic compartmentalization in these fields. Porosity and permeability are less than in the Upper Sands as a result of both facies control and secondary diagenesis related to the increased depth of these reservoirs (up to 9,000 feet).

The Lower Goru Basal Sands have nine gas discoveries in the Upper and Lower Basal Sands in Badin Concessions and, to date, all of the discoveries in MKK Concessions are at Basal Sand Level. The best reservoirs are in the distributary channel facies which can be thick and clean. Reservoir quality tends to be reduced as a result of diagenesis related to burial (7,000 to 11,000 feet) with generally lower porosities and permeability. In the MKK Concessions the Basal Sands have significant porosity and permeability despite the overall increased depth of burial.

The Lower Goru Basal Sands are the least exploited in Badin Concessions due to risks associated with reservoir quality. Initial attribute analysis on reprocessed seismic data suggests that the reservoir quality and hydrocarbon presence could be visible in Basal Sand reservoirs, which will reduce the risk on exploration in MKK Concessions and highlight further potential in Badin Concessions at this stratigraphic level.

Petroleum Systems

The Sembar Formation is the source for the only substantiated petroleum system in the Indus Basin. It has been active from approximately 148 million years ago to the present day. It has given rise to two distinct petroleum provinces:

1. A widespread gas province, and

2. An oil province which is so far restricted to the onshore Lower Indus Basin (including the Badin and MKK Concessions) and surrounding areas.

Exploration Potential

In the Badin and MKK Concessions:

1. Additional Lower Goru, Upper, Middle and Basal sands in tilted fault blocks, possibly with stratigraphic trapping potential against updip pinch-outs.

2. Lower Goru pure stratigraphic traps. The Sellers represented that they believe that the Sawan and Miano fields in the Middle Indus Basin and possibly the Kunar Deep field located in the Tando Allah Yar (TAY) block between their Badin and MKK Concessions are stratigraphic traps and that this play may extend into the Sellers' lands.

3. Middle Jurassic Chiltan carbonates in tilted fault blocks.

Various maps have been provided on a confidential basis by the Sellers for review and analysis of the structure and reservoir volumes. These maps have been used in the assessment of each reservoir. At the request of the Sellers these have been attached in our appendix and are expected to be used for reference only and must not be released for public viewing. We have therefore published this reference material separately.

ENGINEERING DISCUSSION

Onshore Assets

The Sellers' onshore assets evaluated are all based on the oil, gas and natural gas liquids resources of Southern Pakistan located in the Sindh province in South East Pakistan. The assets are divided into two major lease areas: the Badin area and the MKK area. These areas are located approximately 240 kilometers east of Karachi in an agricultural area with five million local inhabitants. The Badin area is further divided into five concessions: Badin I, Badin II, Badin IIR (Badin II Revised), Badin III, and Mehran concessions. The operating area of the Badin Concessions is approximately 2,300 square kilometers and that of the MKK Concessions is approximately 3,100 square kilometers. The Sellers have various working interests in these concessions ranging from 43.4 percent to 100 percent. The Sellers contribute 14 percent of Pakistan's total oil production and six percent of its domestic gas production. Pakistan's primary energy supply is 49 percent gas. The majority of the Sellers' crude is trucked 240 kilometers to Karachi, and the gas is transported via the Sui Southern gas transmission system. Index maps for the Sellers' land holdings are contained in Figures 1, 2, 3, and 4. In addition, each major property discussion contains a property index map.

The Badin Concessions consist of 68 fields that are divided contractually under five concessions. There are 42 fields in the Badin I concession, 15 fields in the Badin II concession, 5 fields in the Badin IIR concession, 5 fields in the Badin III concession, 1 field in the Mehran concession, and 9 fields in the MKK Concessions. Out of the 77 fields that were evaluated, 25 were considered major, 35 were considered minor, and 17 were considered evaluated as having No Reserves Assigned (NRA). The MKK Concessions also consist of exploratory properties in which the Sellers and working interest owners had committed to undertake 1,020 km^2 of seismic acquisition and drill 5 exploration wells and 1 well re-entry.

The Sellers have entered into concession agreements on February 6, 2010 for exploratory rights on the Digri and Sanghar South (DSS) blocks located east of Mirpur Khas and north-east of Badin areas within the Sindh province of Pakistan. The areas of these two concessions are approximately 2,500 square kilometers for each concession. The Sellers and the working interest owners of Sanghar South Blocks had committed to undertake in aggregate US$28.4 million of work on these blocks and planned to begin the work with a 3D seismic program in the 4th quarter of 2011.

At the time of preparation of this report there were no discoveries, production nor data available that would be useful in the preparation of a reserves determination on the exploration assets of the MKK Concessions, and the DSS Concessions. Accordingly, these have not been assessed and proved or probable reserves have not been assessed nor was there access to any information that would permit the assessment of potential for exploration drilling on these lands. Index map for the Sellers' land holdings is contained in Figure 5.

Offshore Assets

The Sellers have acquired a selection of interests in offshore Pakistan concessions. Of those blocks, the Sellers have declared that the Offshore Blocks J, G, O and P of their interests would not be part of the sale. The remaining Offshore Blocks S, U, V and W are retained in the current transaction and encompass some 23,070 square kilometers area for exploration in water depths up to 2,800 meters.

At the time of the preparation of this report there were no discoveries, production nor data available to define proved or probable reserves, nor was there access to any information that would permit the assessment of potential for exploration drilling on these lands. Accordingly, the Offshore Blocks S, U, V and W have not been assessed and proved or probable reserves have not be assessed. Index map for the Sellers' Offshore Blocks S, U, V and W is contained in Figure 6.

Based on the Sellers' various working interest in the concessions, the concession area attributable to the Sellers is approximately 24,952 square kilometers.

In Pakistan, the Ministry of Petroleum and Natural Resources has the authority to enact petroleum exploration and production rules and policies. A concession generally gives the concession interest owners (or working interest holders) certain rights with respect to the exploration and exploitation of areas which are subject to the relevant concession agreements. When a concession is granted, a petroleum concession agreement is entered into between the party concerned and the Government of Pakistan. Under such agreements, the working interest holders are granted the right to explore in the area covered by the concession, and as consideration for the granting of the concession, agree to do a minimum amount of exploration work (frequently described as the "work program"). When a commercial discovery is made, a development and production lease is issued for the area of the discovery which allows for the development and exploitation of the area of the discovery.

The following table lists the Sellers' working interests by concession based on which this report has been prepared:

Petroleum Concession Agreements	Gross area *(km^2)*	Interest of Sellers *(%)*
The Badin Concessions		
Badin-I Petroleum Concession Agreement dated 20 April 1977	2,014	100.0
Badin-II Petroleum Concession Agreement dated 21 January 1992	186	51.0
Badin-II Revised Petroleum Concession Agreement dated 17 December 1994	34	76.0
Badin-III Petroleum Concession Agreement dated 24 June 1998	41	60.0
Mehran Petroleum Concession Agreement dated 16 November 2000	26	75.0
The MKK Concessions		
Khipro Petroleum Concession Agreement dated 29 December 1999	1,277	51.3
Mirpur Khas Petroleum Concession Agreement dated 29 December 1999	1,855	51.3
SUB-TOTAL	5,433	–

Petroleum Concession Agreements	Gross area (km^2)	Interest of Sellers (%)
The DSS Concessions		
Digri Petroleum Concession Agreement dated 16 February 2010	2,500	75
Sanghar South Petroleum Concession Agreement dated 16 February 2010	2,500	100
The Offshore Blocks		
Offshore Block U Production Sharing Agreement dated 21 July 2006	6,294	72.5
Offshore Block V Production Sharing Agreement dated 21 July 2006	7,377	72.5
Offshore Block W Production Sharing Agreement dated 21 July 2006	7,270	80.0
Offshore Block S Production Sharing Agreement dated 22 March 2007	2,129	50.0
TOTAL	33,503	–

Under the petroleum concession agreements, each working interest owner pays its pro rata share of the development and operating costs in respect of the development and production activities in the area covered by the relevant petroleum concession agreement, and is entitled to receive its pro rata share of the oil, gas and natural gas liquids produced from that area, net of its pro rata share of any royalties payable to the Government of Pakistan. In the case of the Offshore Block W Production Sharing Agreement, the Sellers have entered into an arrangement with the minority working interest owner to carry that owner's share of the costs in respect of the minimum work commitment for the first phase of the initial exploration period.

The overall supervision and direction of operations of a shared concession is typically managed by an operating or managing committee comprising representatives from each working interest owner. Working interest owners share voting power over decisions of the operating or managing committee in proportion to their respective working interests.

Exploration periods under a concession or production sharing agreement typically consist of an initial exploration period (which may be divided into phases) and followed by one or more renewal periods. A work program is prescribed for each period or phase and is defined in terms of specified number of work units. To be eligible to move from one exploration phase or period to the next the working interest owners must have completed the required work program for the current period or phase. If the working interest owners do not complete the work commitments within the prescribed period or phase, they are required to relinquish their exploration rights under the concession agreement or production sharing agreement and pay a relinquishment fee of US$10,000 per unperformed work unit. In relation to the MKK Concessions, the agreements with the Government of Pakistan have valued the liquidated damages payable for exploration wells at US$3 million per well and well re-entry at US$1.5 million per well, whilst liquidated damages for seismic activities remain at US$10,000 per work unit.

At the end of the exploration period under a concession, the areas not covered by oil mining or development and production leases are relinquished back to the Government of Pakistan, leaving the working interest owners with rights only to the areas covered by the leases.

Before operations in an area covered by a development and production lease are abandoned, the working interest owners are required to submit to the Government of Pakistan plans for the orderly closing down and abandonment of operations, removal of all structures and environmental restoration of the production site following termination of commercial production. Each working interest owner is required to fund its pro rata share of the full amount of the abandonment costs. After the completion of operations, the working interest owners are required to safely plug any wells and to submit comprehensive well completion reports to the Government of Pakistan.

The Company will be responsible for plugging and abandoning and decommissioning costs when wells cease to be capable of commercial production. We understand that the Sellers have undertaken a comprehensive decommissioning study. As of December 31, 2010, the accounts of the assets carried a deferred liability of HK$246,646,000 for the costs of abandonment and decommissioning that will be incurred in the future in respect of the assets comprised in the Proposed Transaction.

Given the long-life aspect of these assets and the unknown impact of future exploration and development resulting in even further useful and extended life of the facilities, combined with the unknown implementation terms of abandonment and decommissioning (timing, extent, potential transfer of properties, salvage value, future wellbore utility, community and infrastructure growth), the Company has assumed that the present value of the forecast abandonment costs to be minimal compared to the current value of the assets. Therefore, abandonment costs are not included in this report.

We understand that the anticipated costs of abandonment and decommissioning were taken into account by the Company in determining the purchase price.

Royalty is payable for both crude oil and natural gas produced onshore at 12.5 percent of the wellhead value. The royalty payable with respect to offshore production starts at zero and ramps up to 12.5 of well head value percent after 72 months.

Tax associated with income from the Badin Concessions and MKK Concessions is subject to tax at either 50% of profits or gains derived from the operations before deduction of royalty or 55% of profits or gains derived from the operations after deduction of royalty. The tax legislation requires that the concession holder makes payment of the higher of the two calculations. The Business has historically applied and still applies to the Badin Concessions and the MKK Concessions the income tax rate of 50% of profits or gains derived from the operations before deduction of royalty. There are also additional profits taxes (Workers Profit Participation Fund of 5 percent of accounting profit and Workers Welfare Fund of 2 percent of taxable income) and nominal production bonuses. Oil, gas and natural gas liquids remaining after cost recovery are shared between the working interest owners and the Government of Pakistan on a sliding scale basis.

The original concessions were awarded between 1977 and 2000 to Union Texas and the first hydrocarbon discovery was in the Khaskeli field in 1981. During the next decade or so 139 exploration wells were drilled discovering 66 fields in the Badin Concessions: 18 oil wells, 29 gas wells and 19 oil and gas wells. There have been over 370 exploration and development wells that have been drilled to date in the Badin Concessions, with a reported 45 percent success rate for exploration wells and 91 percent for development wells. However, as a result of three-dimensional (3–D) seismic analysis, the overall success rate has been reported by the Sellers to have improved to approximately 70 percent. ARCO acquired Union Texas' interest in the Badin Concessions in 1998 and subsequently the Sellers acquired ARCO's interest in 2000. As of January 1, 2011, there were 120 wells in the Badin Concessions producing an average gross monthly net production of 7.5 thousand barrels (Mbbl) of oil per day and 130.1 million cubic feet (MMcf) of gas per day. The cumulative production in the Badin Concessions was 178.3 million barrels (MMbbl) of oil and 1,497.1 billion cubic feet (Bcf) of gas to date. The Turk and Buzdar fields are the biggest producers in the Badin Concessions. The infrastructure in Badin has capacity to process 220 MMcf of gas per day and 30 Mbbl of oil per day.

The Sellers acquired 51.3 percent of the MKK Concessions from Orient Petroleum International Inc. (OPII) in January 2009. The first discovery in the MKK Concessions was in January 2003 by the drilling of a well in the Naimat Basal Field. There have been 29 exploration wells drilled in the concessions. As of January, 1 2011, there were 9 wells in the MKK Concessions producing an average gross monthly net production of 1.5 Mbbl of oil per day and 33.5 MMcf of gas per day from 9 fields. The cumulative production as of December 31, 2010 was 3.2 MMbbl and 160.2 Bcf. The infrastructure in MKK Concessions has capacity to process 125 MMcf of gas per day and 5 Mbbl of oil per day. A part of the MKK infrastructure includes an LPG recovery system serving five fields, Bilal/Bilal North/Siraj South Kamal North, Naimat Basal, Rahim and Umar. Currently LPG production of approximately 350 barrels per day which is forecast to decline as the gas rate declines. Further drilling is planned after the acquisition and interpretation of seismic data. As of January, 1 2011, there were 129 wells in the Badin and MKK Concessions producing an average gross monthly net production of 9.0 Mbbl of oil per day and 163.7 MMcf of gas per day. This amounted to, based on December 2010 figures, an average monthly net production of 7.2 Mbbl of oil per day and 124.2 MMcf of gas per day (28.6 Mboe per day) that are attributable to the Sellers.

The operating base is at Khaskeli field in the Badin I concession. There are five points of delivery for gas from Badin, Mazari, Bukhari, Golarchi, Tangri, and Turk and two from MKK Concessions: Naimat and Kausar. There are also six oil facilities in Badin Concessions and two in MKK Concessions.

The Sellers utilize standard practices to produce and extract the oil, gas and natural gas liquids discovered, along with the associated water in the various concessions. These practices include the natural flow of hydrocarbons (oil, gas and associated water), compression services for natural gas production, and gas lift and hydraulic pumping systems for liquid (both oil and water) production. Such practices are common in producing areas around the world and are not unique to either the Sellers or Pakistan.

The development plans of the Sellers were reviewed for this report and it was found that they contain some elements that are directly related to already developed assets. These can be evaluated. The Sellers have a more all-encompassing plan referred to as "Low risk exploration and exploitation." The Sellers' plan of development contains a plan for the exploitation and development of reserves and resources in both the Badin Concessions and MKK Concessions over a 5-year period from 2011 to 2015. The plan is based on the processing of the 3–D seismic data so as to refine the prospect inventory. 3-D reprocessing for the Badin Concessions was carried out in November 2010. 3-D reprocessing for MKK phases I and II was originally scheduled for January 2011, but was delayed while the extension request for phase I of the MKK initial exploration period was pending. Although that extension has been granted, the Company intends to commence the reprocessing in late 2011, after it becomes the MKK operator. Reprocessing for MKK phase III remains scheduled in December 2012. In the Badin Concessions, the Sellers are planning to drill 26 shallow (Upper and Middle sands) exploitation and 5 exploration wells. For the MKK Concessions, the Sellers are planning to drill 11 exploration and 6 development wells. In addition to the drilling program, the Sellers are planning to add compression, plant upgrades, pipeline infrastructure, and perform work overs. Part of the Sellers' forecast activity in the development of the proved undeveloped and probable undeveloped forecasts have selectively been included in this evaluation.

In the preparation of this report, gross production to January 1, 2011, was deducted from gross ultimate recovery to arrive at the estimates of gross reserves. Data available from wells drilled on the appraised properties to January 1, 2011, are included herein. The development status represents the status applicable on January 1, 2011.

We know of no factors that might affect value perception for these assets.

DEFINITION OF RESERVES

The proved and probable reserves presented in this report have been prepared in accordance with the PRMS approved in March 2007 by the Society of Petroleum Engineers, the World Petroleum Council, the American Association of Petroleum Geologists, and the Society of Petroleum Evaluation Engineers. Only proved and probable reserves have been evaluated for this report. The petroleum reserves are defined as follows:

> Reserves are those quantities of petroleum anticipated to be commercially recoverable by application of development projects to known accumulations from a given date forward under defined conditions. Reserves must further satisfy four criteria: they must be discovered, recoverable, commercial, and remaining (as of the evaluation date) based on the development project(s) applied. Reserves are further categorized in accordance with the level of certainty associated with the estimates

and may be sub-classified based on project maturity and/or characterized by development and production status.

Proved Reserves – Proved Reserves are those quantities of petroleum which, by analysis of geoscience and engineering data, can be estimated with reasonable certainty to be commercially recoverable, from a given date forward, from known reservoirs and under defined economic conditions, operating methods, and government regulations. If deterministic methods are used, the term reasonable certainty is intended to express a high degree of confidence that the quantities will be recovered. If probabilistic methods are used, there should be at least a 90-percent probability that the quantities actually recovered will equal or exceed the estimate.

Unproved Reserves – Unproved Reserves are based on geoscience and/or engineering data similar to that used in estimates of Proved Reserves, but technical or other uncertainties preclude such reserves being classified as Proved. Unproved Reserves may be further categorized as Probable Reserves and Possible Reserves.

Probable Reserves – Probable Reserves are those additional Reserves which analysis of geoscience and engineering data indicate are less likely to be recovered than Proved Reserves but more certain to be recovered than Possible Reserves. It is equally likely that actual remaining quantities recovered will be greater than or less than the sum of the estimated Proved plus Probable Reserves (2P). In this context, when probabilistic methods are used, there should be at least a 50-percent probability that the actual quantities recovered will equal or exceed the proved-plus-probable reserves estimate.

Possible Reserves – No possible reserves have been evaluated in this report.

Reserves Status Categories – Reserves status categories define the development and producing status of wells and reservoirs.

Developed Reserves – Developed Reserves are expected quantities to be recovered from existing wells and facilities. Reserves are considered developed only after the necessary equipment has been installed, or when the costs to do so are relatively minor compared to the cost of a well. Where required facilities become unavailable, it may be necessary to reclassify Developed Reserves as Undeveloped. Developed Reserves may be further sub-classified as Producing or Non-Producing.

Developed Producing Reserves – Developed Producing Reserves are expected to be recovered from completion intervals that are open and producing at the time of the estimate. Improved recovery reserves are considered producing only after the improved recovery project is in operation.

Developed Non-Producing Reserves – Developed Non-Producing Reserves include shut-in and behind-pipe Reserves. Shut-in Reserves are expected to be recovered from (1) completion intervals which are open at the time of the estimate but which have not yet started producing, (2) wells which were shut-in for market conditions or pipeline connections, or (3) wells not capable of production for mechanical reasons. Behind-pipe Reserves are expected to be recovered from zones in existing wells which will require additional completion work or future recompletion prior to the start of production. In all cases, production can be initiated or restored with relatively low expenditure compared to the cost of drilling a new well.

Undeveloped Reserves – Undeveloped Reserves are quantities expected to be recovered through future investments: (1) from new wells on undrilled acreage in known accumulations, (2) from deepening existing wells to a different (but known) reservoir, (3) from infill wells that will increase recovery, or (4) where a relatively large expenditure (e.g. when compared to the cost of drilling a new well) is required to (a) recomplete an existing well or (b) install production or transportation facilities for primary or improved recovery projects.

The extent to which probable reserves ultimately may be recategorized as proved reserves is dependent upon future drilling, testing, and well performance. The degree of risk to be applied in evaluating probable reserves is influenced by economic and technological factors as well as the time element. Probable reserves in this report have not been adjusted in consideration of these additional risks to make them comparable to proved reserves. No possible reserves have been evaluated for this report.

VALUATION OF THE OIL, GAS AND NATURAL GAS LIQUIDS ASSETS

It should be noted that the Economic Evaluation range does not constitute an estimate of "fair market value" of the fields or a value in considering an 'arm's-length' transaction between a willing buyer/willing seller as other factors may be involved.

The assessment represented in this report was conducted within the context of DeGolyer and MacNaughton's understanding of the effects of petroleum legislation, taxation and other regulations that currently pertain to the various properties.

The competent person responsible for this report express no opinion as to the legal rights of the Sellers to explore, mine, or explore and mine the relevant resources and reserves.

The Competent Person's Report is, and will remain, an independent opinion despite certain information used in its preparation having been provided by the Sellers.

It should be understood that any evaluation, particularly one involving future petroleum developments, may be subject to significant variations over short periods of time as new information becomes available and perceptions change.

The valuation of the Fair Market Value of the oil, gas and natural gas liquids assets are contained in a separate report prepared by DeGolyer and MacNaughton, dated May 12, 2011.

ESTIMATION OF RESERVES

The Sellers owned interests in all of the 25 fields evaluated herein. These interests are as follows:

Property Interests Evaluated

Country Field	Working Interest Currently Owned (percent)
Pakistan	
Jogwani	100
Khorewah	100
Turk Deep	100
Kamal North	51.3
Buzdar South Deep	51
Duphri	100
Sonro	100
Missri	100
Turk	100
South Mazari Deep	100
Halipota	100
Tangri	100
Bhatti	100
Kauser-Usman	51.3
Golarghi	100
Jagir	76
Baqar Deep	51
Naimat Basal	51.3
Meyun Ismail Deep	51
Bukhari Deep	100
Tando Ghulam Ali	100
South Mazari	100
Zaur	51
Laghari	100
Umar	51.3
Weighted Average	77.1
Other	73.0
Weighted Average Total	76.6

The "Other" items in this and other property lists in this report include the 52 properties identified as minor, of which 17 are with no reserves assigned. Collectively, these properties account for approximately 10 percent of the total company reserves on a barrel of oil equivalent basis in terms of proved plus probable reserves.

Estimates of reserves were prepared by the use of standard geological and engineering methods generally accepted by the petroleum industry. The method or combination of methods utilized in the analysis of each reservoir was tempered by experience with similar reservoirs, stage of development, quality and completeness of basic data, and production history.

Where applicable, the volumetric method was used to determine the original oil in place. Estimates were made by using various types of logs, core analyses, and other available data. Formation tops, gross thickness, and representative values for net pay thickness, porosity, and interstitial fluid saturations were used to prepare structural maps to delineate each reservoir and isopachous maps to determine reservoir volumes. Where adequate data were available and where circumstances justified, material-balance and other engineering methods were used to estimate the original oil in place.

Estimates of ultimate recovery were obtained by applying recovery efficiency factors to the original quantities of petroleum in place. These factors were based on consideration of the type of energy inherent in the reservoir, analysis of the fluid and rock properties, the structural position of the properties, and the production history. In some instances, comparisons were made with similar producing reservoirs in the area where more complete data were available.

Where adequate data were available and where circumstances justified, material-balance and other engineering methods were used to estimate recovery factors. In these instances, reservoir performance parameters such as cumulative production, producing rate, reservoir pressure, gas-oil ratio behavior, and water production were considered in estimating recovery efficiencies used in determining gross ultimate recovery.

For depletion-type reservoirs or other reservoirs where performance has disclosed a reliable decline in producing-rate trends or other diagnostic characteristics, reserves were estimated by the application of appropriate decline curves or other performance relationships. In analyzing decline curves, reserves were estimated only to the limits of economic production.

In certain cases where the previously named methods could not be used, reserves were estimated by analogy with similar reservoirs where more complete data were available.

The reserves estimates presented herein were based on consideration of monthly production data through December 2010, and the estimated cumulative production data through January 1, 2011. Other data available, including geological data, well-test results, pressures, and core data through January 1, 2011, were used to prepare estimates for this report. Where applicable, estimated cumulative production, as of January 1, 2011, was deducted from the gross ultimate recovery to determine the estimated gross reserves.

Reserves estimated in this report are supported by details of drilling results through December 2010, analyses of available geological data, well-test results, pressures, available core data, and production performance. This report takes into account all relevant information supplied to DeGolyer and MacNaughton by the Sellers.

Estimated gross field proved and probable oil, condensate, LPG and gas reserves, as of January 1, 2011, of the fields evaluated herein are summarized below in thousands of barrels (Mbbl), millions of cubic feet (MMcf), and thousands of barrels oil equivalent (Mboe) for the Forecast and Constant Prices and Costs Cases:

Gross Field Forecast Prices and Costs Case Reserves Summary

	Proved			Proved + Probable		
Country Field	**Oil, Condensate, and LPG** *(Mbbl)*	**Sales Gas** *(MMcf)*	**Total** *(Mboe)*	**Oil, Condensate, and LPG** *(Mbbl)*	**Sales Gas** *(MMcf)*	**Total** *(Mboe)*
Pakistan						
Jogwani	11	24,753	4,279	30	67,972	11,750
Khorewah	203	15,695	2,909	532	41,123	7,623
Turk Deep	45	14,228	2,498	98	31,190	5,475
Kamal North	3,355	6,240	4,431	5,630	10,470	7,435
Buzdar South Deep	400	25,547	4,805	606	38,698	7,278
Duphri	361	5,540	1,317	1,002	15,353	3,649
Sonro	589	1,500	848	1,962	4,995	2,823
Missri	666	2,716	1,134	1,480	6,146	2,540
Turk	52	8,200	1,466	89	13,998	2,503
South Mazari Deep	1,048	1,074	1,233	2,027	2,128	2,394
Halipota	1,251	672	1,367	2,148	1,171	2,350
Tangri	293	3,702	931	724	7,493	2,016
Bhatti	51	2,000	395	251	9,945	1,966
Kauser-Usman	3	17,263	2,980	4	21,265	3,670
Golarghi	5	3,167	551	16	9,240	1,609
Jagir	1,225	403	1,295	1,852	608	1,957
Baqar Deep	48	11,694	2,064	60	14,616	2,580
Naimat Basal	251	4,193	974	544	9,096	2,113
Meyun Ismail Deep	28	9,076	1,593	36	11,688	2,051
Bukhari Deep	14	3,532	623	22	5,515	973
Tando Ghulam Ali	64	2,534	501	105	4,169	823
South Mazari	401	–	401	817	–	817
Zaur	1,242	1,088	1,430	1,387	1,216	1,597
Laghari	200	–	200	808	–	808
Umar	165	723	289	886	3,887	1,556
Subtotal	**11,972**	**165,541**	**40,514**	**23,117**	**331,981**	**80,355**
Other	3,116	17,142	6,072	5,209	33,817	11,039
Total	**15,089**	**182,683**	**46,586**	**28,326**	**365,797**	**91,394**

Gross Field Forecast Prices and Costs Case Reserves Summary

Country Field	Proved Oil, Condensate, and LPG *(Mbbl)*	Proved Sales Gas *(MMcf)*	Proved Total *(Mboe)*	Proved + Probable Oil, Condensate, and LPG *(Mbbl)*	Proved + Probable Sales Gas *(MMcf)*	Proved + Probable Total *(Mboe)*
Block Subtotals						
Badin I	6,535	96,412	23,158	14,278	231,444	54,183
Badin II	2,584	26,867	7,216	3,329	34,475	9,273
Badin IIR	1,517	999	1,689	2,296	1,376	2,533
Badin III	8	1,288	230	19	3,005	537
Buzdar Unit	408	27,220	5,101	619	41,301	7,740
Mehran	0	153	27	0	171	30
Mirpur Khas	183	19,156	3,485	925	34,253	6,831
Khipro	3,854	10,589	5,680	6,860	19,772	10,269
Total	**15,089**	**182,683**	**46,586**	**28,326**	**365,797**	**91,394**

Notes:

1. Probable reserves have not been adjusted for risk.

2. Gas is converted to barrels of oil equivalent using a factor of 5,800 cubic feet per barrel.

Gross Field Constant Prices and Costs Case Reserves Summary

Country Field	Proved Oil, Condensate, and LPG *(Mbbl)*	Proved Sales Gas *(MMcf)*	Proved Total *(Mboe)*	Proved + Probable Oil, Condensate, and LPG *(Mbbl)*	Proved + Probable Sales Gas *(MMcf)*	Proved + Probable Total *(Mboe)*
Pakistan						
Jogwani	11	24,753	4,279	30	67,972	11,750
Khorewah	203	15,695	2,909	532	41,123	7,623
Turk Deep	45	14,228	2,498	98	31,190	5,475
Kamal North	3,355	6,240	4,431	5,630	10,470	7,435
Buzdar South Deep	400	25,547	4,805	606	38,698	7,278
Duphri	361	5,540	1,317	999	15,307	3,638
Sonro	577	1,469	830	1,948	4,960	2,804
Missri	657	2,686	1,120	1,480	6,146	2,540
Turk	52	8,200	1,466	87	13,693	2,448
South Mazari Deep	1,043	1,068	1,227	2,023	2,122	2,389
Halipota	1,251	672	1,367	2,148	1,171	2,350
Tangri	293	3,702	931	706	7,486	1,997
Bhatti	46	1,806	357	245	9,689	1,915
Kauser-Usman	3	18,109	3,126	4	21,265	3,670

Gross Field Constant Prices and Costs Case Reserves Summary

Country Field	Proved			Proved + Probable		
	Oil, Condensate, and LPG	Sales Gas	Total	Oil, Condensate, and LPG	Sales Gas	Total
	(Mbbl)	*(MMcf)*	*(Mboe)*	*(Mbbl)*	*(MMcf)*	*(Mboe)*
Golarghi	5	3,167	551	16	9,240	1,609
Jagir	1,216	400	1,285	1,844	605	1,948
Baqar Deep	48	11,694	2,064	60	14,616	2,580
Naimat Basal	251	4,193	974	553	9,238	2,146
Meyun Ismail Deep	28	9,076	1,593	36	11,688	2,051
Bukhari Deep	14	3,532	623	22	5,515	973
Tando Ghulam Ali	64	2,534	501	105	4,169	823
South Mazari	401	–	401	817	–	817
Zaur	1,242	1,088	1,430	1,387	1,216	1,597
Umar	167	731	293	894	3,924	1,571
Laghari	194	–	194	802	–	802
Subtotal	**11,929**	**166,131**	**40,572**	**23,072**	**331,503**	**80,228**
Other	3,081	17,057	6,022	5,130	34,186	11,024
Total	**15,010**	**183,188**	**46,594**	**28,202**	**365,689**	**91,252**
Block Subtotals						
Badin I	6,476	96,065	23,039	14,196	230,767	53,983
Badin II	2,571	26,867	7,203	3,275	34,475	9,219
Badin IIR	1,506	996	1,678	2,285	1,374	2,522
Badin III	8	1,288	230	19	3,005	537
Buzdar Unit	408	27,220	5,101	619	41,301	7,740
Mehran	0	153	27	0	171	30
Mirpur Khas	185	20,010	3,635	933	34,682	6,913
Khipro	3,854	10,589	5,680	6,875	19,914	10,308
Total	**15,010**	**183,188**	**46,594**	**28,202**	**365,689**	**91,252**

Notes:

1. Probable reserves have not been adjusted for risk.

2. Gas is converted to barrels of oil equivalent using a factor of 5,800 cubic feet per barrel.

Estimated company gross share proved and probable oil, condensate, LPG and gas reserves of the Sellers, as of January 1, 2011, of the fields evaluated herein are summarized below in thousands of barrels (Mbbl), millions of cubic feet (MMcf), and thousands of barrels oil equivalent (Mboe) for the Forecast and Constant Prices and Costs Cases:

Company Share Forecast Prices and Costs Case Gross Reserves Summary

	Proved			Proved + Probable		
Country Field	**Oil, Condensate, and LPG** *(Mbbl)*	**Sales Gas** *(MMcf)*	**Total** *(Mboe)*	**Oil, Condensate, and LPG** *(Mbbl)*	**Sales Gas** *(MMcf)*	**Total** *(Mboe)*
Pakistan						
Jogwani	11	24,753	4,279	30	67,972	11,750
Khorewah	203	15,695	2,909	532	41,123	7,623
Turk Deep	45	14,228	2,498	98	31,190	5,475
Kamal North	1,721	3,201	2,273	2,888	5,371	3,814
Buzdar South Deep	204	13,029	2,450	309	19,736	3,712
Duphri	361	5,540	1,317	1,002	15,353	3,649
Sonro	589	1,500	848	1,962	4,995	2,823
Missri	666	2,716	1,134	1,480	6,146	2,540
Turk	52	8,200	1,466	89	13,998	2,503
South Mazari Deep	1,048	1,074	1,233	2,027	2,128	2,394
Halipota	1,251	672	1,367	2,148	1,171	2,350
Tangri	293	3,702	931	724	7,493	2,016
Bhatti	51	2,000	395	251	9,945	1,966
Kauser-Usman	2	8,856	1,529	2	10,909	1,883
Golarghi	5	3,167	551	16	9,240	1,609
Jagir	931	306	984	1,408	462	1,488
Baqar Deep	25	5,964	1,053	31	7,454	1,316
Naimat Basal	129	2,151	500	279	4,666	1,084
Meyun Ismail Deep	14	4,629	812	18	5,961	1,046
Bukhari Deep	14	3,532	623	22	5,515	973
Tando Ghulam Ali	64	2,534	501	105	4,169	823
South Mazari	401	–	401	817	–	817
Zaur	200	–	200	808	–	808
Laghari	634	555	729	707	620	814
Umar	84	371	148	454	1,994	798
Subtotal	**8,998**	**128,375**	**31,132**	**18,209**	**277,611**	**66,073**
Other	2,289	12,408	4,429	3,830	22,990	7,794
Total	**11,288**	**140,783**	**35,561**	**22,039**	**300,601**	**73,867**

Company Share Forecast Prices and Costs Case Gross Reserves Summary

Country Field	Proved			Proved + Probable		
	Oil, Condensate, and LPG *(Mbbl)*	Sales Gas *(MMcf)*	Total *(Mboe)*	Oil, Condensate, and LPG *(Mbbl)*	Sales Gas *(MMcf)*	Total *(Mboe)*
Block Subtotals						
Badin I	6,535	96,412	23,158	14,278	231,444	54,183
Badin II	1,318	13,702	3,680	1,698	17,582	4,729
Badin IIR	1,153	759	1,284	1,745	1,046	1,925
Badin III	5	773	138	11	1,803	322
Buzdar Unit	206	13,765	2,580	313	20,882	3,913
Mehran	0	115	20	0	128	22
Mirpur Khas	94	9,827	1,788	474	17,572	3,504
Khipro	1,977	5,432	2,914	3,519	10,143	5,268
Total	**11,288**	**140,783**	**35,561**	**22,039**	**300,601**	**73,867**

Notes:

1. Probable reserves have not been adjusted for risk.

2. Gas is converted to barrels of oil equivalent using a factor of 5,800 cubic feet per barrel.

Company Share Constant Prices and Costs Case Gross Reserves Summary

Country Field	Proved			Proved + Probable		
	Oil, Condensate, and LPG *(Mbbl)*	Sales Gas *(MMcf)*	Total *(Mboe)*	Oil, Condensate, and LPG *(Mbbl)*	Sales Gas *(MMcf)*	Total *(Mboe)*
Pakistan						
Jogwani	11	24,753	4,279	30	67,972	11,750
Khorewah	203	15,695	2,909	532	41,123	7,623
Turk Deep	45	14,228	2,498	98	31,190	5,475
Kamal North	1,721	3,201	2,273	2,888	5,371	3,814
Buzdar South Deep	204	13,029	2,450	309	19,736	3,712
Duphri	361	5,540	1,317	999	15,307	3,638
Sonro	577	1,469	830	1,948	4,960	2,804
Missri	657	2,686	1,120	1,480	6,146	2,540
Turk	52	8,200	1,466	87	13,693	2,448
South Mazari Deep	1,043	1,068	1,227	2,023	2,122	2,389
Halipota	1,251	672	1,367	2,148	1,171	2,350
Tangri	293	3,702	931	706	7,486	1,997
Bhatti	46	1,806	357	245	9,689	1,915
Kauser-Usman	2	9,290	1,603	2	10,909	1,883

Company Share Constant Prices and Costs Case Gross Reserves Summary

Country Field	Proved			Proved + Probable		
	Oil, Condensate, and LPG (Mbbl)	Sales Gas (MMcf)	Total (Mboe)	Oil, Condensate, and LPG (Mbbl)	Sales Gas (MMcf)	Total (Mboe)
Golarghi	5	3,167	551	16	9,240	1,609
Jagir	924	304	977	1,401	460	1,481
Baqar Deep	25	5,964	1,053	31	7,454	1,316
Naimat Basal	129	2,151	500	284	4,739	1,101
Meyun Ismail Deep	14	4,629	812	18	5,961	1,046
Bukhari Deep	14	3,532	623	22	5,515	973
Tando Ghulam Ali	64	2,534	501	105	4,169	823
South Mazari	401	–	401	817	–	817
Zaur	634	555	729	707	620	814
Umar	86	375	150	459	2,013	806
Laghari	194	–	194	802	–	802
Subtotal	**8,956**	**128,550**	**31,120**	**18,158**	**277,046**	**65,924**
Other	2,260	12,323	4,385	3,775	23,168	7,770
Total	**11,216**	**140,873**	**35,505**	**21,933**	**300,214**	**73,694**
Block Subtotals						
Badin I	6,476	96,065	23,039	14,196	230,767	53,983
Badin II	1,311	13,702	3,673	1,670	17,582	4,702
Badin IIR	1,145	757	1,275	1,737	1,044	1,917
Badin III	5	773	138	11	1,803	322
Buzdar Unit	206	13,765	2,580	313	20,882	3,913
Mehran	0	115	20	0	128	22
Mirpur Khas	95	10,265	1,865	479	17,792	3,546
Khipro	1,977	5,432	2,914	3,527	10,216	5,288
Total	**11,216**	**140,873**	**35,505**	**21,933**	**300,214**	**73,694**

Notes:

1. Probable reserves have not been adjusted for risk.

2. Gas is converted to barrels of oil equivalent using a factor of 5,800 cubic feet per barrel.

Estimated net company share proved and probable oil, condensate, LPG and gas reserves of the Sellers, as of January 1, 2011, of the fields evaluated herein are summarized below in thousands of barrels (Mbbl), millions of cubic feet (MMcf), and thousands of barrels oil equivalent (Mboe) for the Forecast and Constant Prices and Costs Cases:

Company Share Forecast Prices and Costs Case Net Reserves Summary

Country Field	Proved			Proved + Probable		
	Oil, Condensate, and LPG	Sales Gas	Total	Oil, Condensate, and LPG	Sales Gas	Total
	(Mbbl)	*(MMcf)*	*(Mboe)*	*(Mbbl)*	*(MMcf)*	*(Mboe)*
Pakistan						
Jogwani	10	21,659	3,744	27	59,475	10,281
Khorewah	178	13,733	2,546	466	35,982	6,670
Turk Deep	39	12,450	2,186	86	27,291	4,791
Kamal North	1,506	2,801	1,989	2,527	4,700	3,337
Buzdar South Deep	179	11,400	2,144	270	17,269	3,248
Duphri	316	4,848	1,152	876	13,434	3,193
Sonro	516	1,313	742	1,717	4,370	2,470
Missri	583	2,376	992	1,295	5,378	2,222
Turk	46	7,175	1,283	78	12,248	2,190
South Mazari Deep	917	939	1,079	1,774	1,862	2,095
Halipota	1,095	588	1,196	1,880	1,024	2,056
Tangri	256	3,240	815	633	6,557	1,764
Bhatti	44	1,750	346	220	8,702	1,720
Kauser-Usman	1	7,749	1,338	2	9,545	1,647
Golarghi	5	2,771	482	14	8,085	1,408
Jagir	815	268	861	1,232	405	1,302
Baqar Deep	22	5,218	921	27	6,522	1,151
Naimat Basal	113	1,882	437	244	4,083	948
Meyun Ismail Deep	12	4,050	711	16	5,216	915
Bukhari Deep	12	3,090	545	19	4,826	851
Tando Ghulam Ali	56	2,217	438	92	3,648	721
South Mazari	351	–	351	715	–	715
Zaur	175	–	175	707	–	707
Laghari	554	485	638	619	542	712
Umar	74	324	130	398	1,745	699
Subtotal	**7,874**	**112,326**	**27,240**	**15,933**	**242,909**	**57,813**
Other	2,003	10,859	3,875	3,351	20,115	6,820
Total	**9,877**	**123,185**	**31,116**	**19,284**	**263,024**	**64,633**

Company Share Forecast Prices and Costs Case Net Reserves Summary

Country Field	Proved			Proved + Probable		
	Oil, Condensate, and LPG (Mbbl)	Sales Gas (MMcf)	Total (Mboe)	Oil, Condensate, and LPG (Mbbl)	Sales Gas (MMcf)	Total (Mboe)
Block Subtotals						
Badin I	5,718	84,361	20,263	12,494	202,513	47,410
Badin II	1,153	11,989	3,220	1,485	15,384	4,138
Badin IIR	1,009	664	1,123	1,527	915	1,684
Badin III	4	676	121	10	1,578	282
Buzdar Unit	181	12,044	2,257	274	18,271	3,424
Mehran	0	100	17	0	112	20
Mirpur Khas	82	8,598	1,564	415	15,376	3,066
Khipro	1,730	4,753	2,550	3,079	8,875	4,610
Total	**9,877**	**123,185**	**31,116**	**19,284**	**263,024**	**64,633**

Notes:

1. Probable reserves have not been adjusted for risk.

2. Gas is converted to barrels of oil equivalent using a factor of 5,800 cubic feet per barrel.

Company Share Constant Prices and Costs Case Net Reserves Summary

Country Field	Proved			Proved + Probable		
	Oil, Condensate, and LPG (Mbbl)	Sales Gas (MMcf)	Total (Mboe)	Oil, Condensate, and LPG (Mbbl)	Sales Gas (MMcf)	Total (Mboe)
Pakistan						
Jogwani	10	21,659	3,744	27	59,475	10,281
Khorewah	178	13,733	2,546	466	35,982	6,670
Turk Deep	39	12,450	2,186	86	27,291	4,791
Kamal North	1,506	2,801	1,989	2,527	4,700	3,337
Buzdar South Deep	179	11,400	2,144	270	17,269	3,248
Duphri	316	4,848	1,152	874	13,394	3,183
Sonro	505	1,285	726	1,705	4,340	2,453
Missri	575	2,350	980	1,295	5,378	2,222
Turk	46	7,175	1,283	76	11,981	2,142
South Mazari Deep	913	935	1,074	1,770	1,857	2,090
Halipota	1,095	588	1,196	1,880	1,024	2,056
Tangri	256	3,240	815	618	6,551	1,748
Bhatti	40	1,580	312	214	8,478	1,676
Kauser-Usman	2	8,129	1,403	2	9,545	1,647

Company Share Constant Prices and Costs Case Net Reserves Summary

Country Field	Proved			Proved + Probable		
	Oil, Condensate, and LPG (Mbbl)	Sales Gas (MMcf)	Total (Mboe)	Oil, Condensate, and LPG (Mbbl)	Sales Gas (MMcf)	Total (Mboe)
Golarghi	5	2,771	482	14	8,085	1,408
Jagir	809	266	855	1,226	403	1,296
Baqar Deep	22	5,218	921	27	6,522	1,151
Naimat Basal	113	1,882	437	248	4,147	963
Meyun Ismail Deep	12	4,050	711	16	5,216	915
Bukhari Deep	12	3,090	545	19	4,826	851
Tando Ghulam Ali	56	2,217	438	92	3,648	721
South Mazari	351	–	351	715	–	715
Zaur	554	485	638	619	542	712
Umar	75	328	131	401	1,762	705
Laghari	170	–	170	701	–	701
Subtotal	**7,836**	**112,480**	**27,229**	**15,888**	**242,416**	**57,684**
Other	1,978	10,783	3,837	3,303	20,270	6,798
Total	**9,814**	**123,263**	**31,066**	**19,191**	**262,686**	**64,482**
Block Subtotals						
Badin I	5,667	84,057	20,159	12,421	201,921	47,235
Badin II	1,147	11,989	3,214	1,461	15,384	4,114
Badin IIR	1,002	662	1,116	1,520	913	1,677
Badin III	4	676	121	10	1,578	282
Buzdar Unit	181	12,044	2,257	274	18,271	3,424
Mehran	0	100	17	0	112	20
Mirpur Khas	83	8,982	1,632	419	15,568	3,103
Khipro	1,730	4,753	2,550	3,086	8,939	4,627
Total	**9,814**	**123,263**	**31,066**	**19,191**	**262,686**	**64,482**

Notes:

1. Probable reserves have not been adjusted for risk.

2. Gas is converted to barrels of oil equivalent using a factor of 5,800 cubic feet per barrel.

Production forecasts of the net reserves, as of January 1, 2011, were prepared for each developed field individually. The table below presents the aggregation of these forecasts for the first five years in thousands of barrels (Mbbl) and millions of cubic feet (MMcf) for the proved and proved plus probable reserves.

Company Share Forecast Prices and Costs Case
Net Production Forecast through 2015

	Proved		Proved plus Probable	
Year	**Oil, Condensate, and LPG** *(Mbbl)*	**Sales Gas** *(MMcf)*	**Oil, Condensate, and LPG** *(Mbbl)*	**Sales Gas** *(MMcf)*
2011	2,212	33,410	2,416	38,046
2012	1,966	23,853	2,634	33,713
2013	1,461	18,223	2,304	29,029
2014	1,037	12,587	1,854	23,183
2015	796	9,360	1,542	19,099

Note: Probable reserves have not been adjusted for risk.

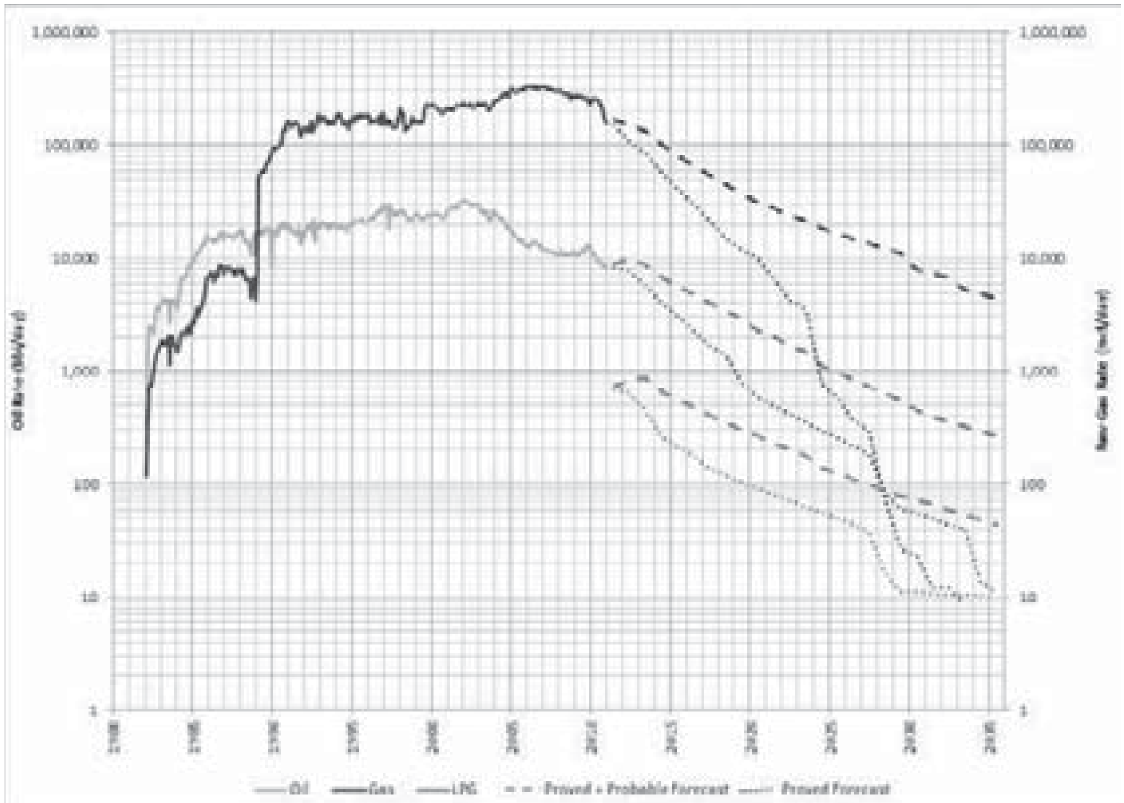
Company Share Constant Prices and Costs Case
Net Production Forecast through 2015

	Proved		Proved plus Probable	
Year	**Oil, Condensate, and LPG** *(Mbbl)*	**Sales Gas** *(MMcf)*	**Oil, Condensate, and LPG** *(Mbbl)*	**Sales Gas** *(MMcf)*
2011	2,212	33,410	2,416	38,046
2012	1,966	23,853	2,634	33,713
2013	1,461	18,223	2,304	29,029
2014	1,037	12,587	1,854	23,183
2015	789	9,334	1,542	19,099

Note: Probable reserves have not been adjusted for risk.

The chart below illustrates the historical production rates for oil and gas and the forecast production for oil, gas and LPG based on the Forecast Prices and Costs Case for these products to the year 2035 for the gross pool reserves.

Figure 2: Historical and Forecast Production



VALUATION OF RESERVES

Revenue values for proved and proved-plus-probable reserves in this report were estimated using the initial prices and costs provided by the Sellers. The initial and future prices used in this report have been reviewed by the Company, and it has represented that the prices used herein are representative of those that would be received in each field evaluated.

Values for proved and proved-plus-probable reserves were based on projections of estimated future production and revenue prepared by us for these properties with no risk adjustment applied to the probable reserves. Probable reserves involve substantially higher risks than proved reserves. Revenue values for proved-plus-probable reserves have not been adjusted to account for such risks; this adjustment would be necessary in order to make proved-plus-probable reserves values comparable with values for proved reserves.

All crude oil and natural gas production of the Sellers is sold under a series of crude oil and natural gas sales agreements which contain nomination and delivery terms that are customary in the crude oil and natural gas industry.

Forecast Prices and Costs Case

The Forecast Prices and Costs Case was evaluated at the request of the Company, based on the assumptions as follows:

Oil and Natural Gas Liquids Prices

Light/Medium oil price factor were calculated using a benchmark Arab Medium 31 degree API reference price based on 12 months first week average differential to Brent first day of each month price for 12 months of 2010 (SEC standard). This factor was then applied to the DeGoyler and MacNaughton's Brent Blend Oil price forecast. The price differentials were applied to each field based on actual price received as compared with Arab Medium API 31. An annual escalation of 2 percent per year was applied after the first 12 years of the schedule found in Table A. The weighted average oil price for the proved reserves over the lives of the properties was US$84.97/bbl. The natural gas liquids prices were derived from revenue statements for 11 months of 2010. No escalation was applied to the natural gas liquids prices. The weighted average natural gas liquids price for the proved reserves over the lives of the properties was US$84.52/bbl.

Natural Gas Prices

The Pakistan posted natural gas price for the first 6 months of 2010 was used for the Badin Concessions at US$2.20 per thousand cubic feet found in Table A. An annual escalation of 2 percent was applied after the first year. For the MKK Concessions, the natural gas price was held constant at US$2.60 or US$2.70 per thousand cubic feet for various fields as per contractual agreements. Then the price differentials were applied to each field based on actual price received. The weighted average price for the proved reserves over the lives of the fields was US$3.17 per thousand cubic feet.

Operating and Development Expenses

Operating expenses have been determined based on 11 months of historical operating expenses of 2010 for each property. Such historical data have been provided by the Company and our experience with similar operations, as applicable. Future capital costs were based on information provided by the Company and used in estimating future expenditures required to operate the properties. In certain cases, future expenditures, either higher or lower than current expenditures, may have been used because of anticipated changes in operating conditions. An annual escalation of 2 percent was forecast for all costs.

Taxes

All of the Pakistani properties evaluated herein are subject to Pakistani corporation tax. At the request of the Company, Pakistani federal and provincial corporation taxes were assessed on a consolidated basis taking into account the tax basis of the properties as provided by the Company and its tax consultant, Ernst and Young, of Houston. The Workers Profit Participation Fund (WPPF) of 5 percent applied before depletion allowance and Workers Welfare Fund (WWF) of 2 percent applied after depletion allowance have been included in the tax analysis.

During the preparation of the evaluation, the Sellers provided the appropriate remaining tax pool as of December 31, 2010 and the rates of depreciation for such pool. This data was processed with the forecast of the before-tax cash flow to provide an after-tax cash flow. As the Business generates a moderate before-tax cash flow and as the purchase price is a deduction against future taxable income and as expenditures for exploratory activities are not included, the cash flow from the developed assets becomes taxable in a few years after the Proposed Transaction. The after-tax cash flow analysis is a 10.8% reduction on the overall pre-tax value of the Business.

Abandonment Costs

A comprehensive decommissioning study was undertaken by the Sellers and provided to the Company. Therefore, abandonment costs are not included in this report.

Future gas, oil, and condensate producing rates estimated for this report are based on actual rates considering the most recent production figures as provided by the Sellers.

Constant Prices and Costs Case

An additional Constant Prices and Costs Case was evaluated. Other than the prices, all other aspects of the Constant Prices and Costs Case use the same assumptions as the Forecast Prices and Costs Case. The gross and net reserves may vary from those estimated in the Forecast Prices and Costs Case due to changes in the timing of payouts and as a function of the pricing differences. The following assumptions supplied by the Sellers were used for estimating future prices and costs in the Constant Prices and Costs Case.

Oil and Natural Gas Liquids Prices

Light/Medium oil prices were calculated using a benchmark Arab Medium 31 degree API reference price based on 12 months first week average differential to Brent first day of each month price for 12 months of 2010 (SEC standard). Then the price differentials were applied to each field based on actual price received as compared with Arab Medium API 31. The weighted average oil price for the proved reserves over the lives of the properties was US$70.96/bbl. The natural gas liquids prices were derived from revenue statements for 11 months of 2010. The weighted average natural gas liquids price for the proved reserves over the lives of the properties was US$84.56/bbl. No escalation was applied to the prices.

Natural Gas Prices

The Pakistan posted natural gas price for the first 6 months of 2010 was used for Badin Concessions at US$2.20 per thousand cubic feet found in Table A. For the MKK Concessions, the natural gas price was held constant at US$2.60 or US$2.70 per thousand cubic feet for various fields as per contractual agreements. Then the price differentials were applied to each field based on actual price received. No escalation was applied to the gas prices. The weighted average price for the proved reserves over the lives of the fields was US$3.01 per thousand cubic feet.

Operating and Development Expenses

Operating expenses have been determined based on 11 months of historical operating expenses of 2010 for each property. Such historical data have been provided by the Company and our experience with similar operations, as applicable. Future capital costs were based on information provided by the Company and used in estimating future expenditures required to operate the properties. In certain cases, future expenditures, either higher or lower than current expenditures, may have been used because of anticipated changes in operating conditions. No escalation was applied for all costs.

Estimated company share net revenue before and after tax attributable to the Sellers' interests in the total proved reserves and proved-plus-probable reserves as of January 1, 2011, are summarized as follows, expressed in thousands of United States dollars (M U.S.$) for the Forecast and Constant Prices and Costs Cases. Note that the Net Present Values presented in these tables do not represent fair market value.

Forecast Prices and Costs Case Revenue Summary
Proved Reserves

Country Field	Future Net Revenue (M U.S.$)	Net Present Value at 8 Percent (M U.S.$)	Net Present Value at 10 Percent (M U.S.$)	Net Present Value at 12 Percent (M U.S.$)
Pakistan				
Jogwani	56,217	45,114	42,917	40,900
Khorewah	30,409	24,489	23,304	22,213
Turk Deep	27,875	21,107	19,834	18,686
Kamal North	115,739	83,262	77,705	72,831
Buzdar South Deep	52,907	43,406	41,511	39,765
Duphri	31,447	23,959	22,568	21,316
Sonro	34,368	31,056	30,312	29,598
Missri	49,025	42,656	41,295	40,012
Turk	10,690	7,972	7,467	7,013
South Mazari Deep	54,058	43,255	41,079	39,070
Halipota	98,424	75,826	71,361	67,274
Tangri	16,076	13,692	13,189	12,716
Bhatti	3,196	2,794	2,706	2,622
Kauser-Usman	13,524	11,798	11,422	11,066
Golarghi	2,188	2,020	1,981	1,943
Jagir	69,220	42,813	38,695	35,189
Baqar Deep	18,798	15,474	14,804	14,184
Naimat Basal	9,854	8,819	8,589	8,368
Meyun Ismail Deep	10,828	9,144	8,780	8,435
Bukhari Deep	8,979	8,249	8,081	7,919
Tando Ghulam Ali	12,565	10,542	10,117	9,719
South Mazari	20,265	18,074	17,588	17,123
Zaur	8,659	7,093	6,775	6,480
Laghari	37,027	29,355	27,829	26,428
Umar	5,581	4,188	3,932	3,703
Subtotal	**797,919**	**626,157**	**593,841**	**564,573**
Other	134,763	105,745	100,553	95,905
Sub total Pre-Tax	**932,682**	**731,902**	**694,394**	**660,478**
Pakistan				
Corporation Tax	50,222	46,635	45,798	44,983
Total After Tax	882,461	685,267	648,596	615,496

	Forecast Prices and Costs Case Revenue Summary Proved-plus-Probable Reserves			
		Net Present Value		
Country Field	Future Net Revenue *(M U.S.$)*	at 8 Percent *(M U.S.$)*	at 10 Percent *(M U.S.$)*	at 12 Percent *(M U.S.$)*
Pakistan				
Jogwani	169,908	99,779	89,873	81,649
Khorewah	95,617	63,239	57,835	53,144
Turk Deep	67,850	37,764	33,654	30,283
Kamal North	209,759	129,893	118,177	108,335
Buzdar South Deep	82,162	63,202	59,694	56,541
Duphri	99,540	49,676	43,833	39,181
Sonro	122,974	93,523	88,050	83,130
Missri	117,276	90,173	85,132	80,593
Turk	18,710	11,415	10,310	9,379
South Mazari Deep	116,926	76,811	70,489	65,048
Halipota	169,600	113,398	103,647	95,112
Tangri	45,092	32,218	30,010	28,073
Bhatti	19,884	12,461	11,277	10,264
Kauser-Usman	14,333	12,175	11,720	11,293
Golarghi	6,305	5,125	4,885	4,662
Jagir	111,263	60,373	53,392	47,646
Baqar Deep	23,776	19,221	18,311	17,473
Naimat Basal	21,346	17,084	16,243	15,473
Meyun Ismail Deep	15,069	12,483	11,929	11,406
Bukhari Deep	14,377	12,646	12,267	11,906
Tando Ghulam Ali	19,575	14,356	13,390	12,526
South Mazari	41,123	32,929	31,291	29,783
Zaur	42,276	23,908	21,290	19,117
Laghari	41,647	32,172	30,336	28,665
Umar	22,766	13,968	12,471	11,170
Subtotal	**1,709,154**	**1,129,992**	**1,039,506**	**961,852**
Other	228,196	158,407	147,317	137,725
Subtotal Pre-Tax	**1,937,350**	**1,288,399**	**1,186,823**	**1,099,577**
Pakistan				
Corporation Tax	195,500	131,605	122,673	115,246
Total After Tax	**1,741,850**	**1,156,794**	**1,064,150**	**984,331**

Constant Prices and Costs Case Revenue Summary
Proved Reserves

Country Field	Future Net Revenue (M U.S.$)	Net Present Value at 8 Percent (M U.S.$)	Net Present Value at 10 Percent (M U.S.$)	Net Present Value at 12 Percent (M U.S.$)
Pakistan				
Jogwani	53,499	43,277	41,240	39,368
Khorewah	27,341	22,243	21,213	20,262
Turk Deep	25,783	19,770	18,627	17,594
Kamal North	99,593	72,718	68,056	63,949
Buzdar South Deep	48,965	40,482	38,777	37,201
Duphri	26,860	20,791	19,646	18,611
Sonro	29,795	26,986	26,354	25,746
Missri	41,935	36,713	35,588	34,525
Turk	9,555	7,242	6,806	6,413
South Mazari Deep	44,589	35,910	34,146	32,511
Halipota	82,838	64,250	60,561	57,179
Tangri	13,103	11,259	10,865	10,494
Bhatti	2,722	2,398	2,327	2,259
Kauser-Usman	13,934	12,081	11,682	11,304
Golarghi	2,121	1,960	1,923	1,887
Jagir	53,342	34,311	31,236	28,589
Baqar Deep	17,838	14,786	14,166	13,591
Naimat Basal	9,931	8,864	8,627	8,400
Meyun Ismail Deep	10,363	8,772	8,427	8,101
Bukhari Deep	8,758	8,055	7,893	7,737
Tando Ghulam Ali	11,602	9,779	9,395	9,034
South Mazari	17,118	15,336	14,939	14,558
Zaur	31,267	24,972	23,713	22,556
Umar	5,173	3,888	3,652	3,440
Laghari	6,951	5,768	5,524	5,297
Subtotal	**694,976**	**552,611**	**525,383**	**500,606**
Other	111,731	89,111	84,988	81,270
Subtotal Pre-Tax	**806,707**	**641,722**	**610,371**	**581,876**
Pakistan				
Corporation Tax	35,988	33,719	33,184	32,661
Total After Tax	**770,719**	**608,003**	**577,187**	**549,215**

Country Field	Future Net Revenue (M U.S.$)	Net Present Value at 8 Percent (M U.S.$)	at 10 Percent (M U.S.$)	at 12 Percent (M U.S.$)
	Constant Prices and Costs Case Revenue Summary Proved-plus-Probable Reserves			
Pakistan				
Jogwani	147,135	90,644	82,338	75,358
Khorewah	81,942	55,620	51,128	47,201
Turk Deep	57,166	33,576	30,215	27,423
Kamal North	175,148	111,801	102,250	94,157
Buzdar South Deep	74,669	58,243	55,162	52,378
Duphri	74,056	40,488	36,207	32,724
Sonro	102,099	78,924	74,545	70,585
Missri	97,477	76,245	72,219	68,571
Turk	15,743	10,012	9,115	8,351
South Mazari Deep	91,436	62,234	57,429	53,246
Halipota	137,113	93,260	85,573	78,818
Tangri	35,485	26,260	24,618	23,160
Bhatti	15,620	10,208	9,312	8,537
Kauser-Usman	14,953	12,588	12,095	11,634
Golarghi	5,906	4,837	4,618	4,415
Jagir	82,510	47,492	42,421	38,183
Baqar Deep	22,460	18,292	17,453	16,679
Naimat Basal	21,967	17,385	16,495	15,683
Meyun Ismail Deep	14,366	11,928	11,405	10,912
Bukhari Deep	13,870	12,233	11,874	11,532
Tando Ghulam Ali	17,345	12,890	12,057	11,309
South Mazari	33,677	27,201	25,893	24,684
Zaur	34,916	27,223	25,723	24,355
Umar	20,447	12,510	11,163	9,993
Laghari	30,768	18,368	16,508	14,941
Subtotal	**1,418,274**	**970,462**	**897,816**	**834,829**
Other	182,945	131,059	122,530	115,084
Subtotal Pre-Tax	**1,601,219**	**1,101,521**	**1,020,346**	**949,913**
Pakistan				
Corporation Tax	128,998	92,254	87,059	82,702
Total After Tax	**1,472,221**	**1,009,267**	**933,287**	**867,211**

FUTURE DEVELOPMENT EXPENSE SUMMARY

Estimated company share future development expense attributable to the Sellers' interests in the total proved and proved plus probable reserves as of January 1, 2011 are summarized as follows expressed in thousands of U.S. dollars (M U.S.$):

	FUTURE DEVELOPMENT EXPENSE [1]			
	Forecast Prices & Costs		Constant Prices & Costs	
	For Proved Reserves *(M U.S.$)*	For Proved + Probable Reserves *(M U.S.$)*	For Proved Reserves *(M U.S.$)*	For Proved + Probable Reserves *(M U.S.$)*
YEAR				
2011	10,842	15,988	10,842	15,988
2012	10,398	16,458	10,194	16,135
2013	1,837	22,034	1,766	21,178
2014	–	–	–	–
2015	–	–	–	–
REMAINING	–	–	–	–
TOTAL	23,077	54,480	22,802	53,301

(1) Future Development Expenses shown are associated with booked reserves in this report and do not necessarily represent the Company's full exploration and development budget.

Note: The numbers in this table may not add exactly due to rounding.

FUTURE OPERATING EXPENSE SUMMARY

Estimated company share future operating expenses attributable to the Sellers' interests in the total proved and proved plus probable reserves as of January 1, 2011 are summarized as follows expressed in thousands of U.S. dollars (M U.S.$):

FUTURE OPERATING EXPENSES(1)

	Forecast Prices & Costs		Constant Prices & Costs	
	For Proved Reserves *(M U.S.$)*	For Proved + Probable Reserves *(M U.S.$)*	For Proved Reserves *(M U.S.$)*	For Proved + Probable Reserves *(M U.S.$)*
YEAR				
2011	39,773	42,528	39,773	42,528
2012	36,630	43,692	35,912	42,835
2013	32,896	41,026	31,619	39,433
2014	28,003	38,129	26,388	35,929
2015	24,868	35,184	22,236	32,504
2016	22,753	33,182	19,028	30,521
2017	15,734	30,940	13,817	26,662
2018	14,051	29,267	12,232	24,697
2019	11,041	25,543	9,341	21,719
2020	9,992	21,869	7,972	17,852
REMAINING	36,000	261,863	26,165	179,286
TOTAL	271,741	603,223	244,483	493,966

(1) Future Operating Expenses shown are associated with booked reserves in this report and do not necessarily represent the Company's full exploration and development budget.

Note: The numbers in this table may not add exactly due to rounding.

ADDITIONAL POTENTIAL

The Sellers have represented that certain fields, accumulations and prospects have been identified as having petroleum volumes in excess of those estimated herein as proved, and probable. These resources volumes potentially contained therein are not addressed in this report.

The Sellers have represented that upon completion of the primary term of any current exploration and/or production license, it intends to secure an extension or additional license for any accumulation or discovered prospect. Also, the Sellers intend to proceed with development and operation of any discovered prospect. Based on these representations, we have included reserves evaluation for a period beyond the expiration of the current primary license.

INDEMNIFICATION OF THE COMPETENT PERSON

DeGolyer and MacNaughton has entered into an agreement with United Energy Group of Hong Kong which indemnifies DeGolyer and MacNaughton for mis-statements arising from the reliance upon data or interpretation provided by United Energy Group or access to information as provided by the Company. DeGolyer and MacNaughton is not indemnified for acts of fraud performed by its management or staff.

Professional Qualifications

DeGolyer and MacNaughton Canada Limited is an Alberta Corporation with offices at 311 – 6th Avenue S.W., Suite 1430, Calgary, Alberta T2P 3H2, Canada. The firm is a subsidiary of DeGolyer and MacNaughton which has been providing petroleum consulting services throughout the world since 1936. The firm's professional engineers, geologists, geophysicists, petrophysicists and economists are engaged in the independent appraisal of oil and gas properties, evaluation of hydrocarbon and other mineral prospects, basin evaluations, comprehensive field studies, equity studies and studies of supply and economics related to the energy industry. Except for the provision of professional services on a fee basis, DeGolyer and MacNaughton Canada Limited has no commercial arrangement with United Energy Group Limited. We operate under the Permit to Practice #05568 issued by the Association of Professional Engineers, Geologists and Geophysicists of Alberta (APEGGA) in the province of Alberta, which is a Recognised Professional Organisation (as defined in Chapter 18 of the Listing Rules).

We are independent of United Energy Group Limited, BP Pakistan, their respective directors, senior management and advisers, in compliance with Rule 18.22 of the Rules Governing the Listing of Securities on the Stock Exchange of Hong Kong Limited.

The evaluation has been supervised by Mr. Colin P. Outtrim. Mr. Outtrim, President, with DeGolyer and MacNaughton Canada Limited, a Registered Professional Engineer in the Provinces of Alberta and British Columbia, Canada, has 38 years of oil and gas industry experience and 34 years of applicable evaluation experience.

Submitted,

SIGNED: May 12, 2011

DeGOLYER and MacNAUGHTON
CANADA LIMITED

Colin P. Outtrim, P.Eng.

CERTIFICATE OF QUALIFICATION

I, Colin P. Outtrim, Professional Engineer, of 1430, 311 Sixth Avenue S.W., Calgary, Alberta, Canada hereby certify:

1. I am an employee of DeGolyer and MacNaughton Canada Limited, which prepared an appraisal report of certain Pakistani oil, gas and natural gas liquids properties of United Energy Group Limited. The effective date of this evaluation is January 1, 2011.

2. I am independent of United Energy Group Limited, BP Pakistan, their respective directors, senior management and advisers, in compliance with Rule 18.22 of the Rules Governing the Listing of Securities on the Stock Exchange of Hong Kong Limited.

3. I attended the University of British Columbia and I graduated with a Bachelor of Applied Science Degree in Geological Engineering in 1973; I am a Registered Professional Engineer in the Provinces of Alberta and British Columbia and that I have in excess of thirty-eight years experience in the Petroleum Industry of which thirty-four years experience are in the conduct of evaluation and engineering studies relating to worldwide oil and gas fields. Mr. Outtrim is a member of the Society of Petroleum Engineers and a member of the United Nations Framework Classification Committee for Petroleum Reserves and Resources.

4. A personal field inspection of the properties was not made; however, such an inspection was not considered necessary in view of the information available from public information and records, the files of United Energy Group Limited, and the appropriate provincial regulatory authorities.

SIGNED: May 12, 2011

Colin P. Outtrim, P.Eng.
President
DeGolyer and MacNaughton Canada Limited

TABLES

Table A – DeGolyer and MacNaughton Price Forecast

Effective Date: June 30, 2010

YEAR	**Brent Blend** *U.S.$/BBL*	**Arab Medium 31 Degree API** *U.S.$/BBL*	**Pakistan Posted Gas Price** *U.S.$/Mcf*
2011	$91.00	$86.85	$2.20
2012	$91.78	$87.59	$2.24
2013	$92.64	$88.41	$2.29
2014	$94.57	$90.25	$2.33
2015	$97.58	$93.13	$2.38
2016	$99.58	$95.03	$2.43
2017	$101.61	$96.97	$2.48
2018	$103.68	$98.95	$2.53
2019	$105.79	$100.96	$2.58
2020	$107.95	$103.02	$2.63
2021	$110.15	$105.12	$2.68
2022	$112.39	$107.26	$2.74
2023	+2.0% Thereafter	+2.0% Thereafter	+2.0% Thereafter

FIGURES

Figure 1 – Property Index Map – Pakistan

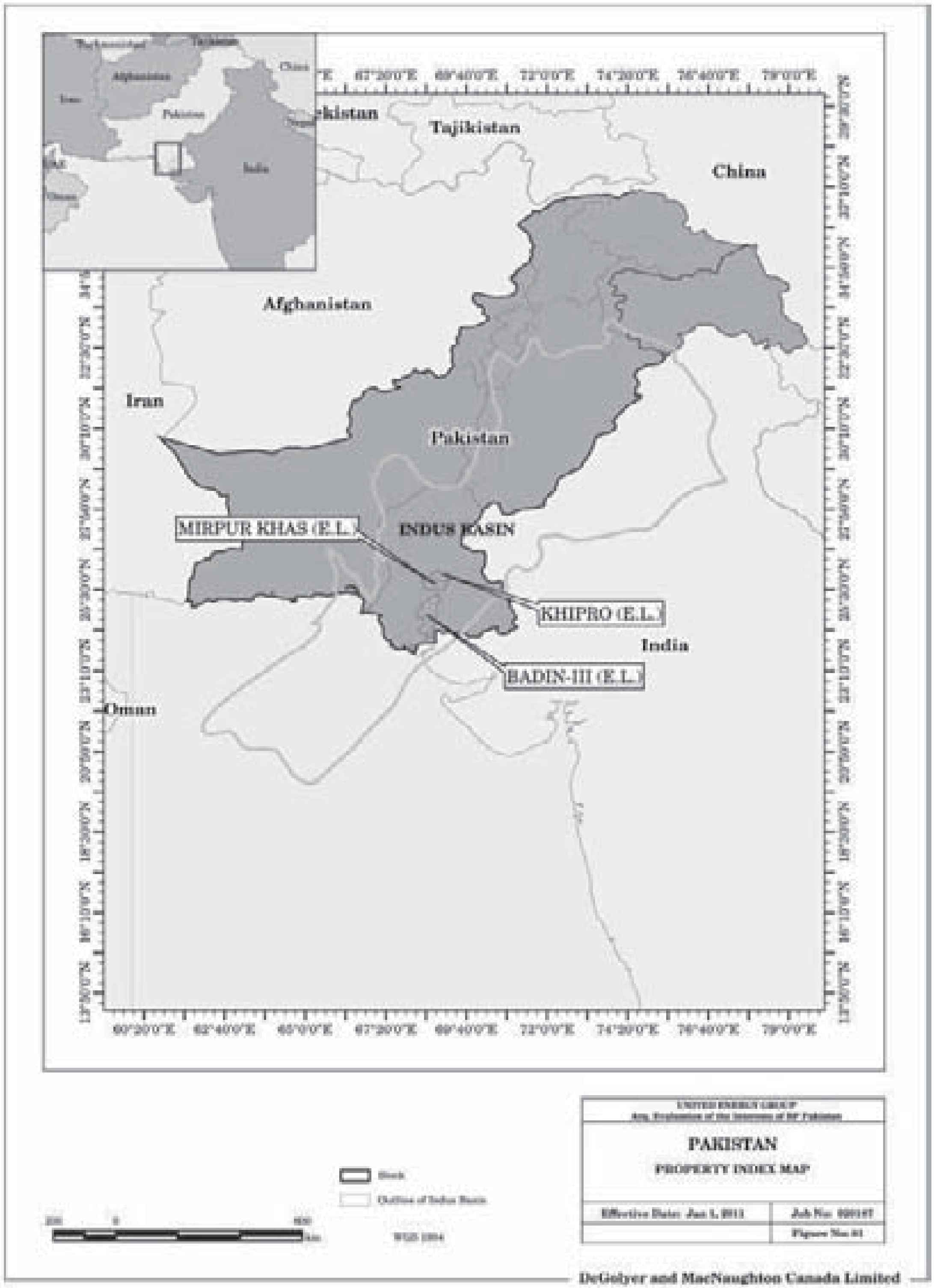


Figure 2 – Property Index Map – Badin North

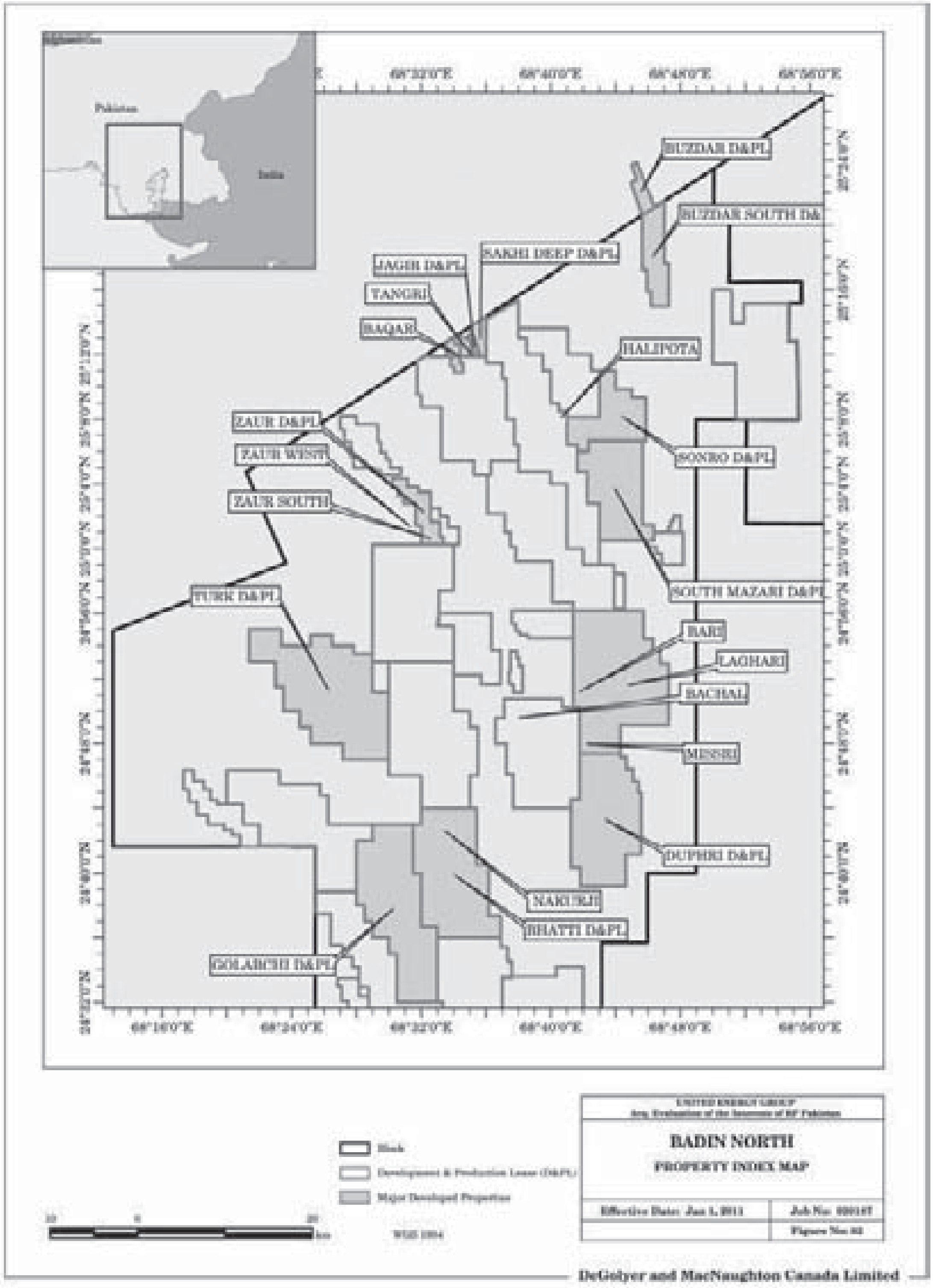


Figure 3 – Property Index Map – Badin South

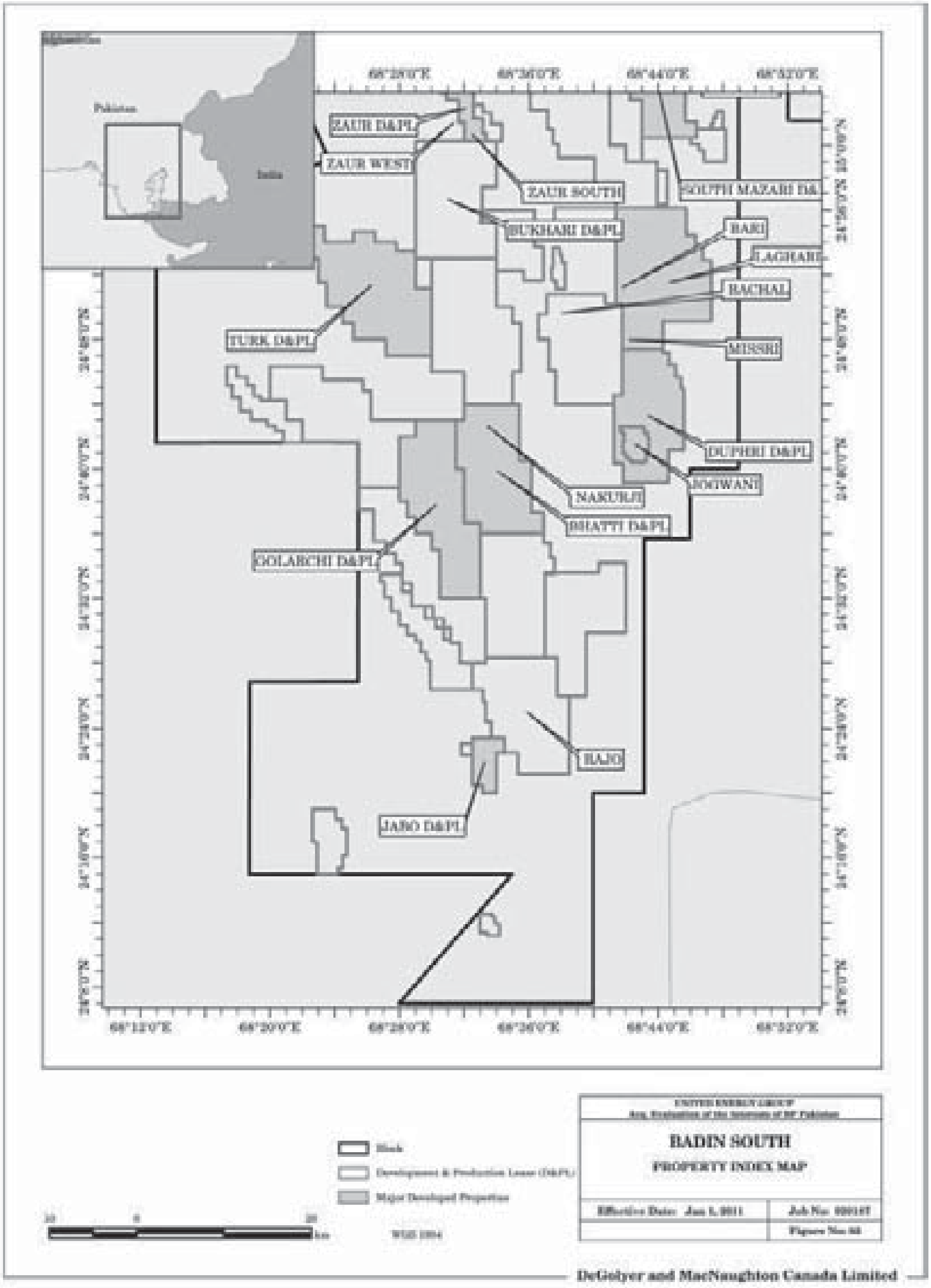


Figure 4 – Property Index Map – Mirpur Khas and Khipro

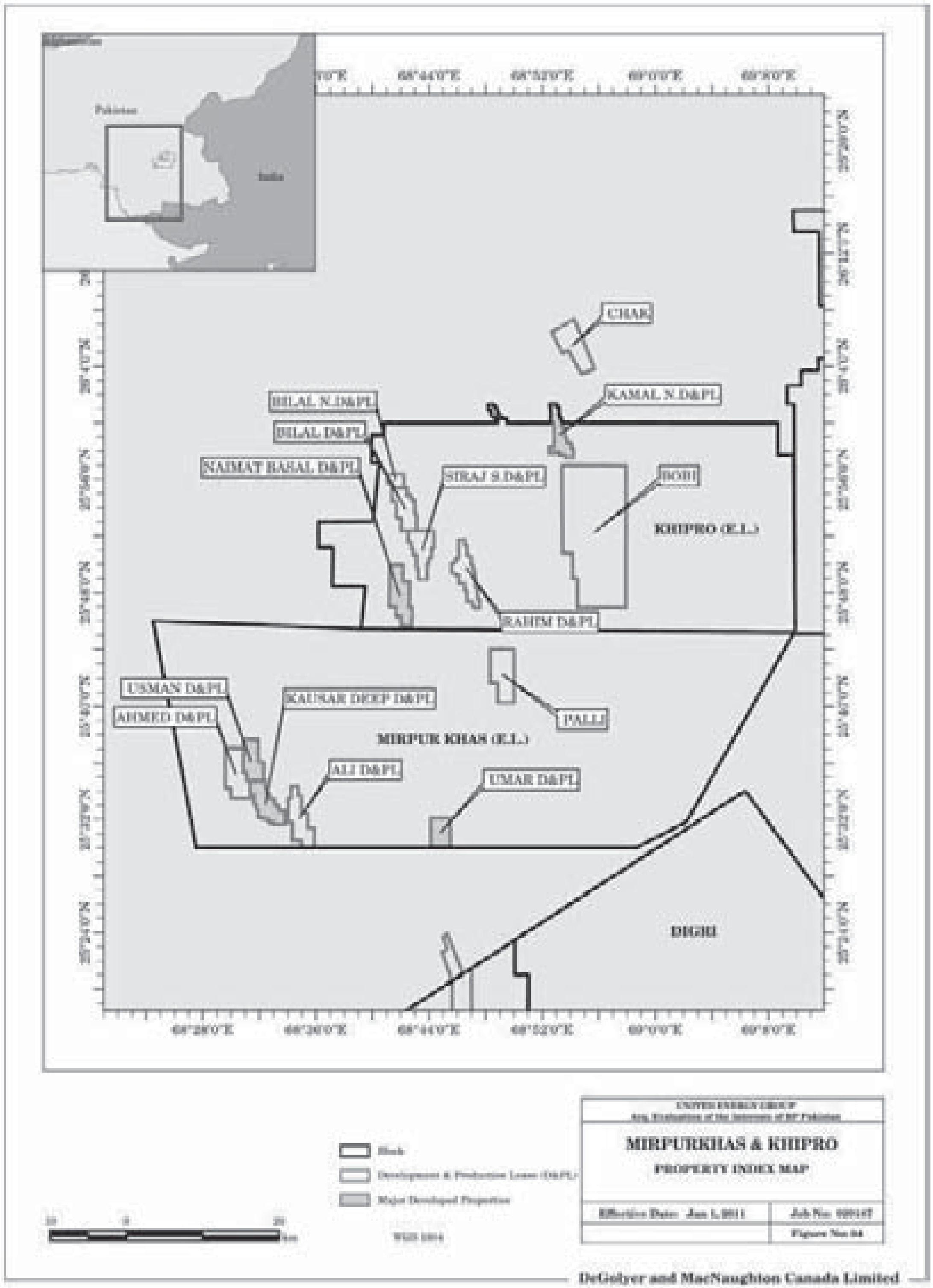


Figure 5 – Property Index Map – Digri Sanghar South

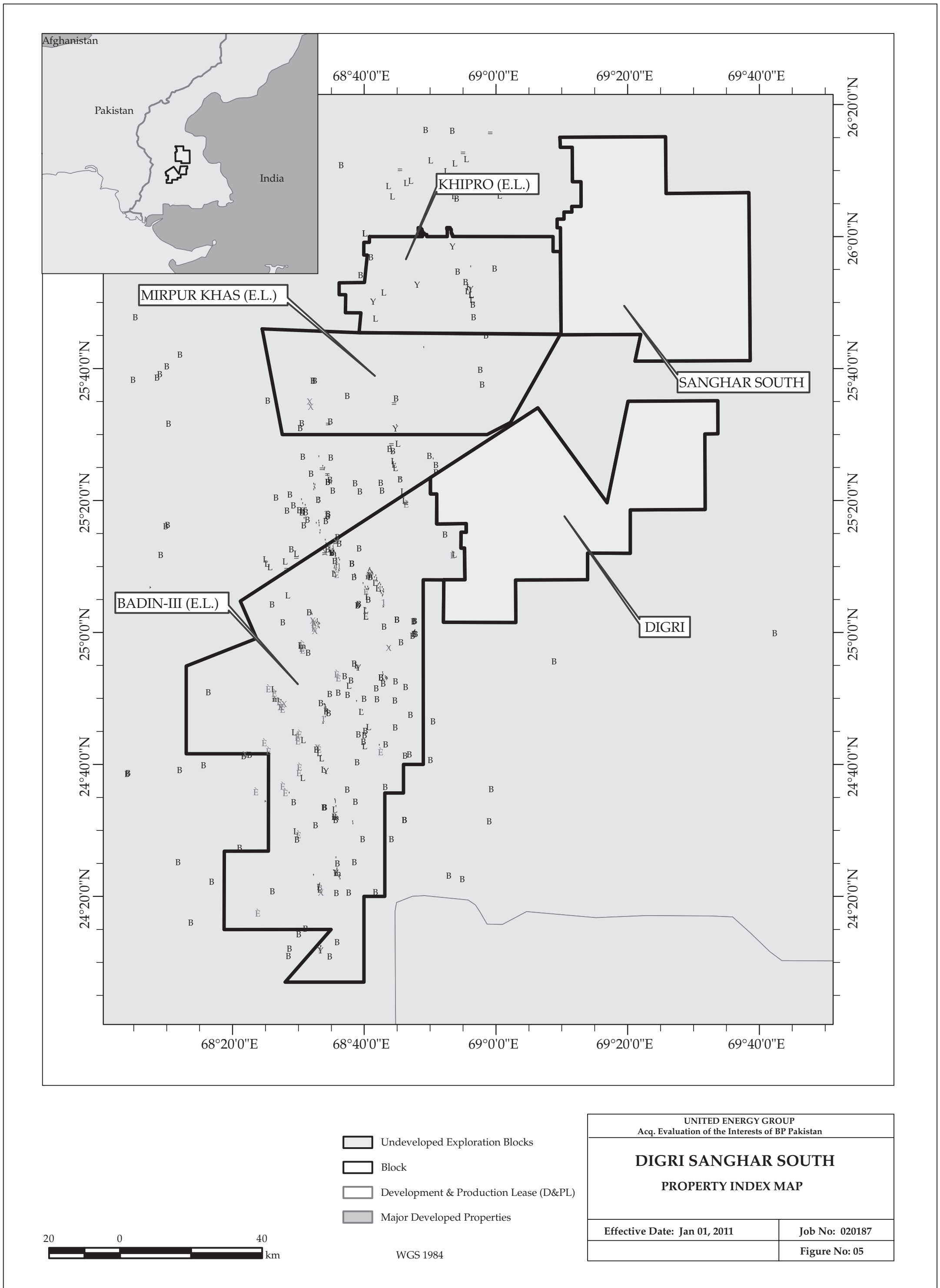
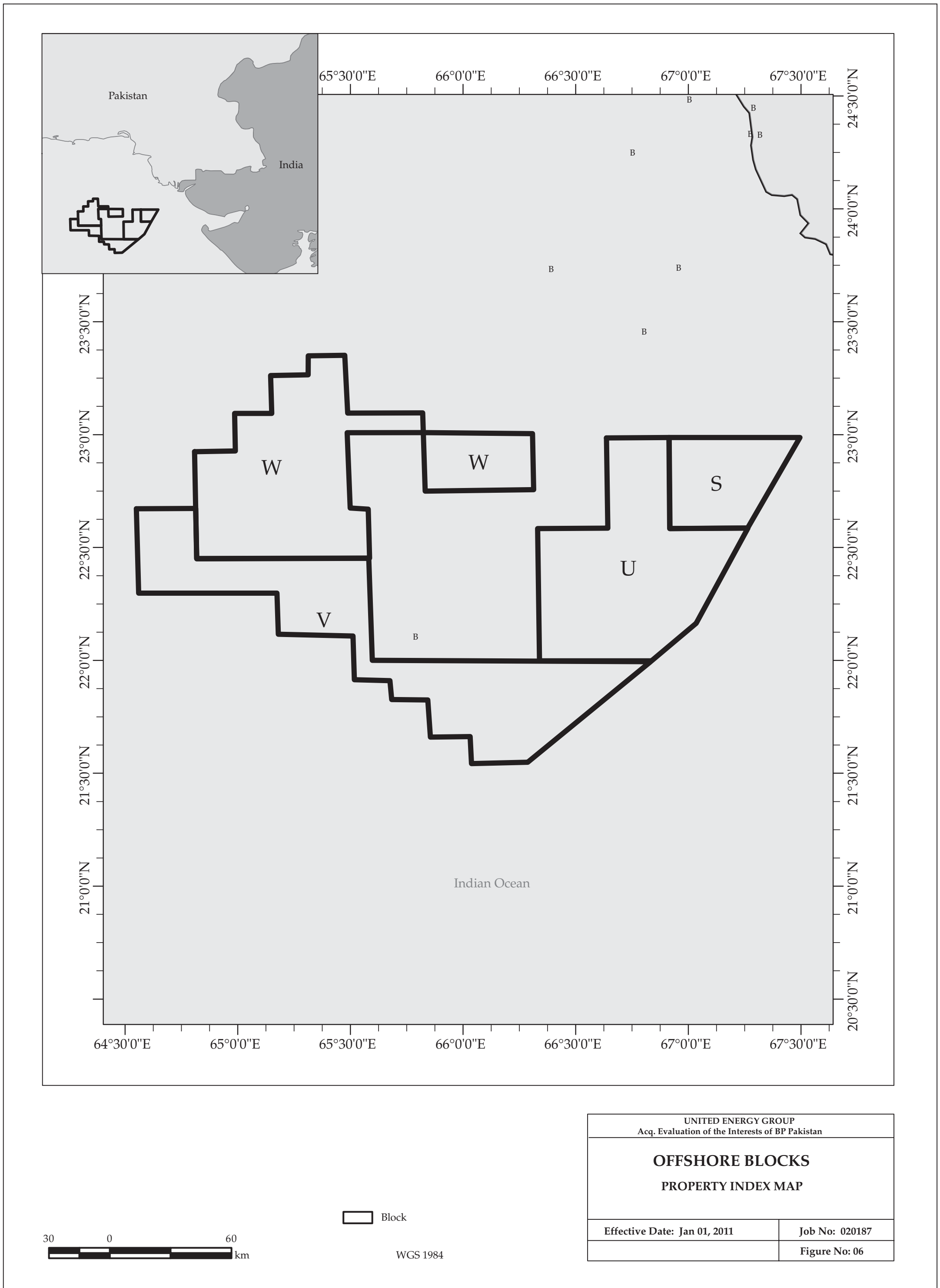


Figure 6 – Property Index Map – Offshore Blocks S, U, V and W



MAJOR PROPERTY DISCUSSION

Baqar Deep

BP Pakistan (BPP) has a 51 percent working interest in the Baqar Deep field of Sindh Pakistan in the Badin II concession as shown on the attached land plat (Figure 1). A total of one gas well has recorded production with one gas well currently producing on the company's acreage. The primary productive zone of interest is the Lower Goru for gas.

The Baqar Deep field is bounded by an elongated fault block trending in a north to south direction, three-way dip structures with gas accumulations in the Upper Basal sands (Figure 2) and a net gas pay map as illustrated in Figure 3. The Lowest Known Gas (LKG) is identified at -9,680 feet subsea. One well has been drilled on the structure, which have encountered the gas reservoir.

Hydrocarbons were first produced from the field in February 2010 and reached a maximum production rate of 18.5 MMcf per day from one well in May 2010. There is currently one gas well producing 9.2 MMcf per day. Proved and probable producing reserves were assigned based on production decline analysis. In the proved plus probable case, the field is forecast to produce economically until 2024.

No development activities are anticipated at this time.

Figure 1 – Property Index Map

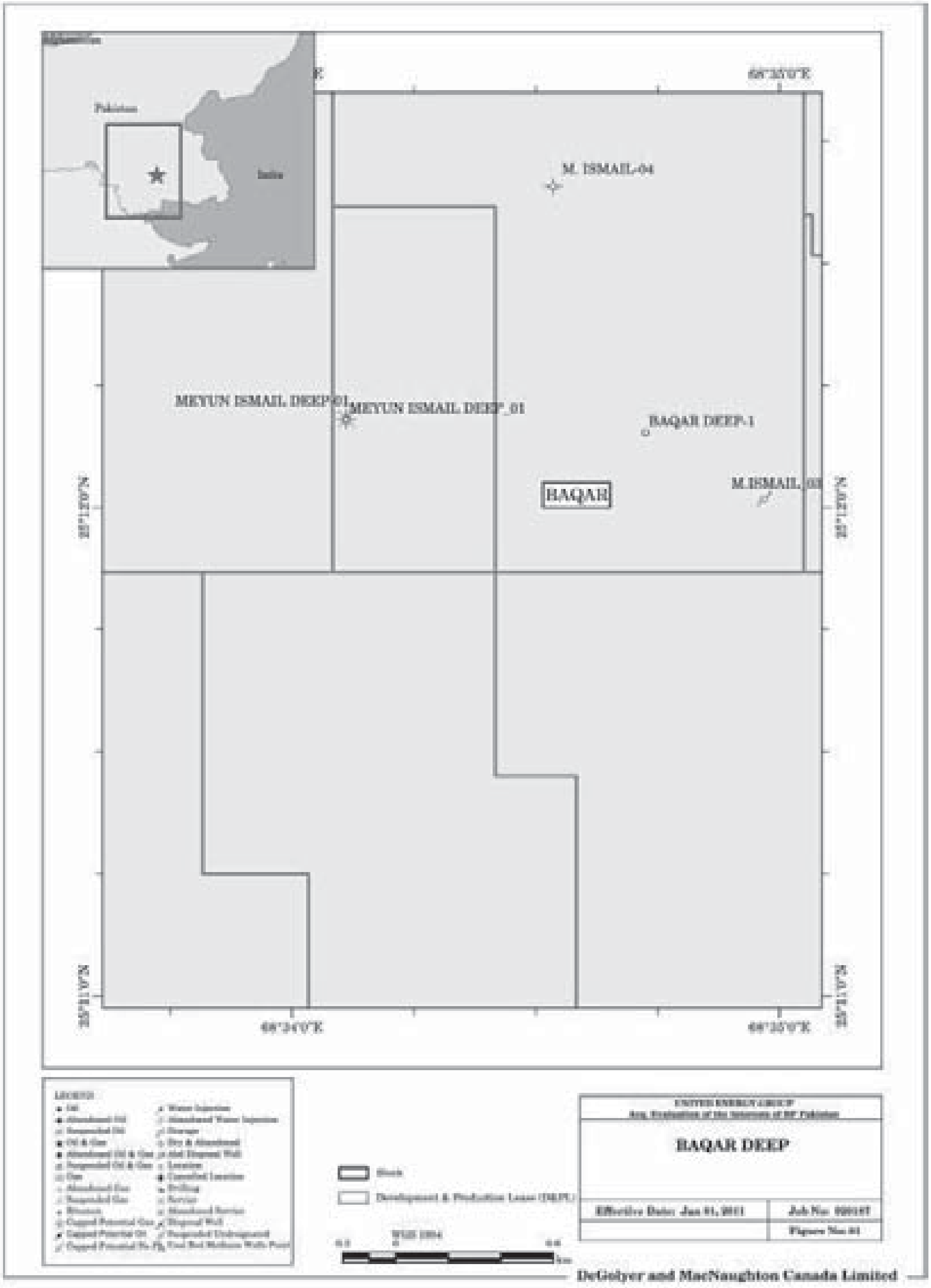


Figure 2 – Upper Basal Sand Depth Structure Map

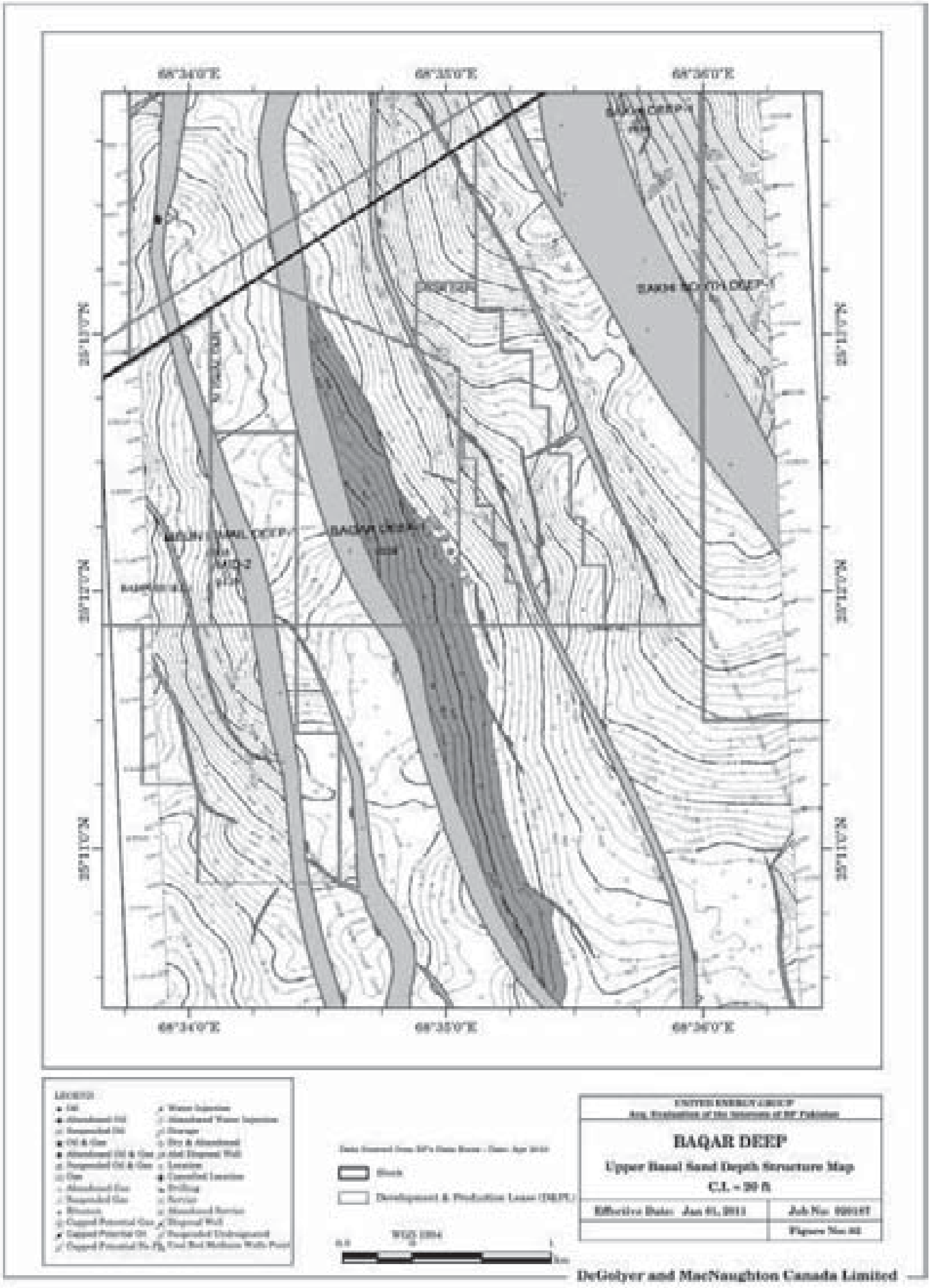
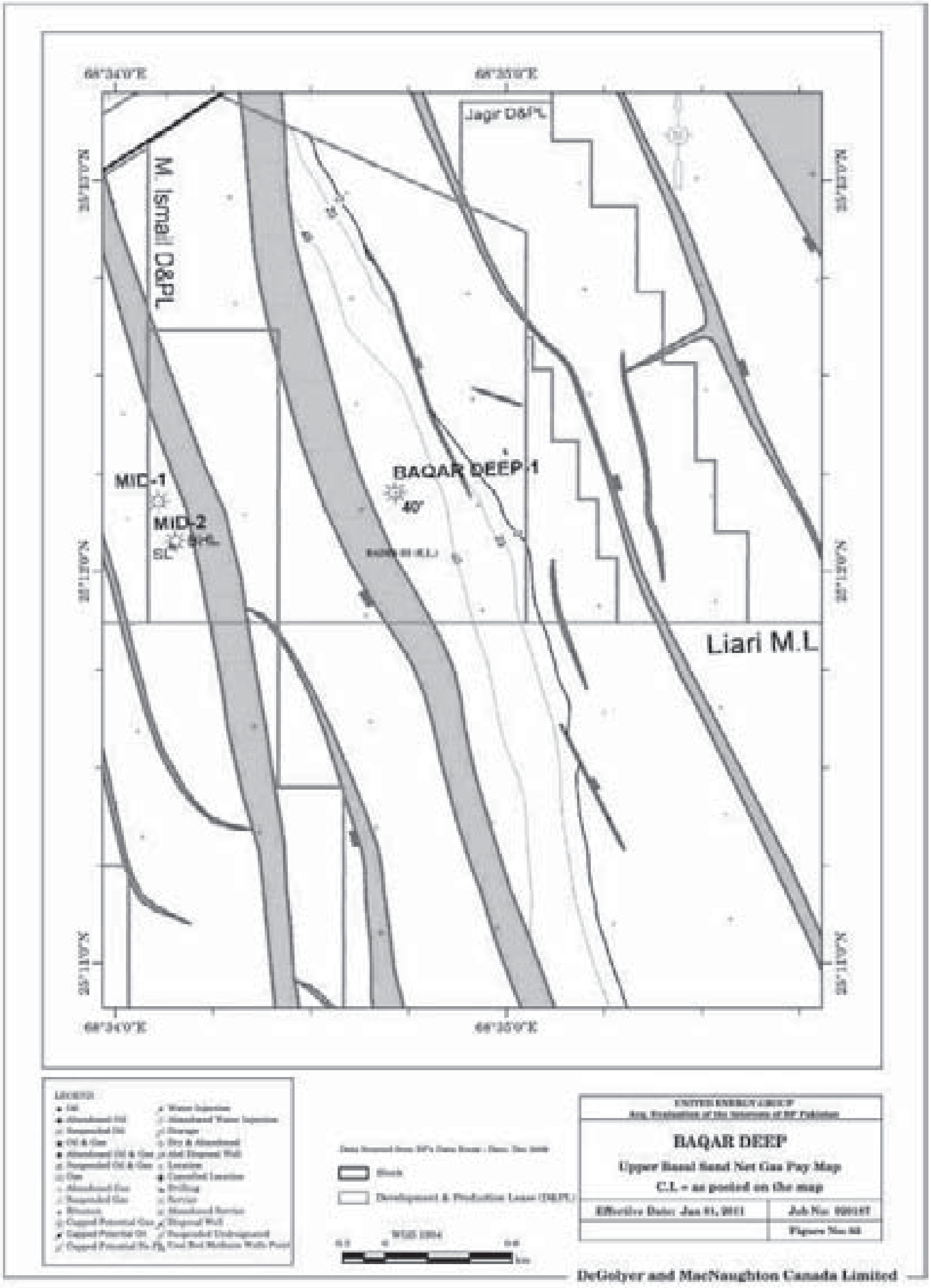


Figure 3 – Upper Basal Sand Net Gas Pay Map



Bhatti

BP Pakistan (BPP) has a 100 percent working interest in the Bhatti field of Sindh Pakistan in the Badin I concession as shown on the attached land plat (Figure 1). A total of four gas wells have recorded production with three gas wells currently producing on the company's acreage. The primary productive zone of interest is the Lower Goru for gas.

The Bhatti field is a tilted fault bounded by a northwest to southeast elongated structure with gas and oil accumulations in the Lower Goru sands (Figure 2) and gas over oil accumulations in the "A" and "B" zones. Six wells have been drilled on the structure, five of which have encountered gas and oil reservoirs. BP mapping was reviewed for reasonableness and compared with prior maps prepared by DeGolyer and MacNaughton over a period of 20 years.

Hydrocarbons were first produced from the field in 1992 and reached a maximum production rate of 19.5 MMcf per day from three wells in 1995. There are currently three gas wells producing 1.633 MMcf per day. Proved and probable producing reserves were assigned based on production decline analysis. In the proved plus probable case, the field is forecast to produce economically until 2015.

The probable case assumes the reactivation of Bhatti 2 and addition of compression. It also assumes an ongoing maintenance and operational management to assure more consistent on-stream effectiveness.

Operating costs are believed to be sufficient to sustain operations management for effective on-stream efficiency.

No drilling activities are anticipated at this time.

Figure 1 – Property Index Map

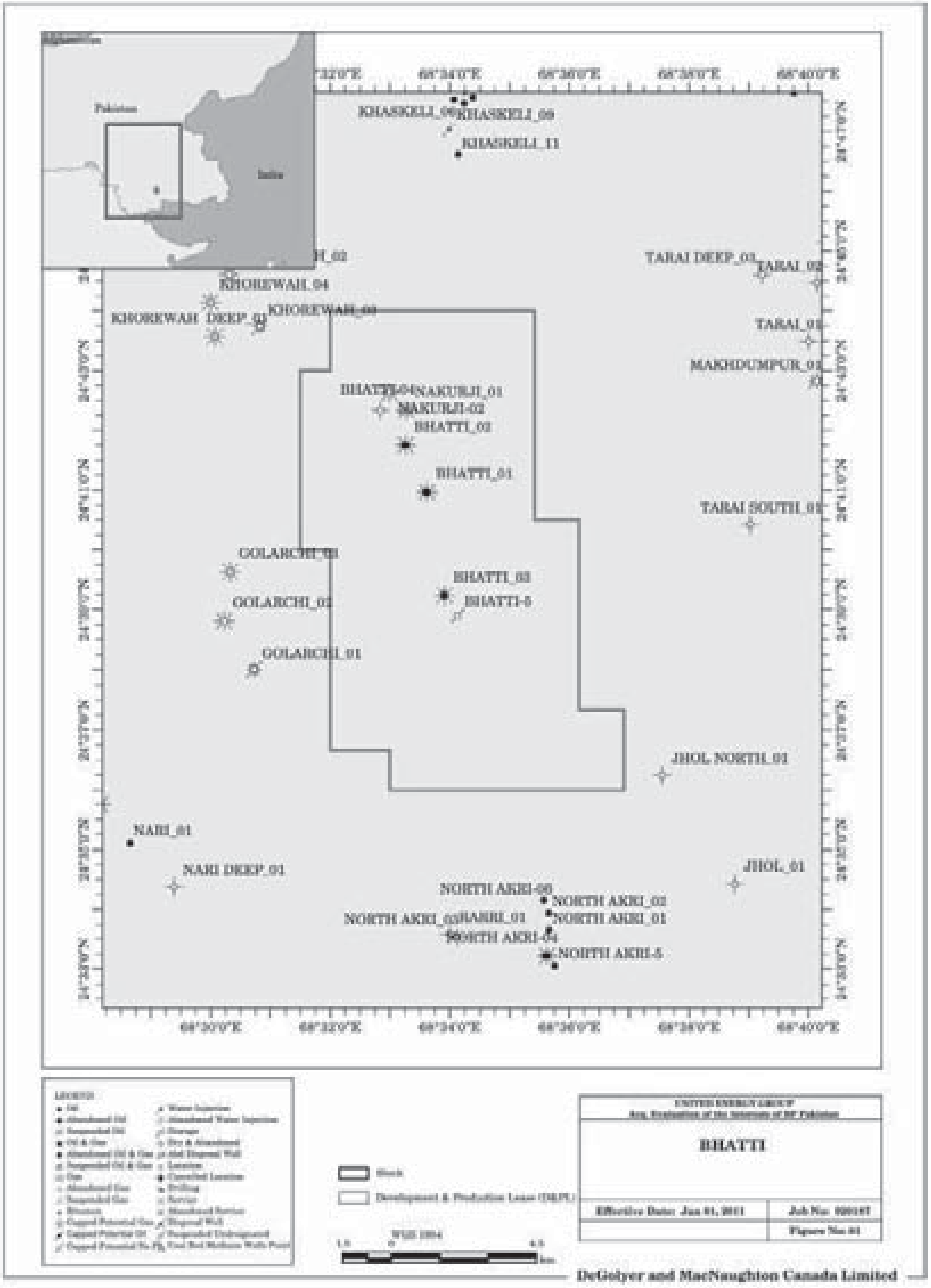


Figure 2 – Lower Goru A Depth Structure Map

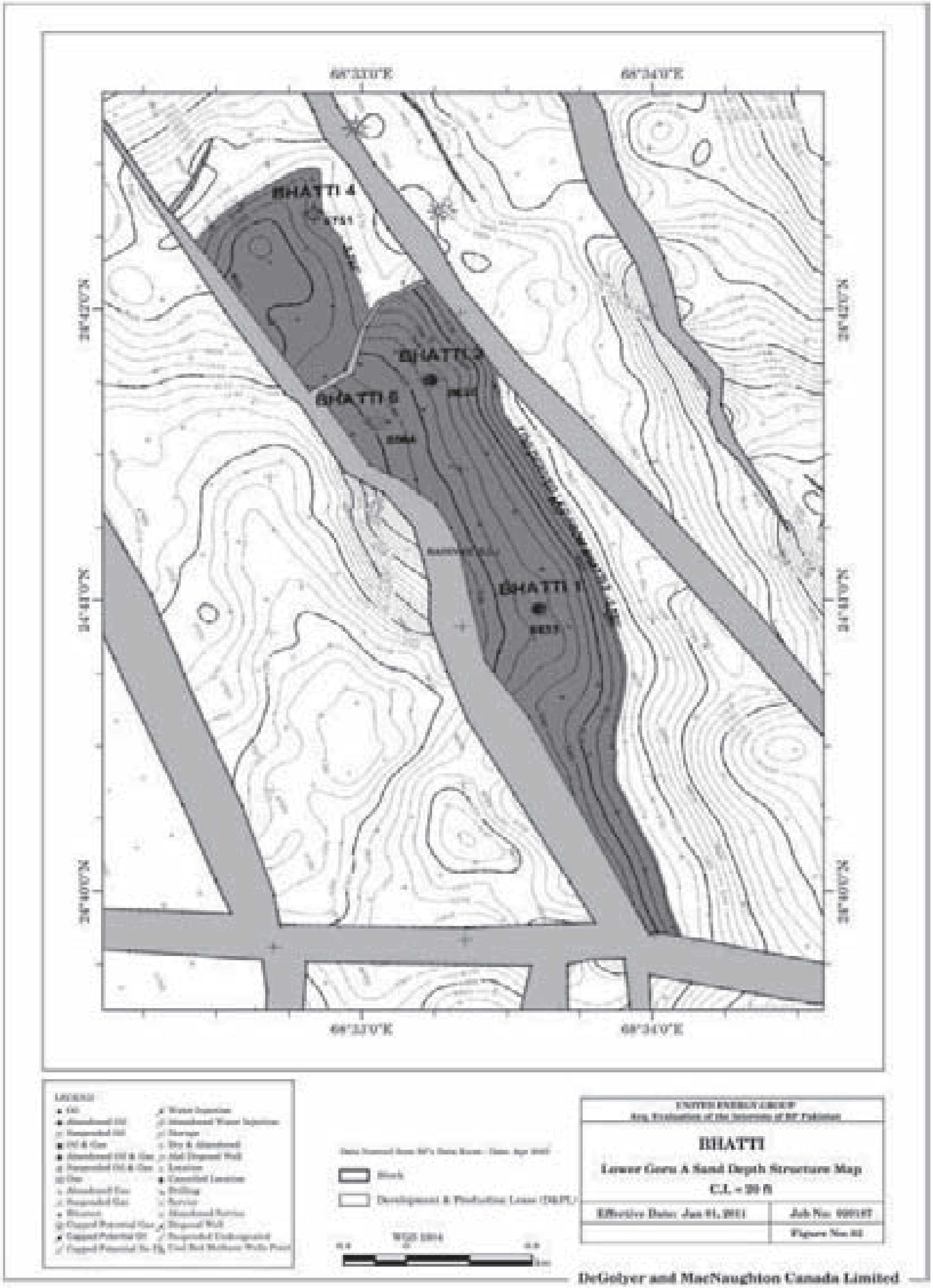


Figure 3 – Lower Goru B Depth Structure Map

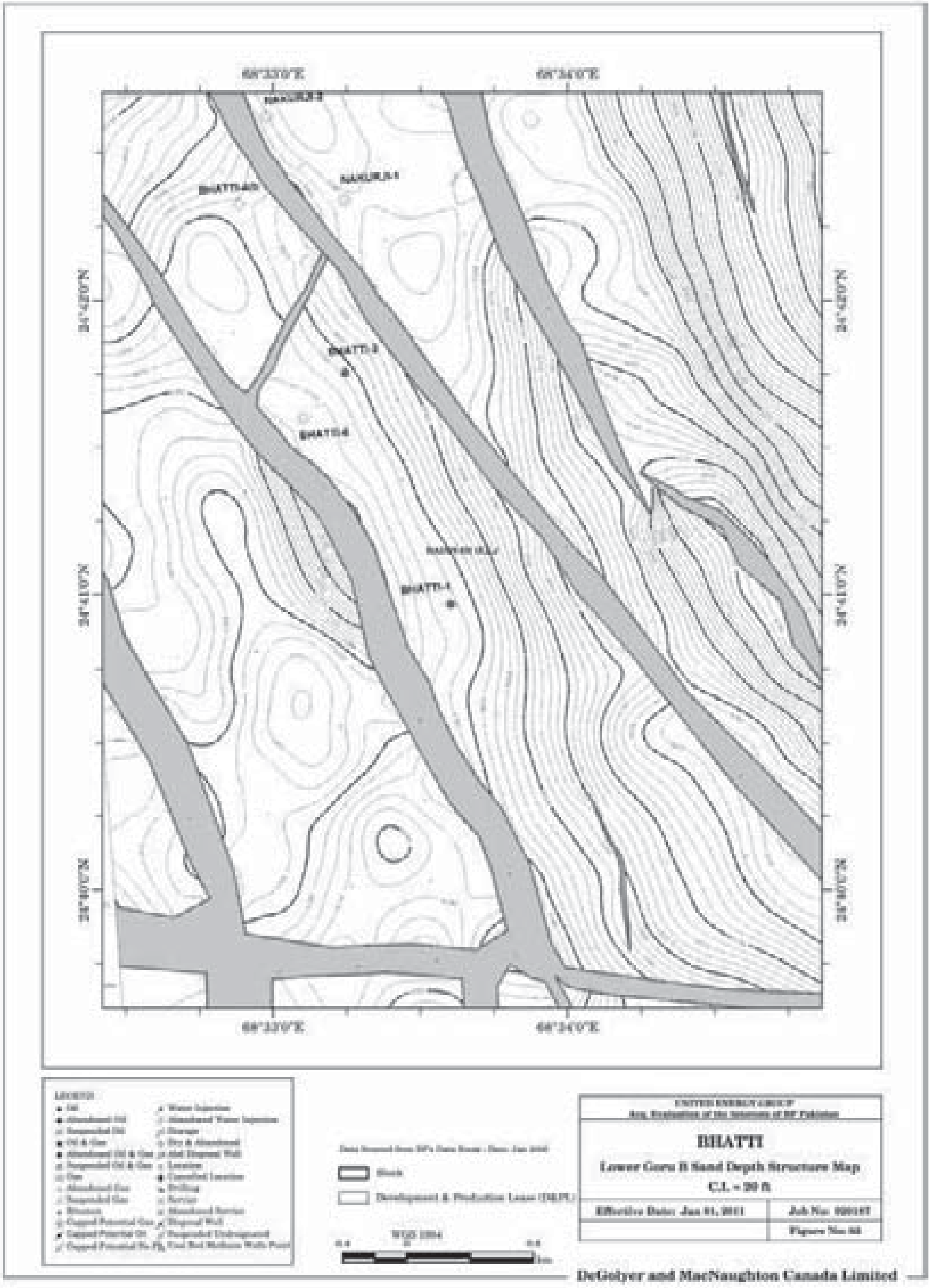
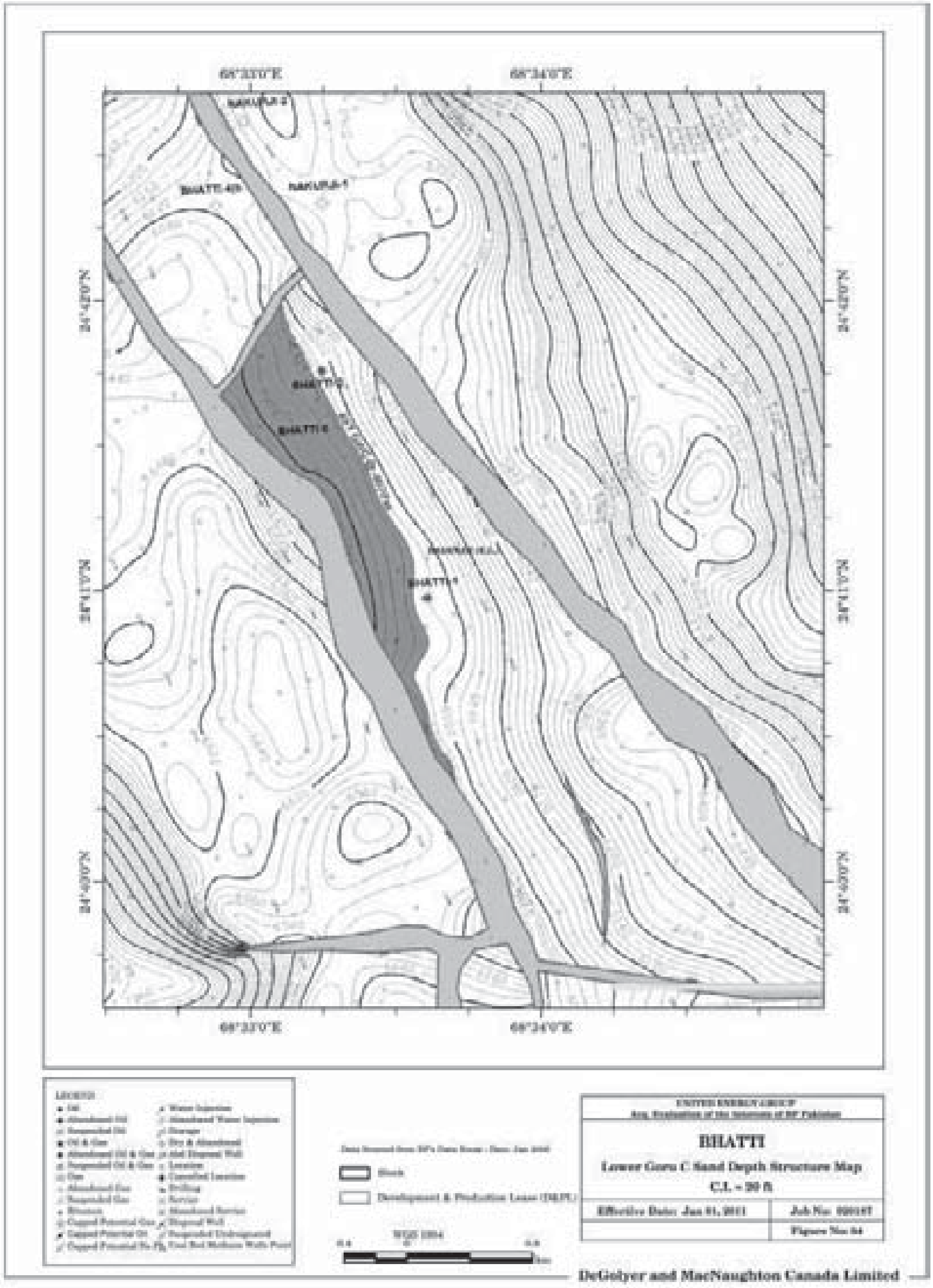


Figure 4 – Lower Goru C Depth Structure Map



Bukhari Deep

BP Pakistan (BPP) has a 100 percent working interest in the Bukhari Deep field of Sindh Pakistan in the Badin I concession as shown on the attached land plat (Figure 1). A total of four gas wells have recorded production with three gas wells currently producing on the company's acreage. The primary productive zone of interest is the Lower Goru for gas.

The Bukhari Deep field is bounded by tilted fault blocks and trending in a north to south direction, three-way dip structure with hydrocarbon potential identified in the Goru sands (Figure 2) and gas accumulations in the Middle zone (Figure 3). The Lowest Known Gas (LKG) is identified at -8,187 feet subsea. Four wells have been drilled on the structure, all of which have encountered gas reservoirs.

Hydrocarbons were first produced from the field in 2006 and reached a maximum production rate of 19.6 MMcf per day from one well in 2006. There are currently three gas wells producing 2.5 MMcf per day. Proved and probable producing reserves were assigned based on production decline analysis. In the proved plus probable case, the field is forecast to produce economically until 2016.

No development activities are anticipated at this time.

Figure 1 – Property Index Map

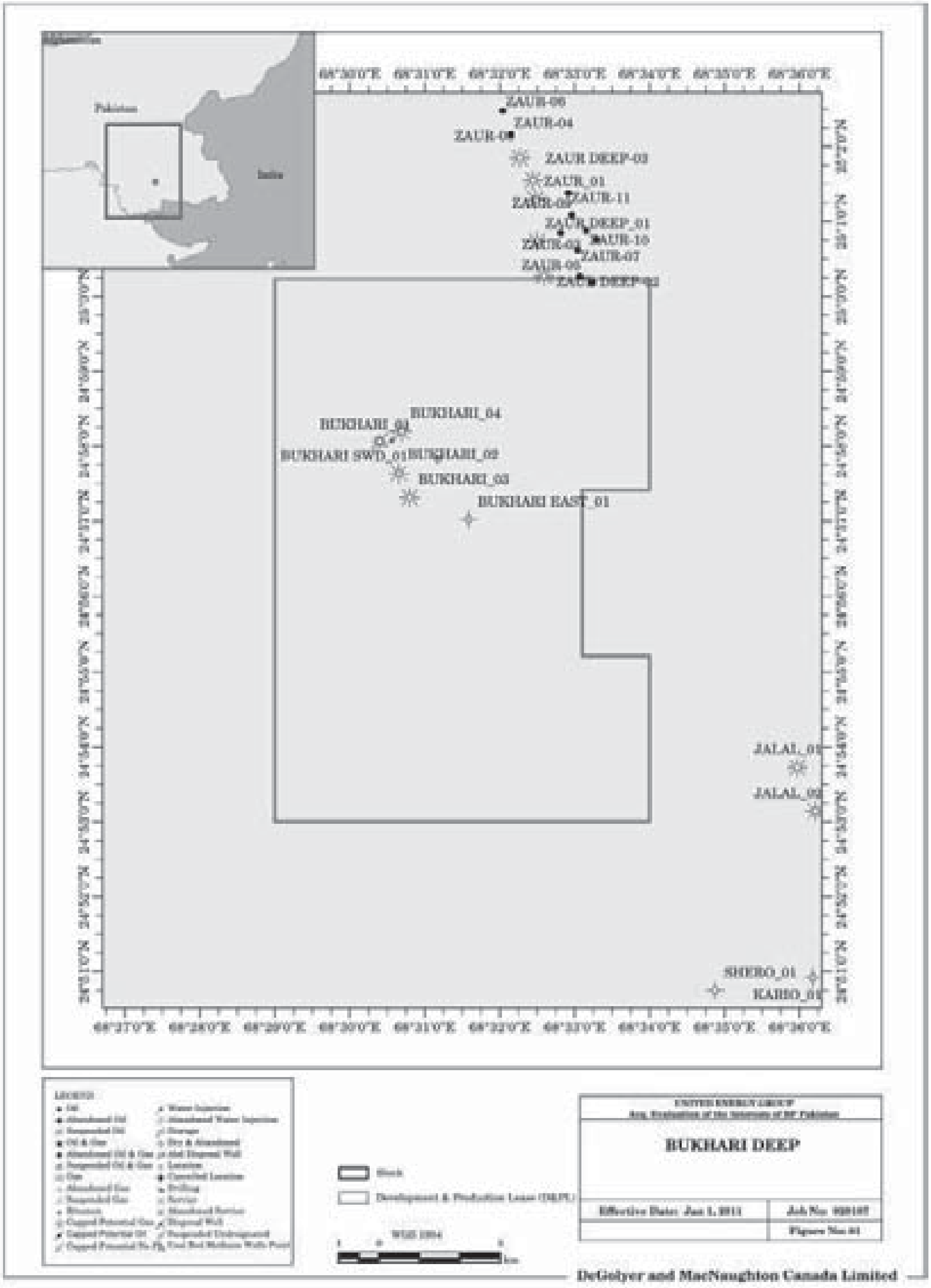


Figure 2 – Middle Zeta Sand Depth Structure Map

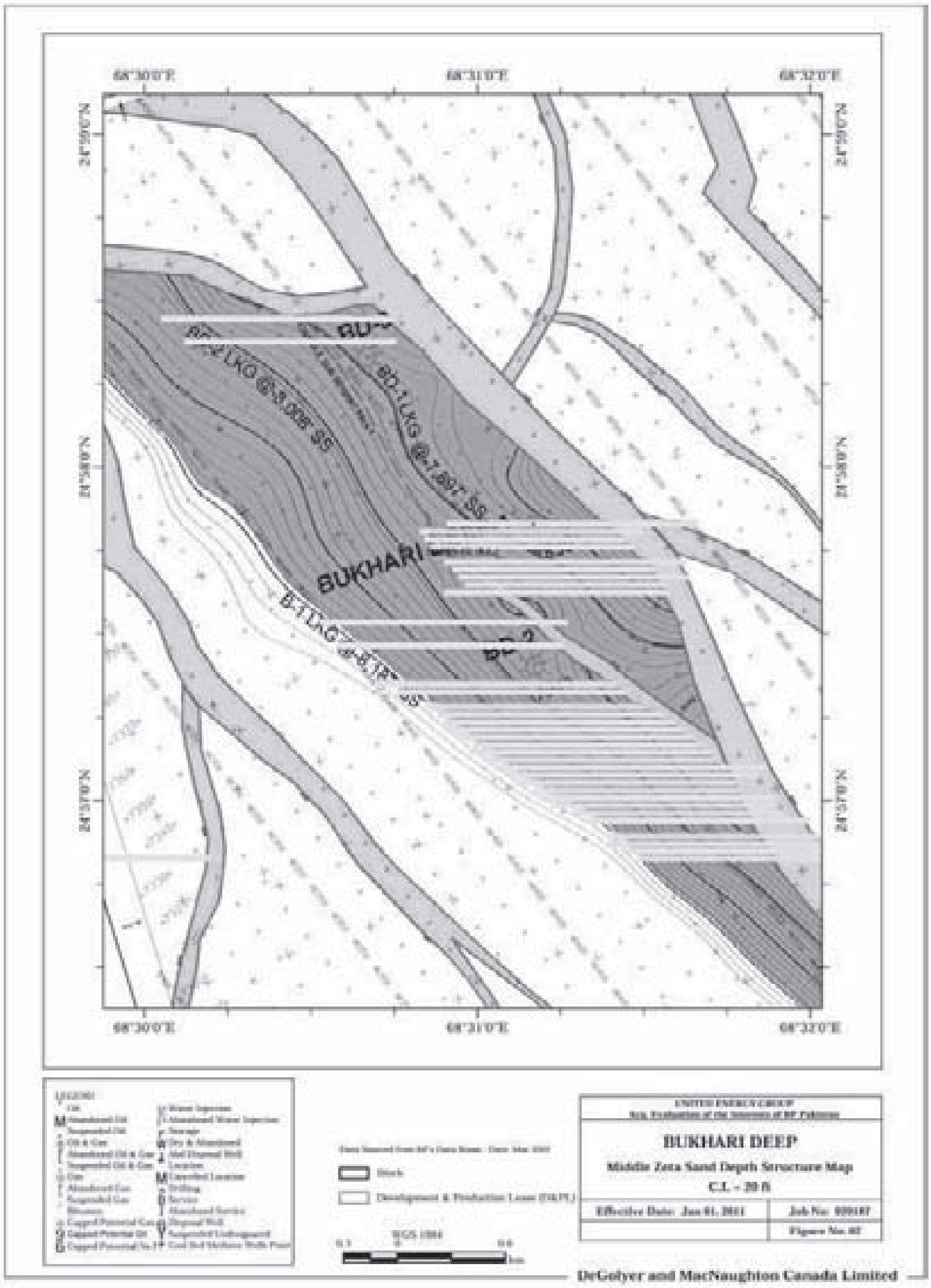
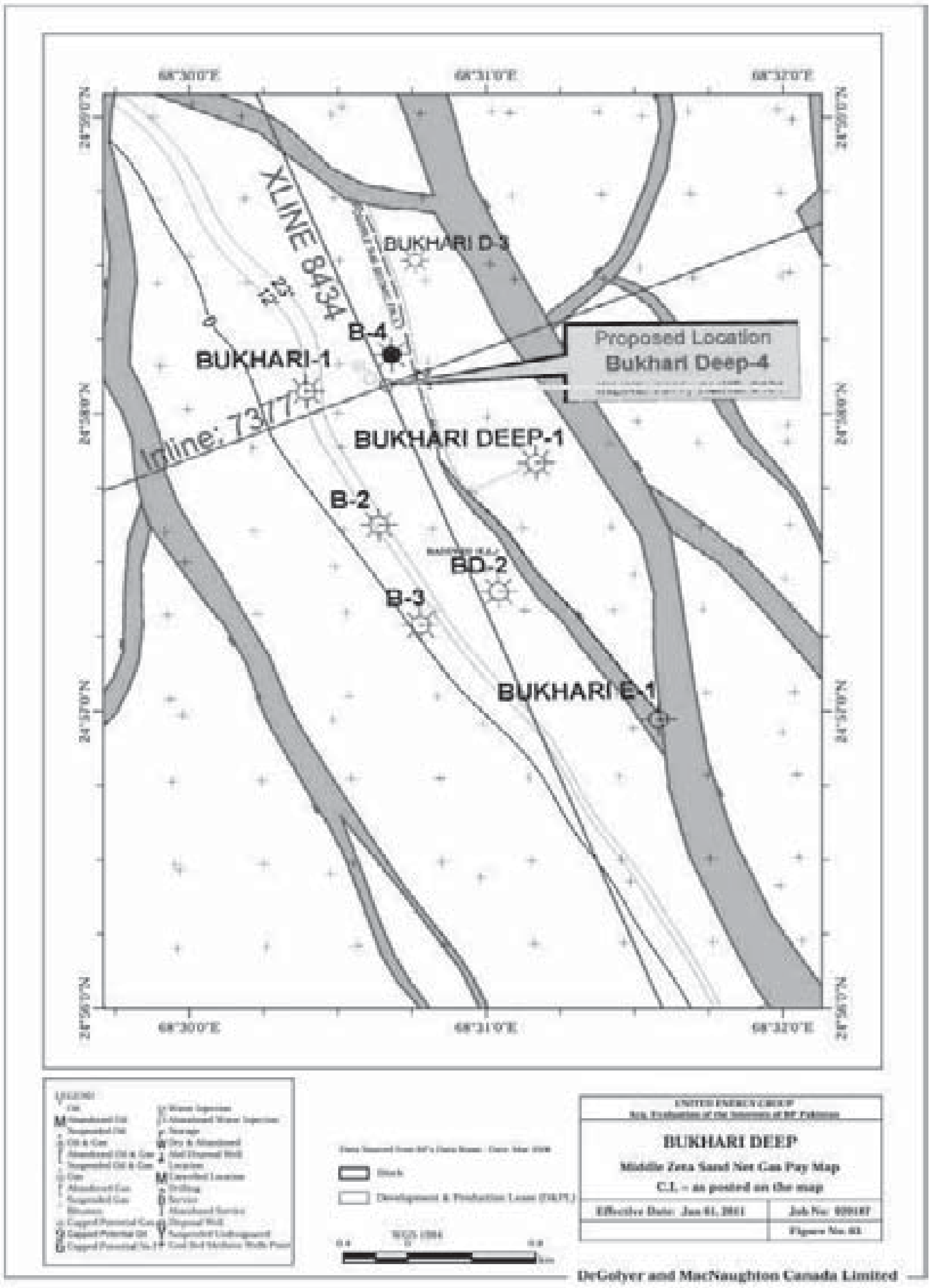


Figure 3 – Middle Zeta Sand Net Gas Pay Map



Buzdar South Deep

BP Pakistan (BPP) has a 51 percent working interest in the Buzdar South Deep field of Sindh Pakistan in the Badin II concession as shown on the attached land plat (Figure 1). A total of six oil wells have recorded production with three oil wells currently producing on the company's acreage. The primary productive zone of interest is the Lower Goru for oil.

The Buzdar South Deep field is a tilted fault bounded by a north to south trending, elongated three-way dip structure with gas and oil accumulations in the Lower Goru sands (Figures 2, 3, 4, 5, 7, 8, 9, 10 and 13) and gas over oil accumulations in the Middle Alpha, Beta, Gamma, Epsilon and Zeta zones. Net oil pay maps are included for the aforementioned zones (Figures 6, 11, 12 and 14). These reservoirs are bounded by oil/water contacts (OWC) on the flanks and by faults. Six wells have been drilled on the structure, four of which have encountered gas and oil reservoirs. BP mapping was reviewed for reasonableness and compared with prior maps prepared by DeGolyer and MacNaughton over a period of 20 years.

Hydrocarbons were first produced from the field in 1996 and reached a maximum production rate of 724 barrels per day from two wells in 1998. There are currently three oil wells producing 354 barrels per day. Proved and probable producing reserves were assigned based on production decline analysis. In the proved plus probable case, the field is forecast to produce economically beyond 2025.

In the proved and probable case, DeGolyer and MacNaughton has forecasted the addition of a compression system to the field. This system was scheduled to be installed in 2011 at a cost of $1.1 million.

A review of the field potential for additional potential resulted in the following:

- BSD#4 has no deep potential as water was encountered.
- BSD#5 has no deep potential and was plugged back to the shallow horizons.
- BSD#3 was drilled and completed in the Epsilon interval and is experiencing high water cut with a small remaining reserve being assigned.
- BSD#6 has no information (possibly not drilled).
- BSD#7 has a proposed location to be drilled in the same fault block as well #3 which has been assigned approximately 2.0 Bcf remaining reserve.
- BSD#7 should not be drilled as well #3 is forecast to capture the reserves.
- The Zeta interval in well BSD#3 is 100 percent wet and has minor reserves already produced from BSD#6.
- In BSD#7 we expect the zeta interval to be wet.

Figure 1 – Property Index Map

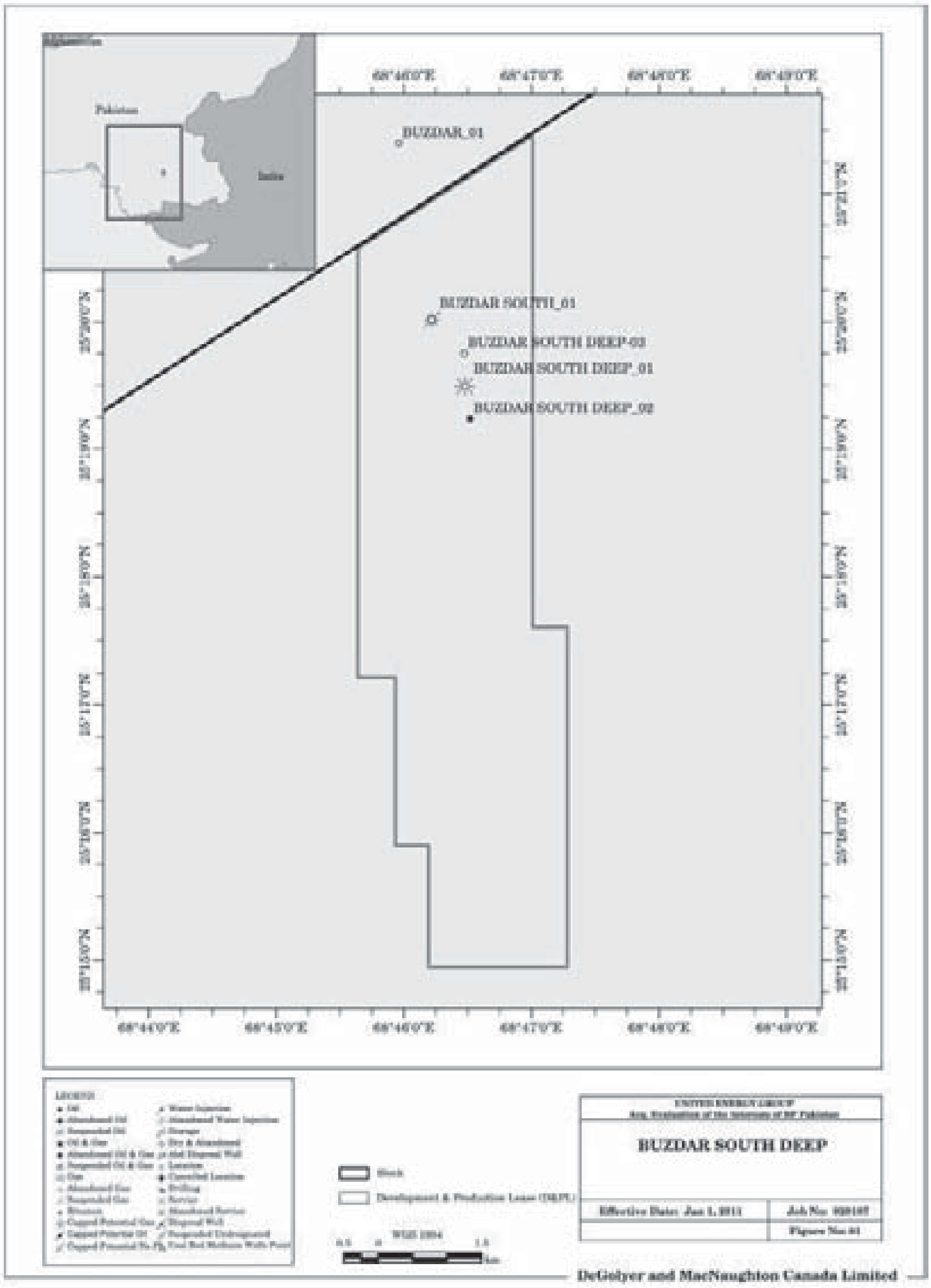


Figure 2 – Middle Sand Alpha I Depth Structure Map

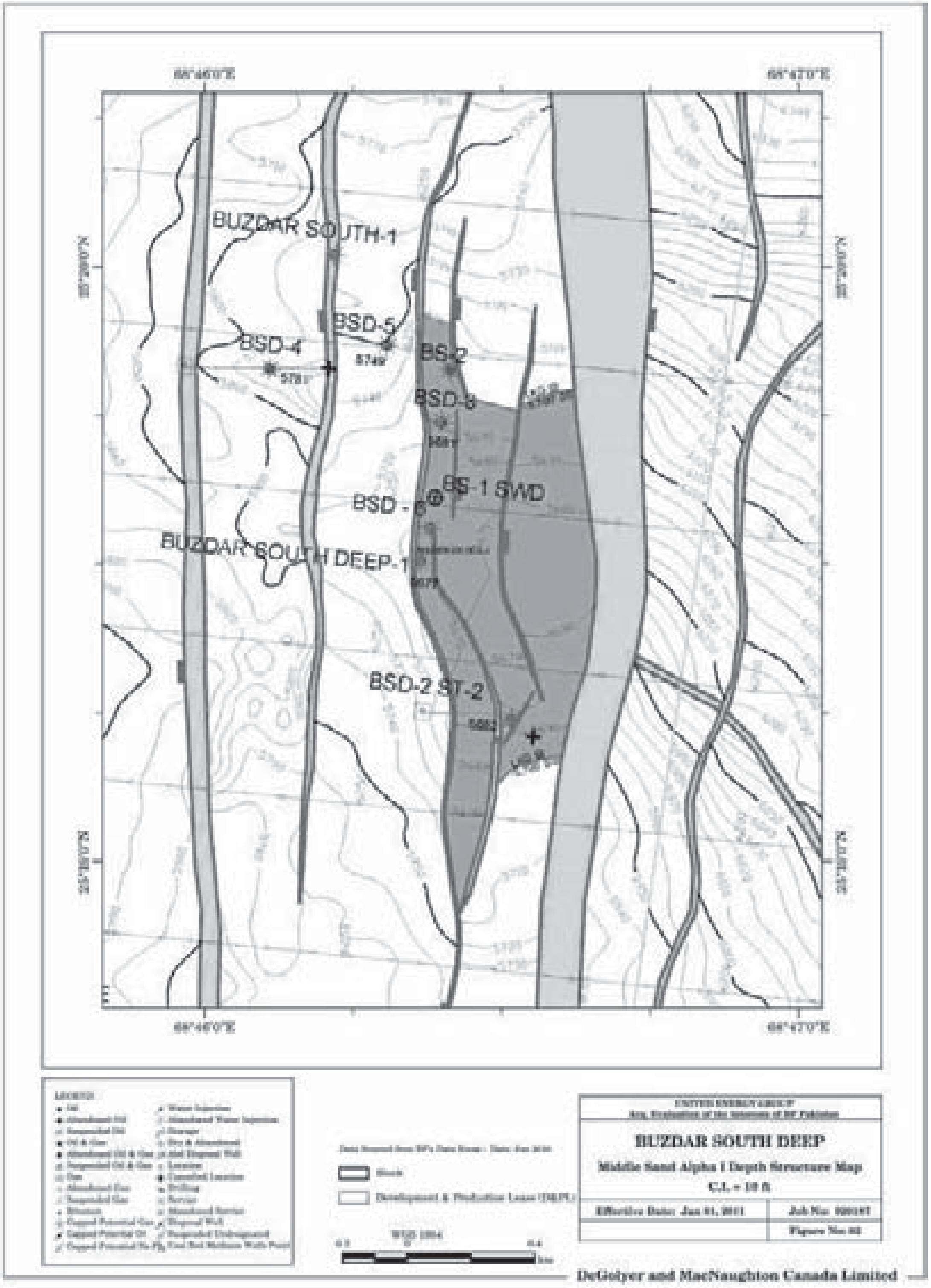


Figure 3 – Middle Sand Alpha II Depth Structure Map

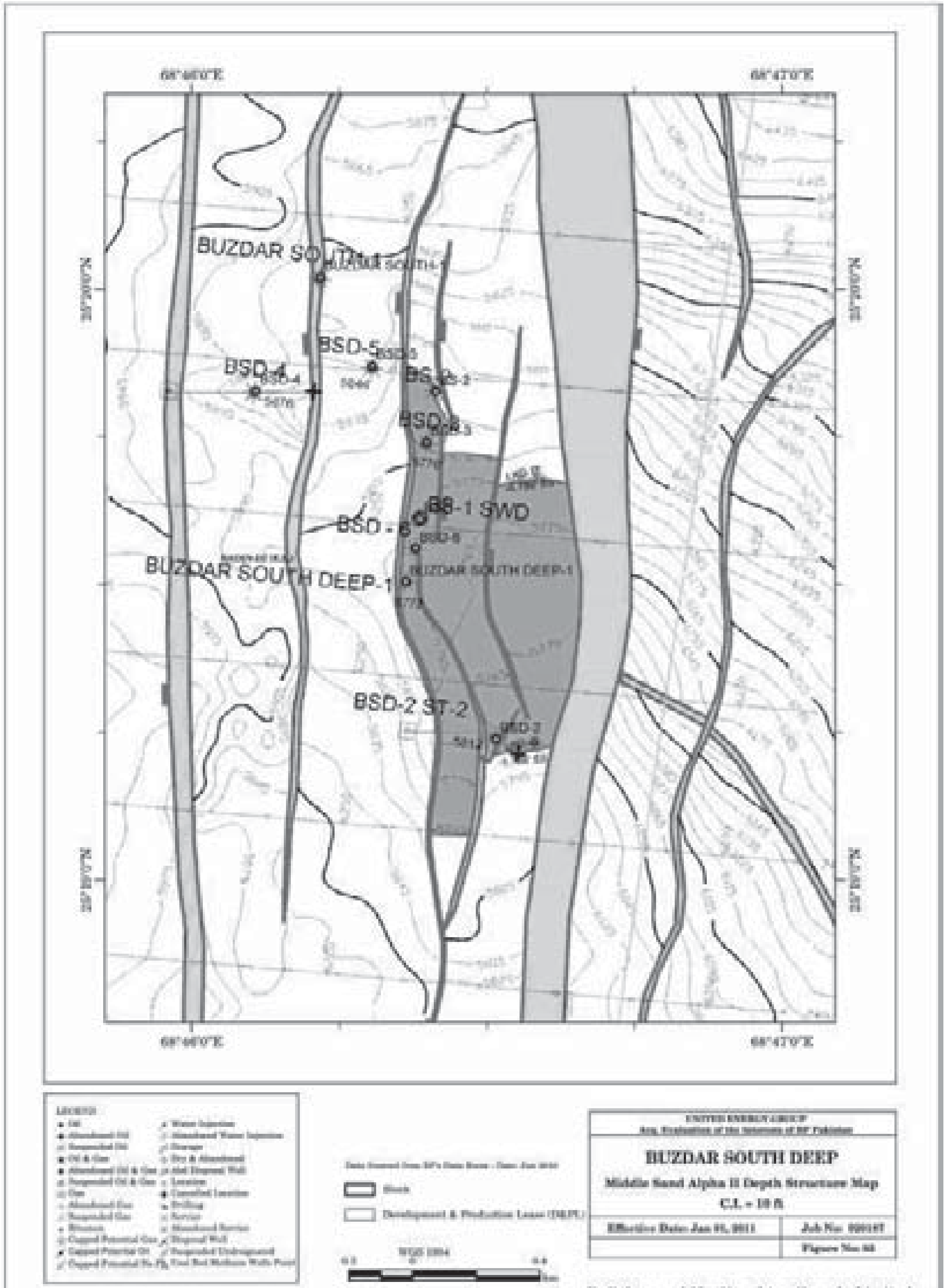


Figure 4 – Middle Sand Beta I Depth Structure Map

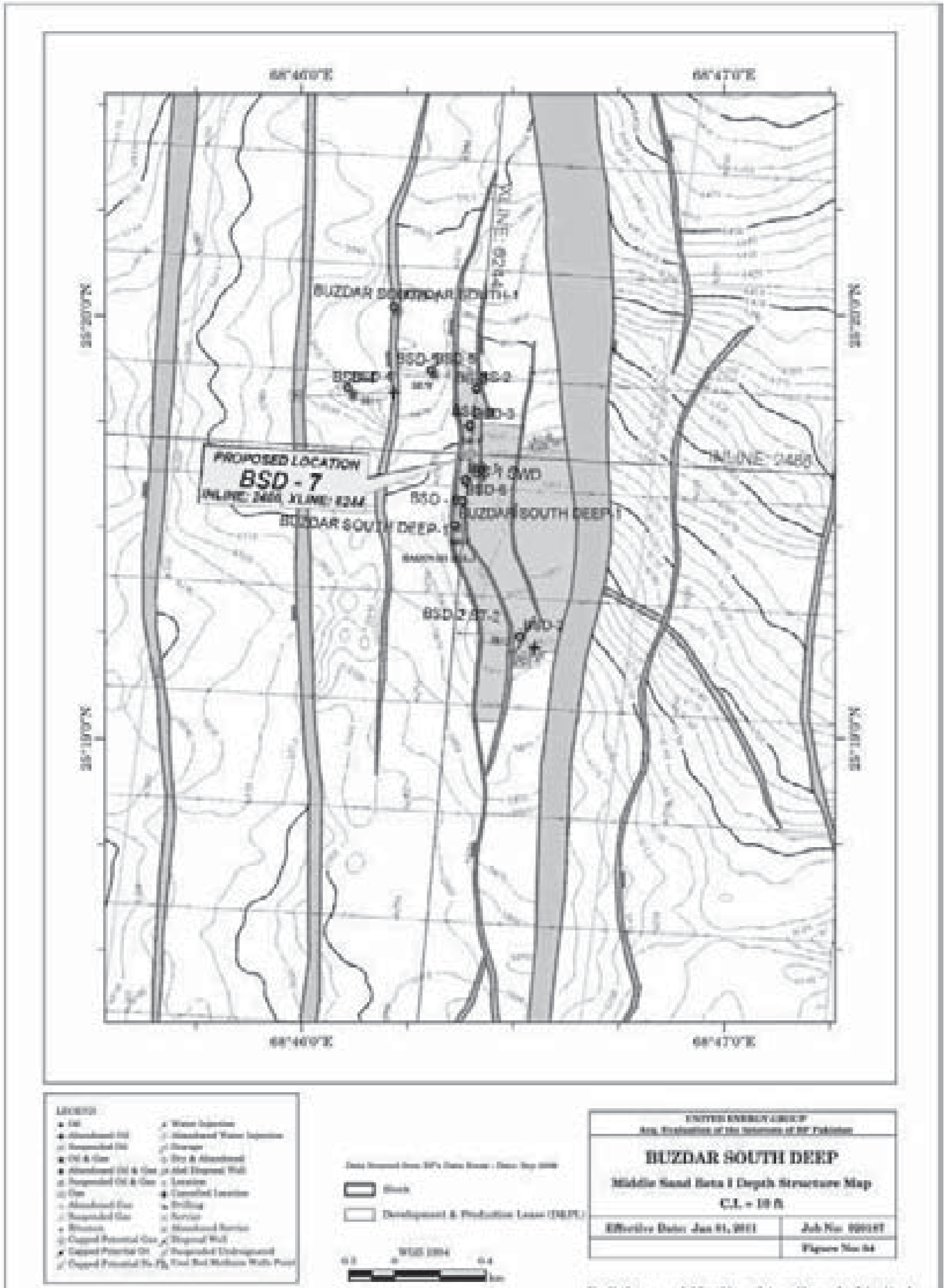


Figure 5 – Middle Sand Gamma I Depth Structure Map

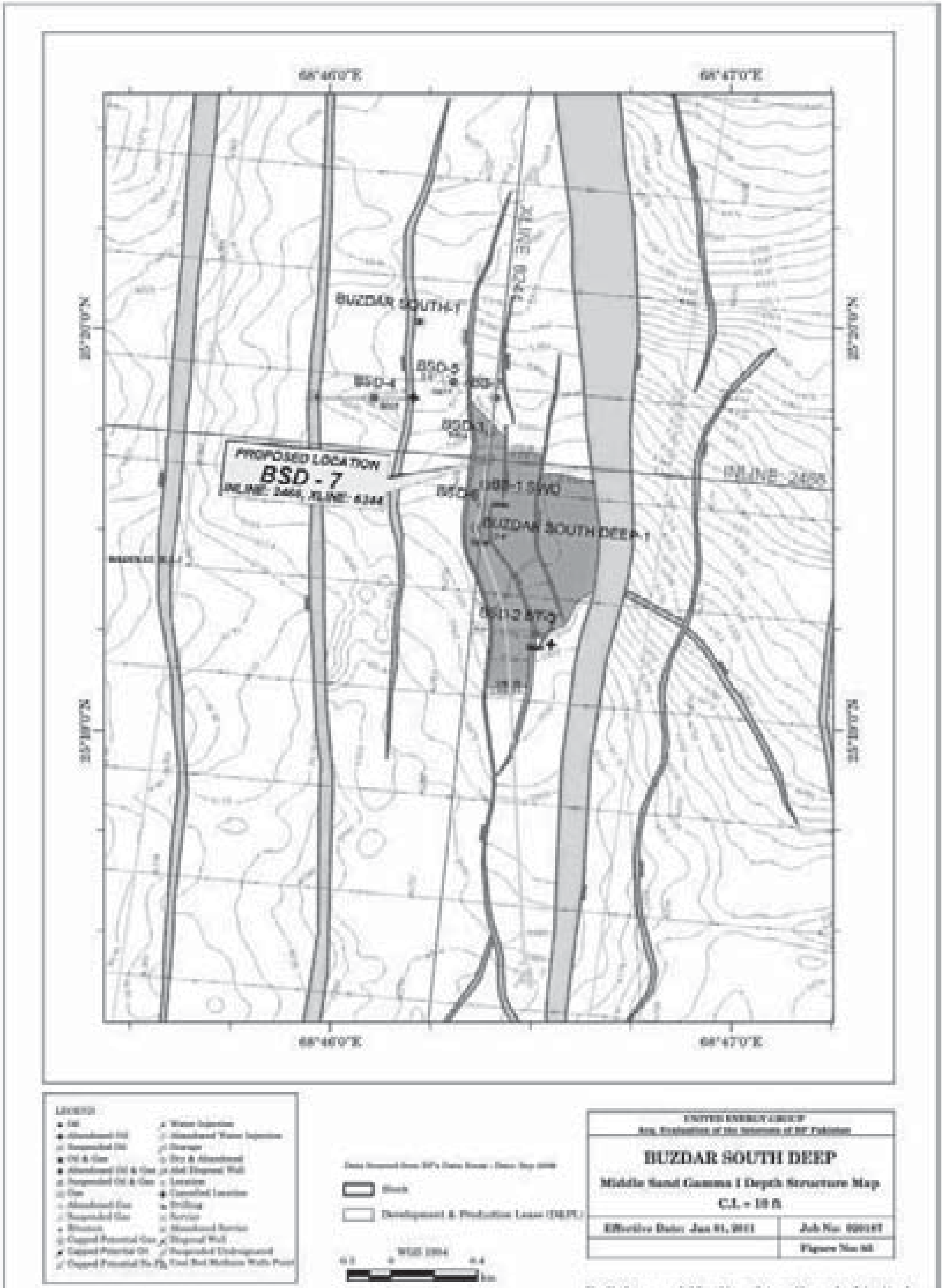


Figure 6 – Middle Sand Gamma I Net Oil Pay Map

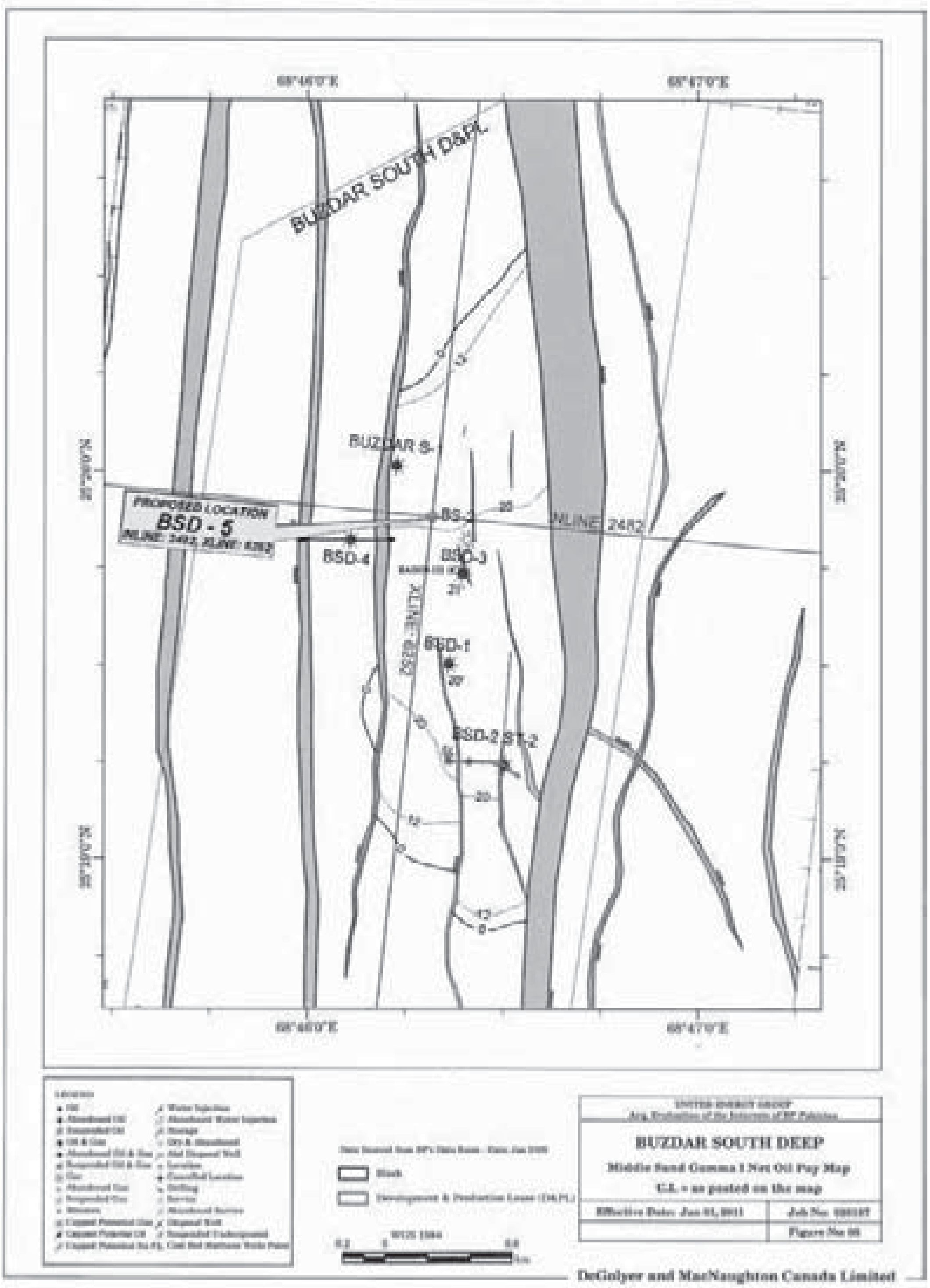


Figure 7 – Middle Sand Gamma II Depth Structure Map

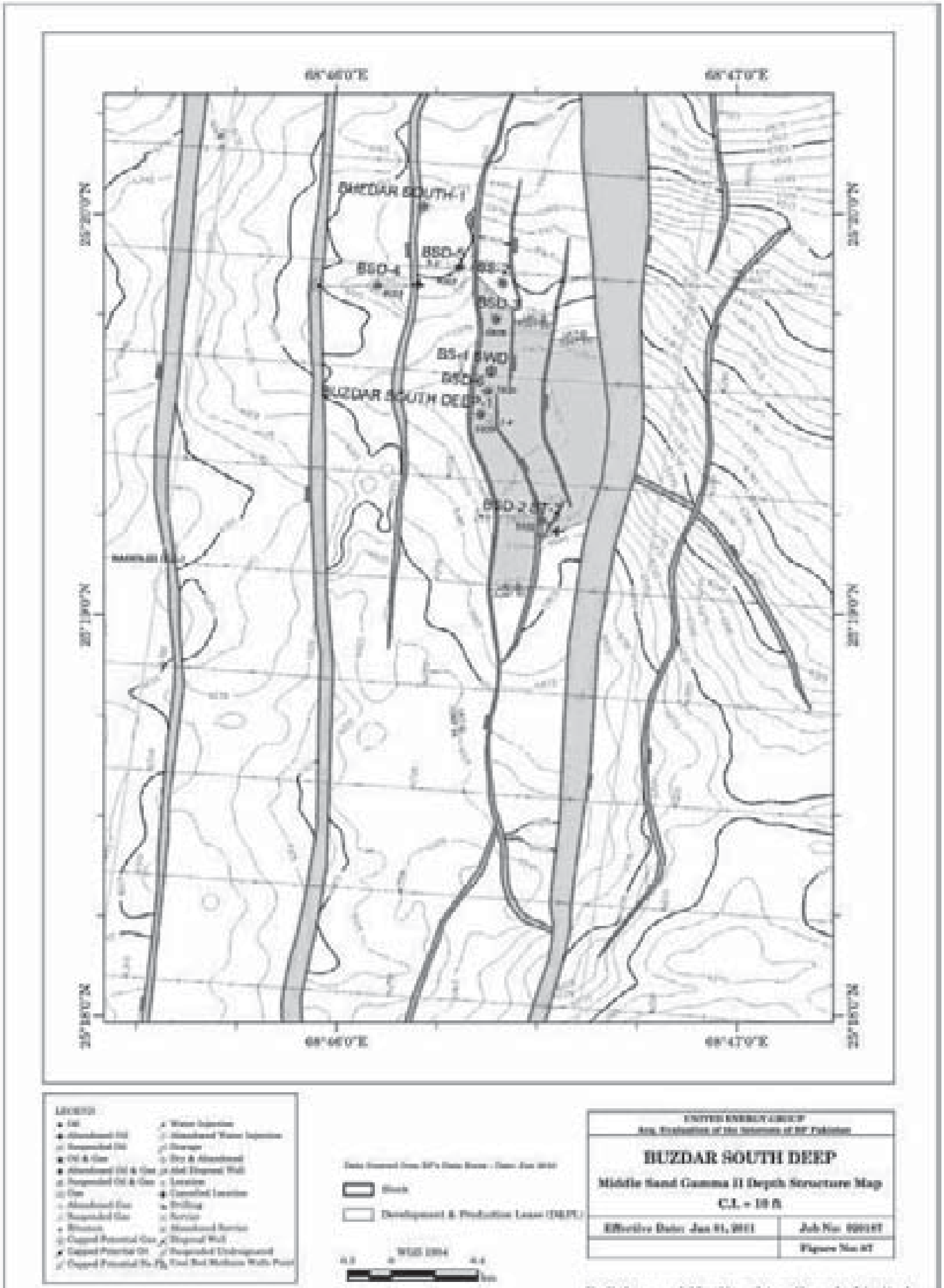


Figure 8 – Middle Sand Gamma III Depth Structure Map

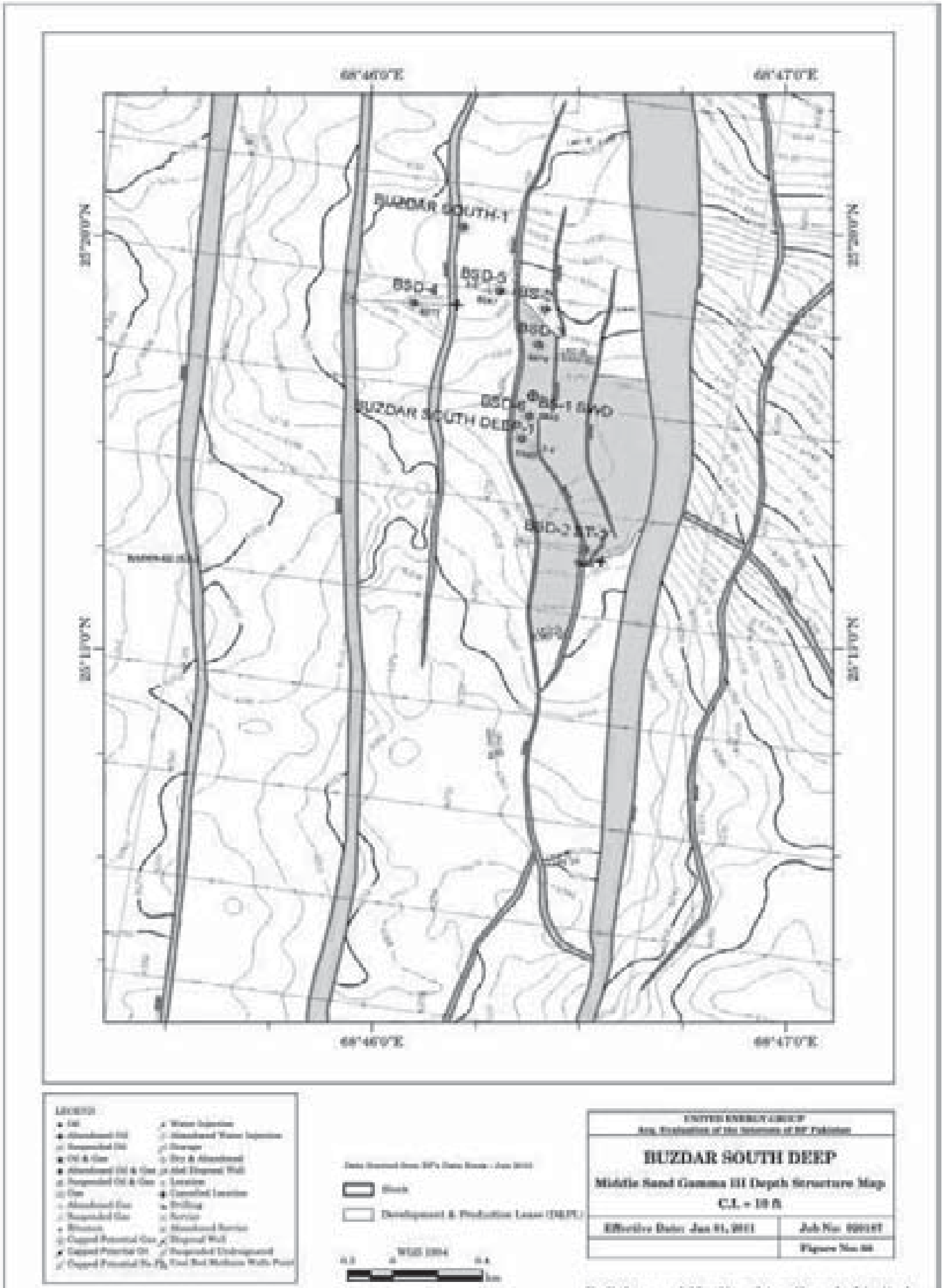


Figure 9 – Middle Sand Gamma IV Depth Structure Map

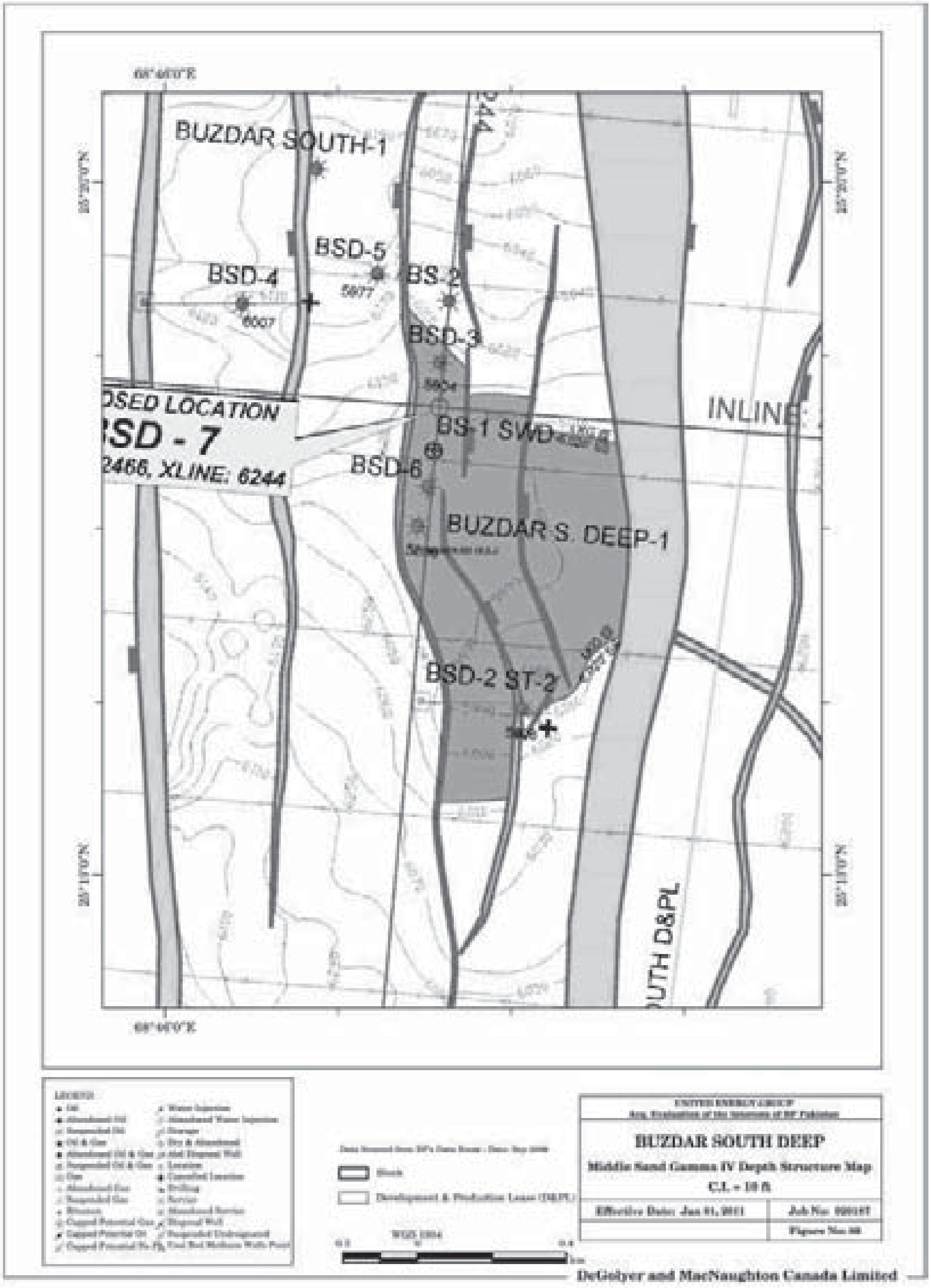


Figure 10 – Middle Sand Epsilon I Depth Structure Map

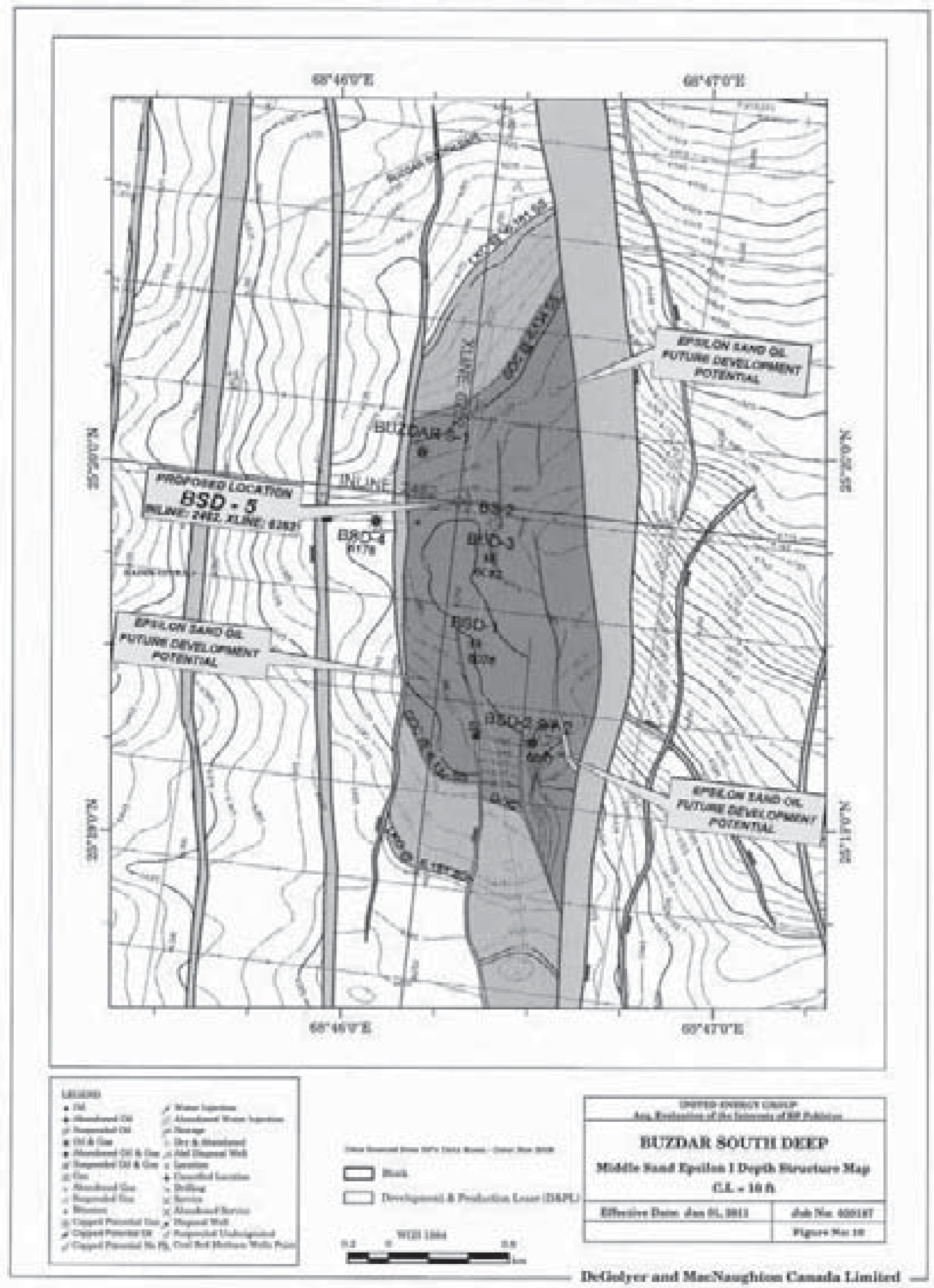


Figure 11 – Middle Sand Epsilon I Net Oil Pay Map

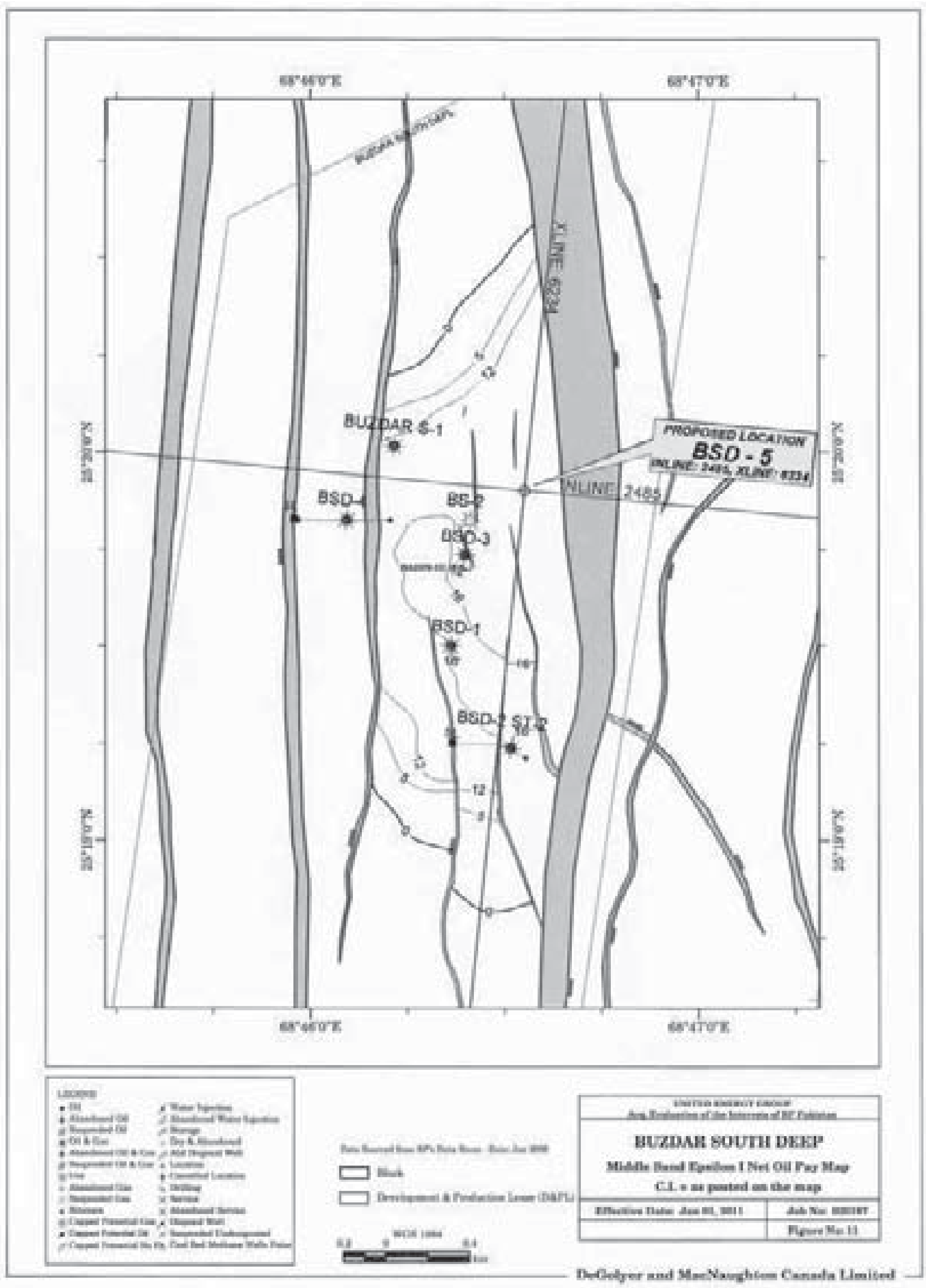


Figure 12 – Middle Sand Epsilon II Net Oil Pay Map

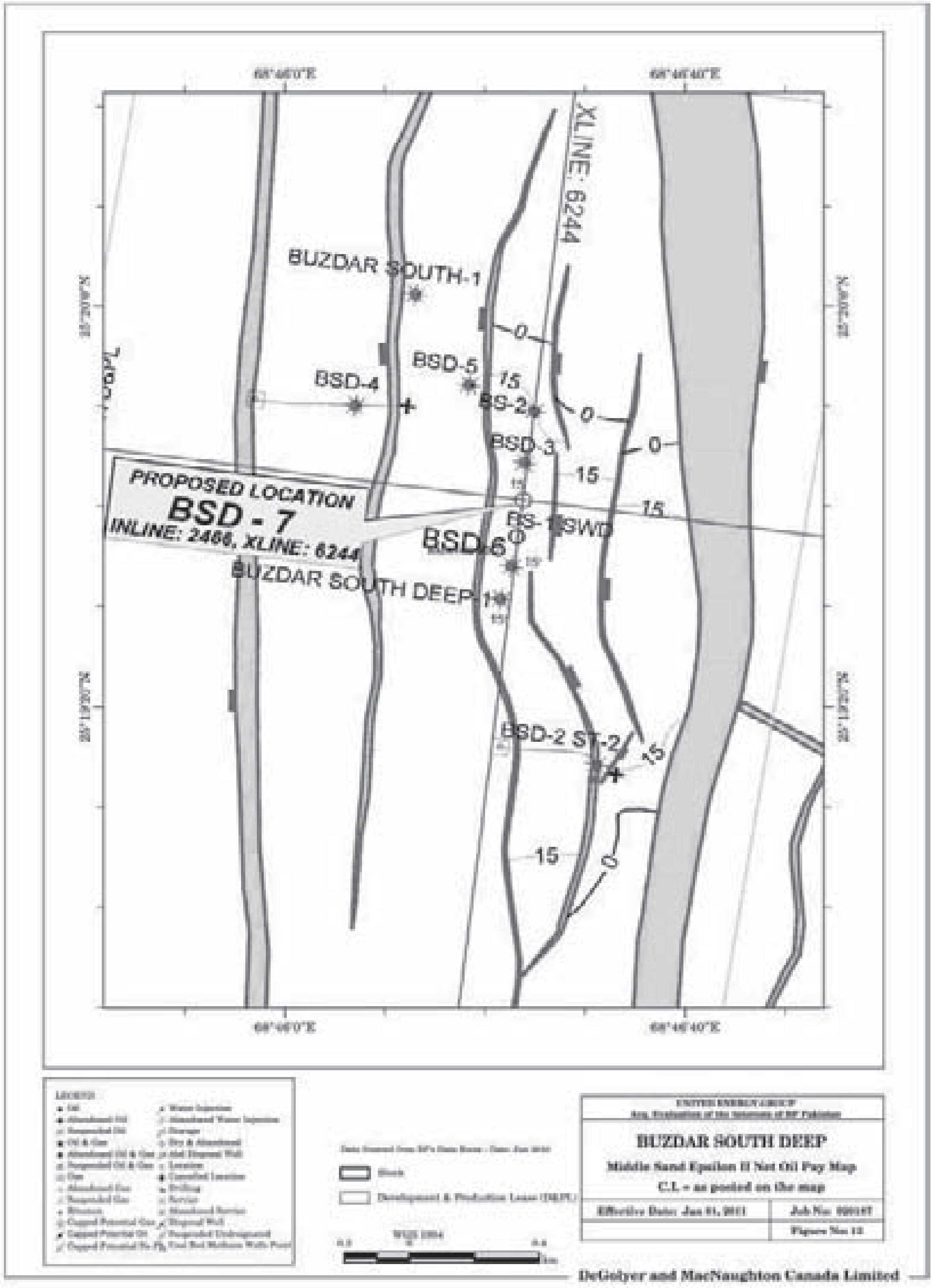


Figure 13 – Middle Sand Zeta Depth Structure Map

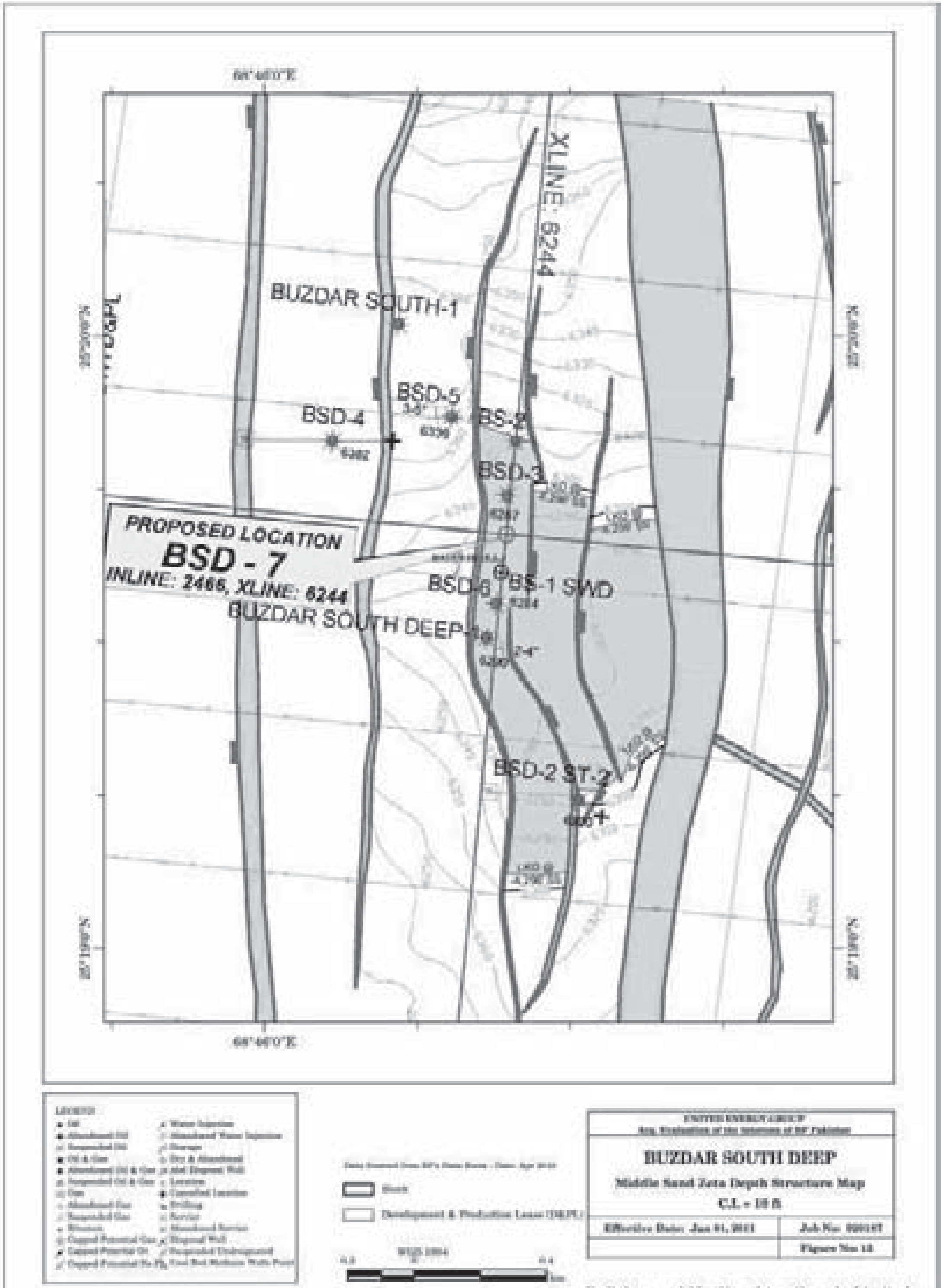
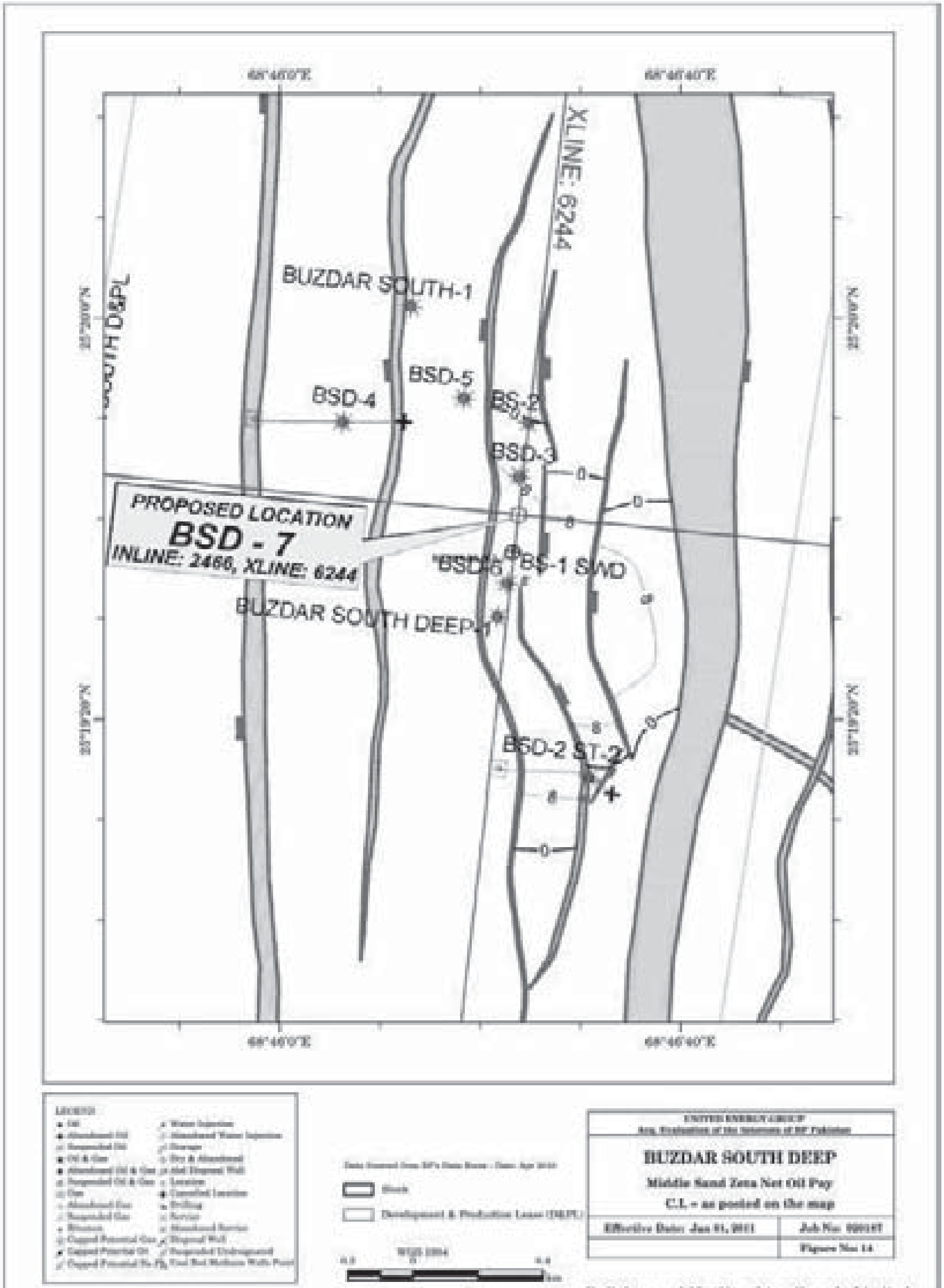


Figure 14 – Middle Sand Zeta Net Oil Pay Map



Duphri

BP Pakistan (BPP) has a 100 percent working interest in the Duphri field of Sindh Pakistan in the Badin I concession as shown on the attached land plat (Figure 1). A total of six oil wells have recorded production with four oil wells currently producing on the company's acreage. The primary productive zone of interest is the Lower Goru for oil.

The Duphri field is a tilted fault bounded by a northwest to southeast elongated structure with gas and oil accumulations in the Lower Goru sands (Figure 2) and gas over oil accumulations in the "B" and "C" zones. A net oil pay map is included for the "B" zone. These reservoirs are bounded by oil/water contacts (OWC) on the flanks and by faults. Eight wells have been drilled on the structure, six of which have encountered gas and oil reservoirs. BP mapping was reviewed for reasonableness and compared with prior maps prepared by DeGolyer and MacNaughton over a period of 20 years.

Hydrocarbons were first produced from the field in 2004 and reached a maximum production rate of 626.5 barrels per day from three wells in 2006. There are currently four oil wells producing 220 barrels per day. Proved and probable producing reserves were assigned based on production decline analysis. In the proved plus probable case, the field is forecast to produce economically beyond 2025.

No development activities are anticipated at this time.

Figure 1 – Property Index Map

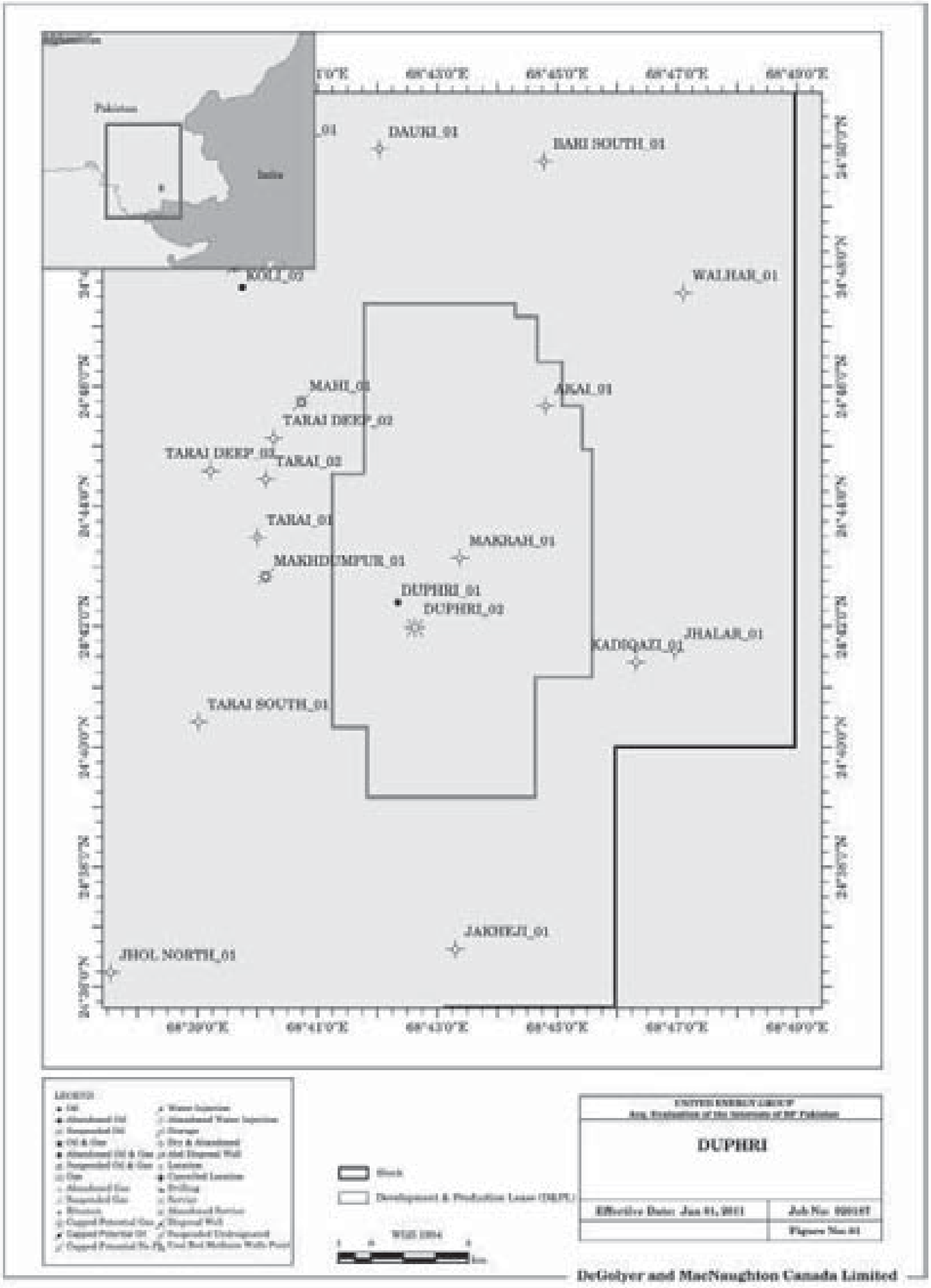


Figure 2 – Lower Goru B Sand Depth Structure Map

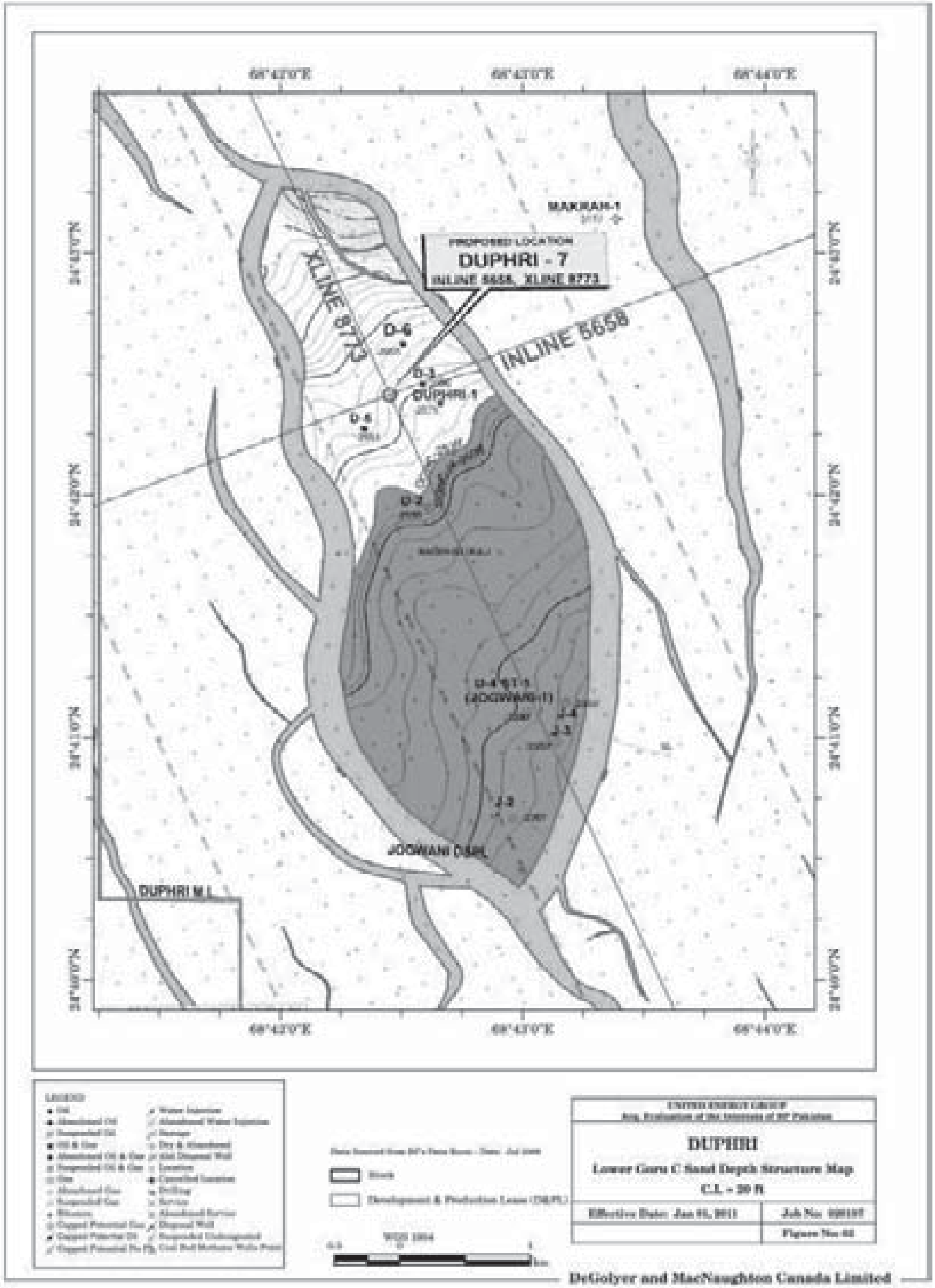
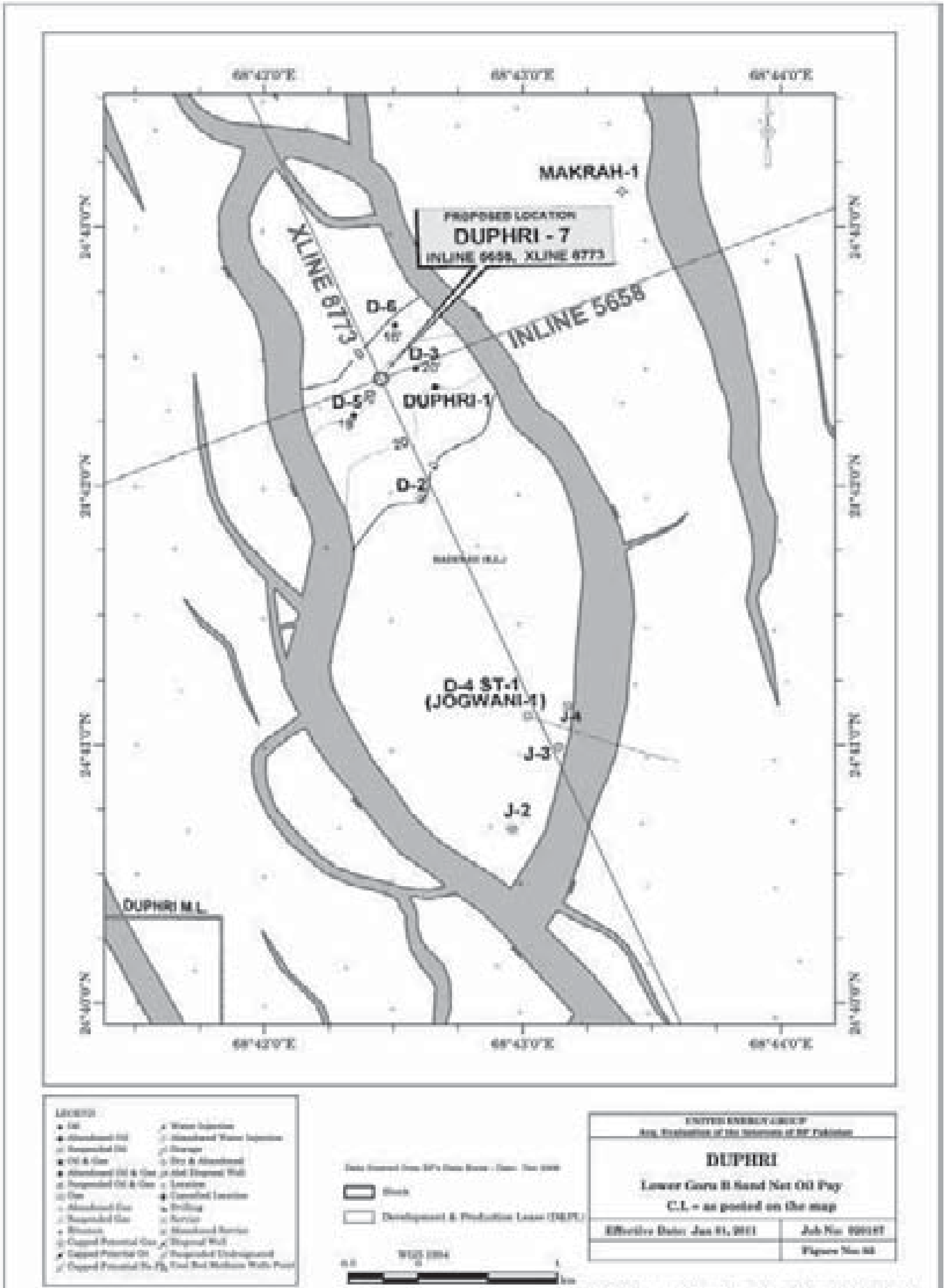


Figure 3 – Lower Goru B Sand Net Oil Pay Map



Golarghi

BP Pakistan (BPP) has a 100 percent working interest in the Golarghi field of Sindh Pakistan in the Badin I concession as shown on the attached land plat (Figure 1). A total of five gas wells have recorded production with two gas wells currently producing on the company's acreage. The primary productive zone of interest is the Lower Goru for gas.

The Golarghi field is a tilted fault bounded by a northwest to southeast elongated structure with hydrocarbon reservoirs in the Lower Goru sands (Figure 2) and gas accumulations in the "A", "B" and "C" zones. Five wells have been drilled in the structure, all of which have encountered gas reservoirs. BP mapping was reviewed for reasonableness and compared with prior maps prepared by DeGolyer and MacNaughton over a period of 20 years.

Hydrocarbons were first produced from the field in 1989 and reached a maximum production rate of 30.3 MMcf per day from three wells in 1991. There are currently two gas wells producing 4.5 MMcf per day. Proved and probable producing reserves were assigned based on production decline analysis. In the proved plus probable case, the field is forecast to produce economically until 2019.

No development activities are anticipated at this time.

Figure 1 – Property Index Map

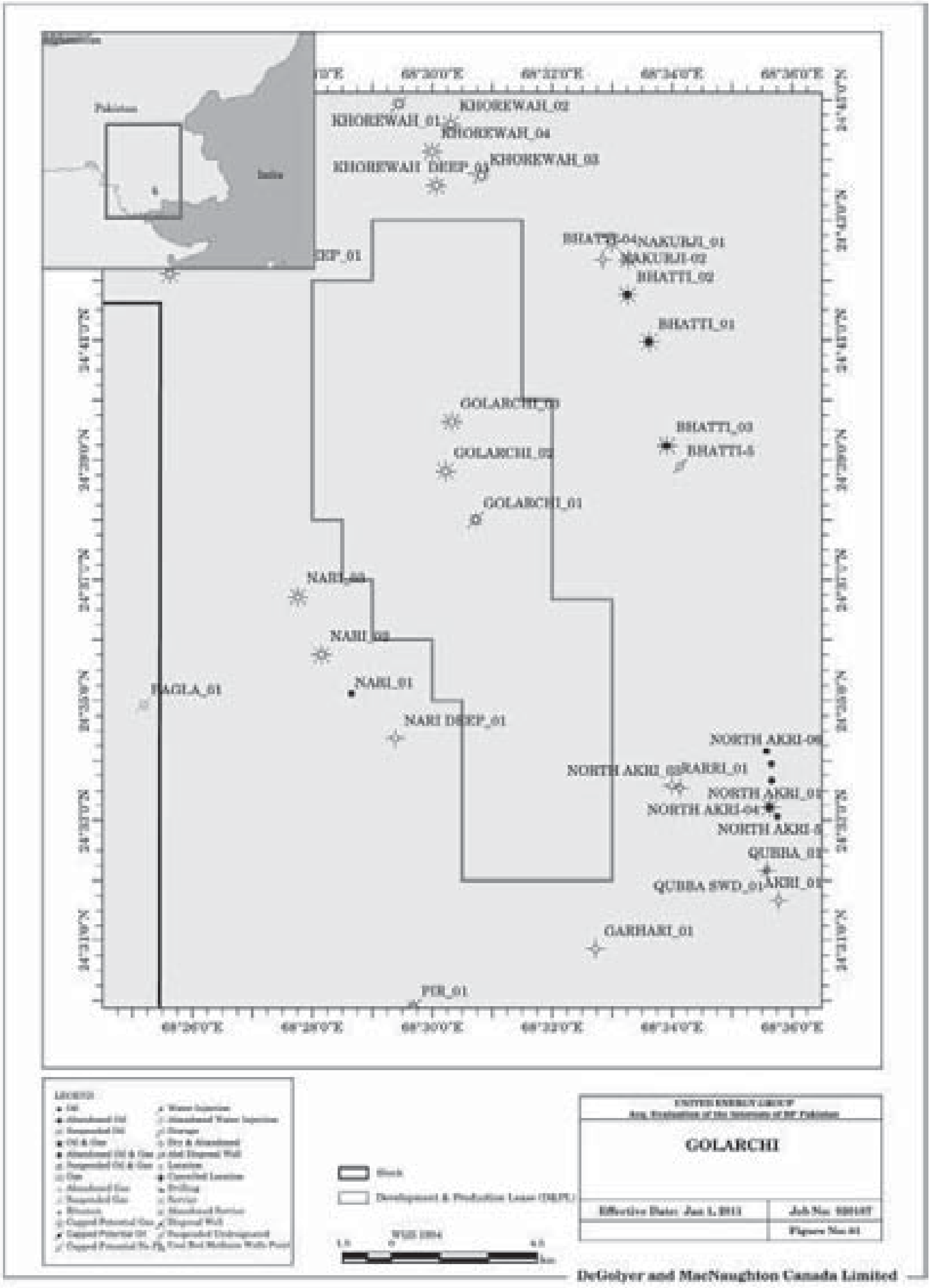


Figure 2 – Lower Goru A Sand Depth Structure Map

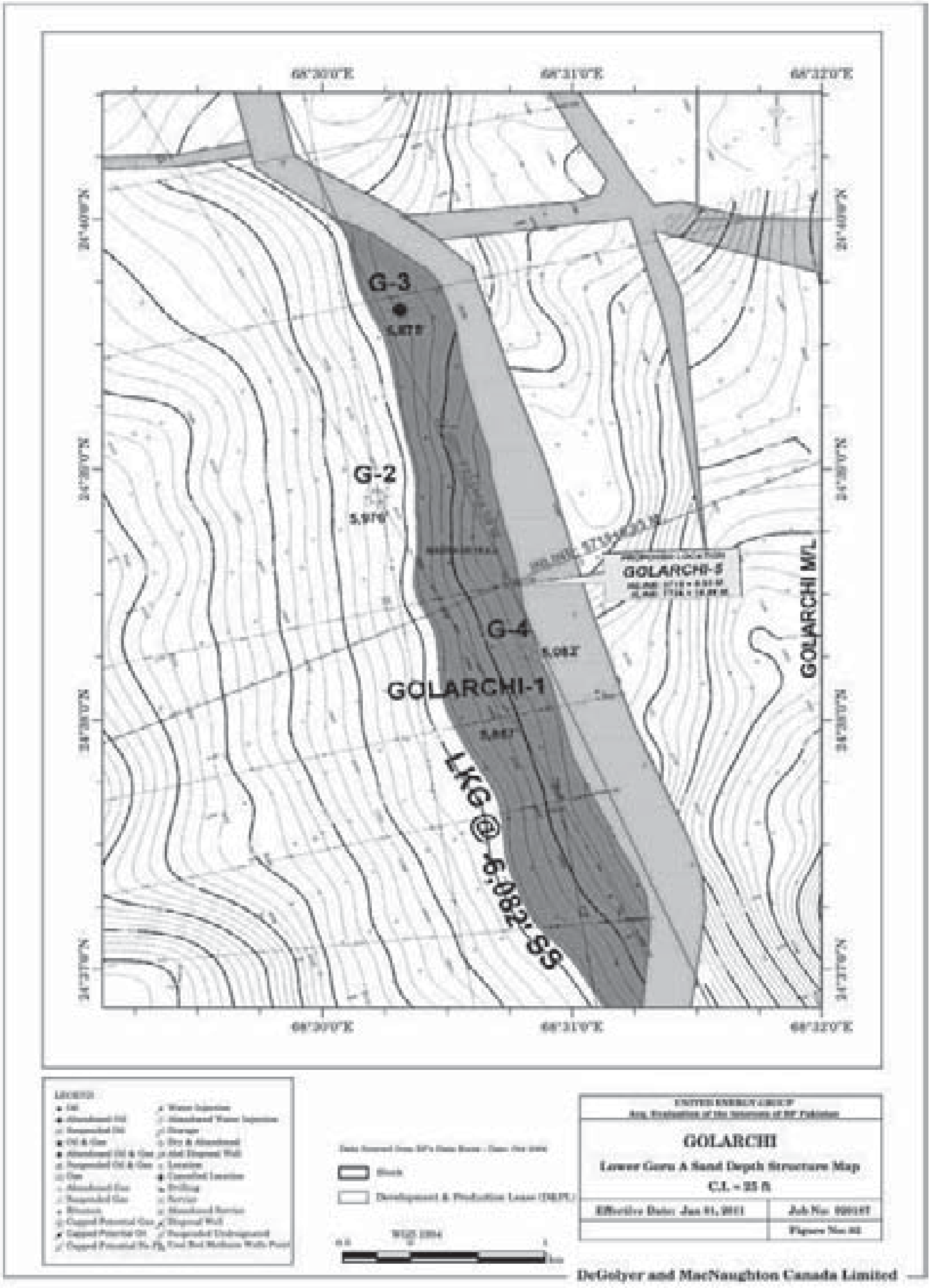


Figure 3 – Lower Goru B Sand Depth Structure Map

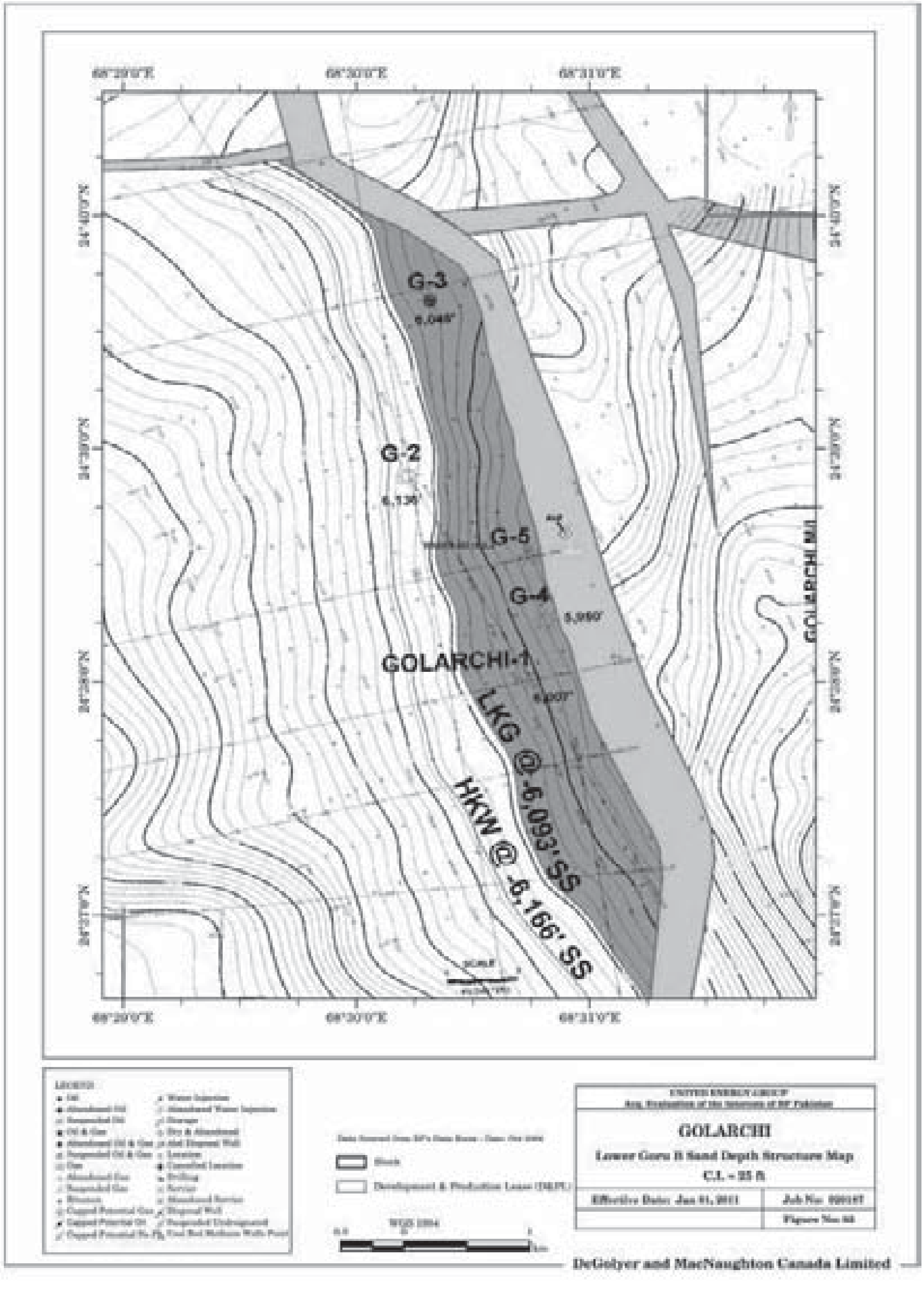


Figure 4 – Lower Goru C Sand Depth Structure Map

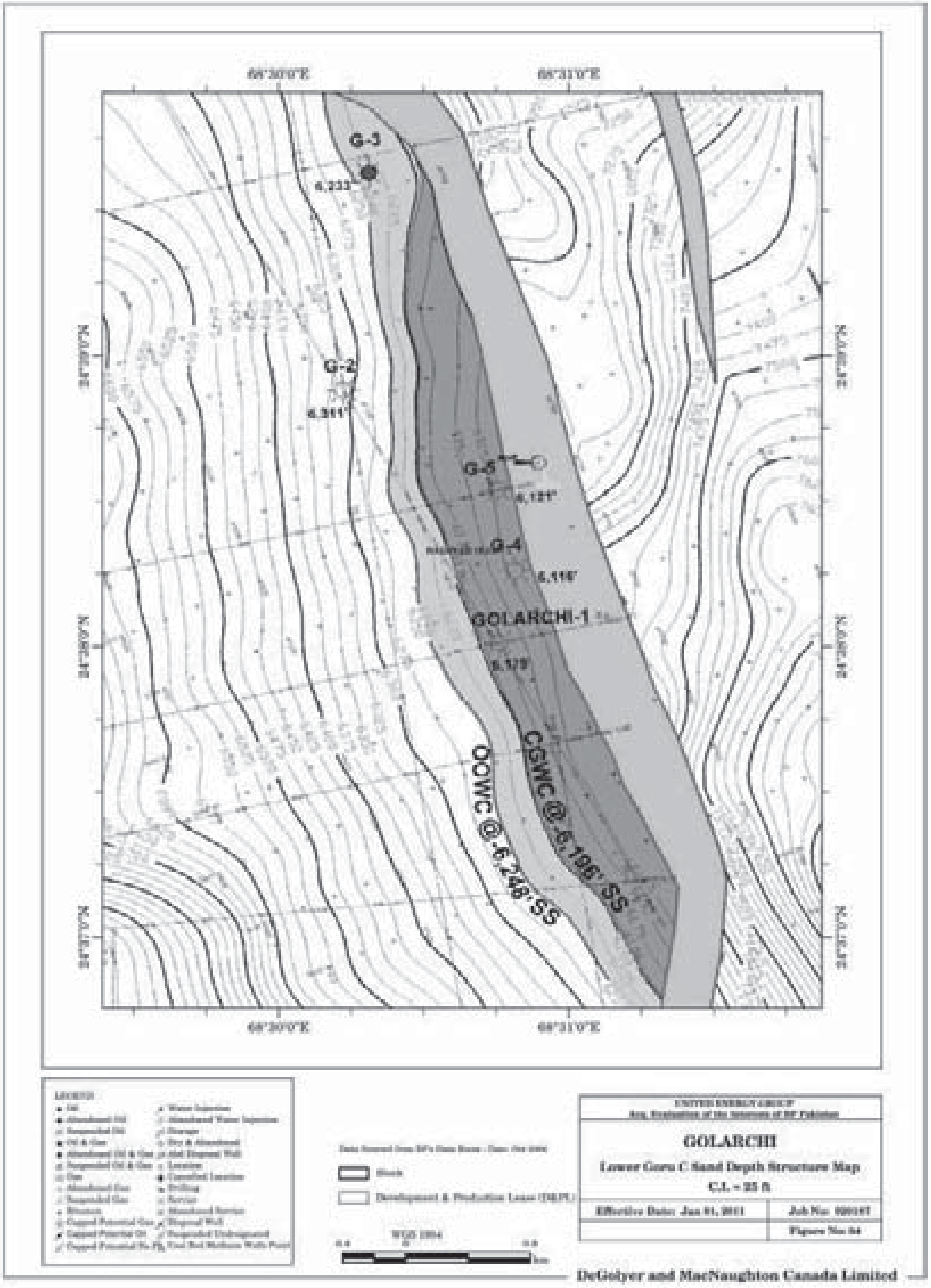
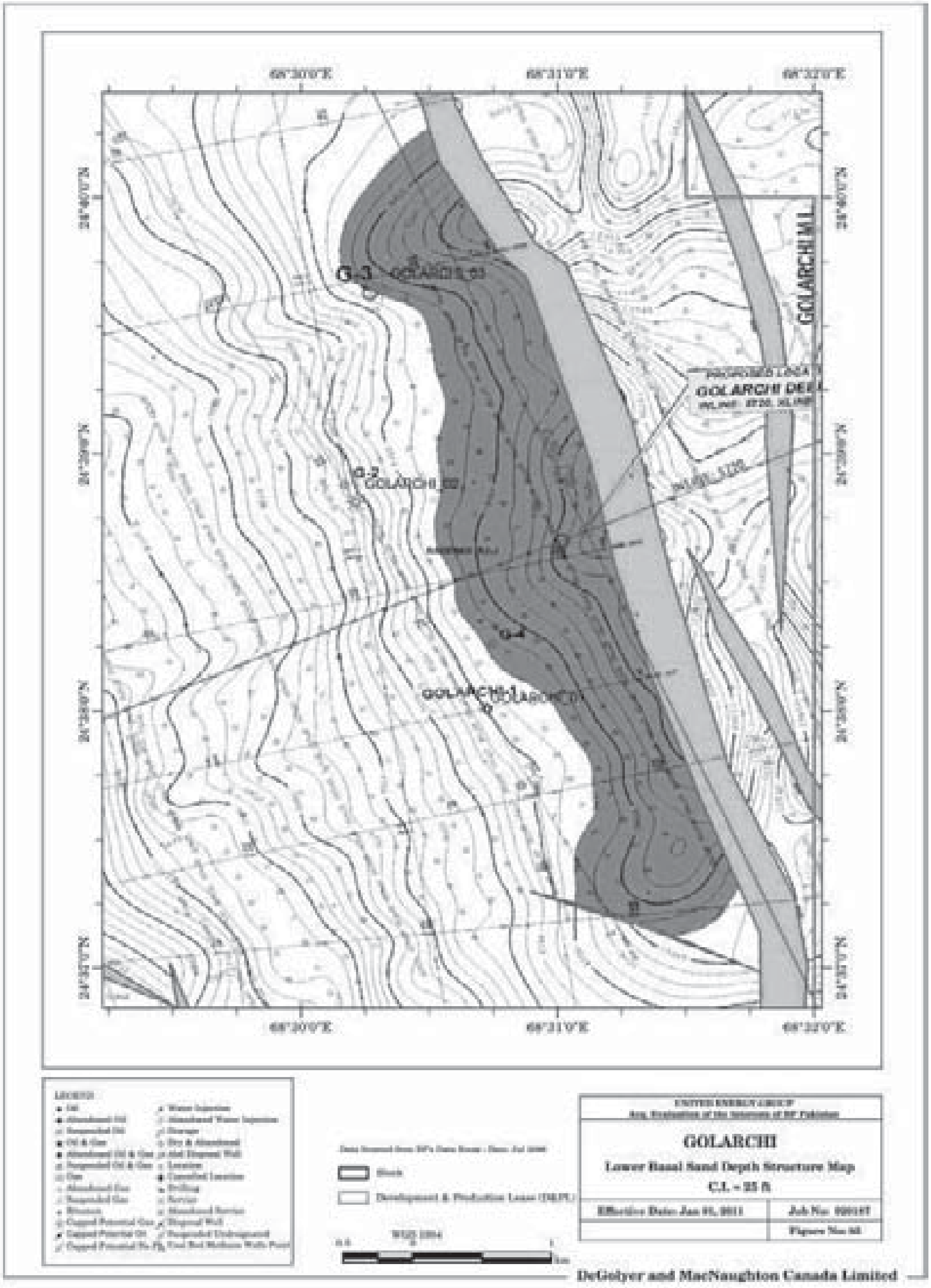


Figure 5 – Lower Basal Sand Depth Structure Map



Halipota

BP Pakistan (BPP) has a 100 percent working interest in the Halipota field of Sindh Pakistan in the Badin I concession as shown on the attached land plat (Figure 1). A total of three gas wells have recorded production with one gas well currently producing on the company's acreage. The primary productive zone of interest is the Lower Goru for gas.

The Halipota is a faulted, northwest to southeast elongated, three-way dip structure with gas and oil accumulations in the Lower Goru sands (Figure 2) and gas over oil accumulations in the Middle sand (Beta) zone. Three wells have been drilled on the structure, all of which have encountered gas and oil reservoirs. BP mapping was reviewed for reasonableness and compared with prior maps prepared by DeGolyer and MacNaughton over a period of 20 years.

Hydrocarbons were first produced from the field in 1990 and reached a maximum production rate of 2.3 MMcf per day from two wells in 1992. There are currently two gas wells producing 0.2 MMcf per day. Proved and probable producing reserves were assigned based on production decline analysis. In the proved plus probable case, the field is forecast to produce economically until 2024.

Proved and probable non-producing reserves were assigned to one well based on analogy to offset producers for re-activations. The re-completion is scheduled for 2011 at a cost of US$150 thousand.

Figure 1 – Property Index Map

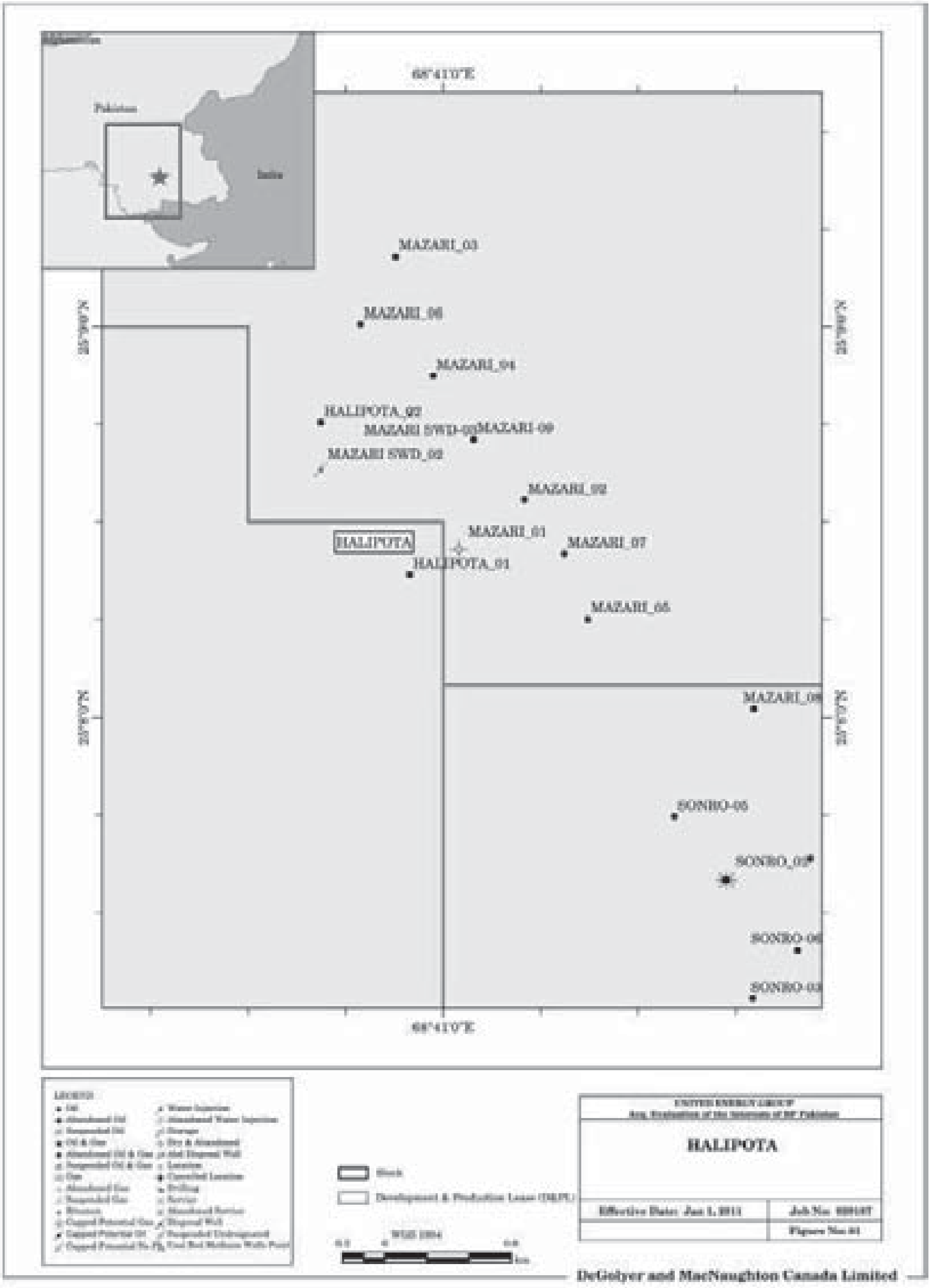


Figure 2 – Alpha I Sand Depth Structure Map

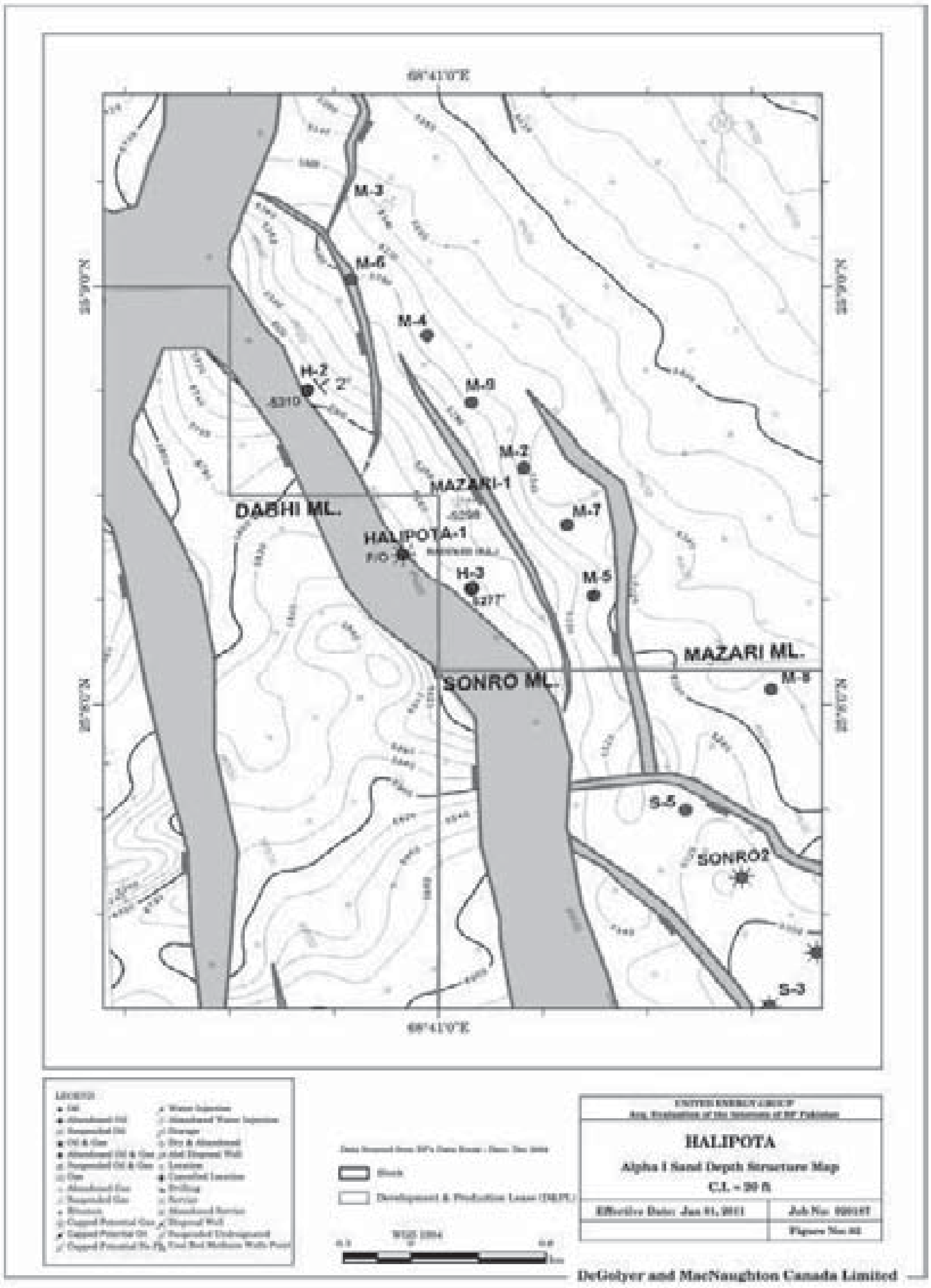


Figure 3 – Alpha II Sand Depth Structure Map

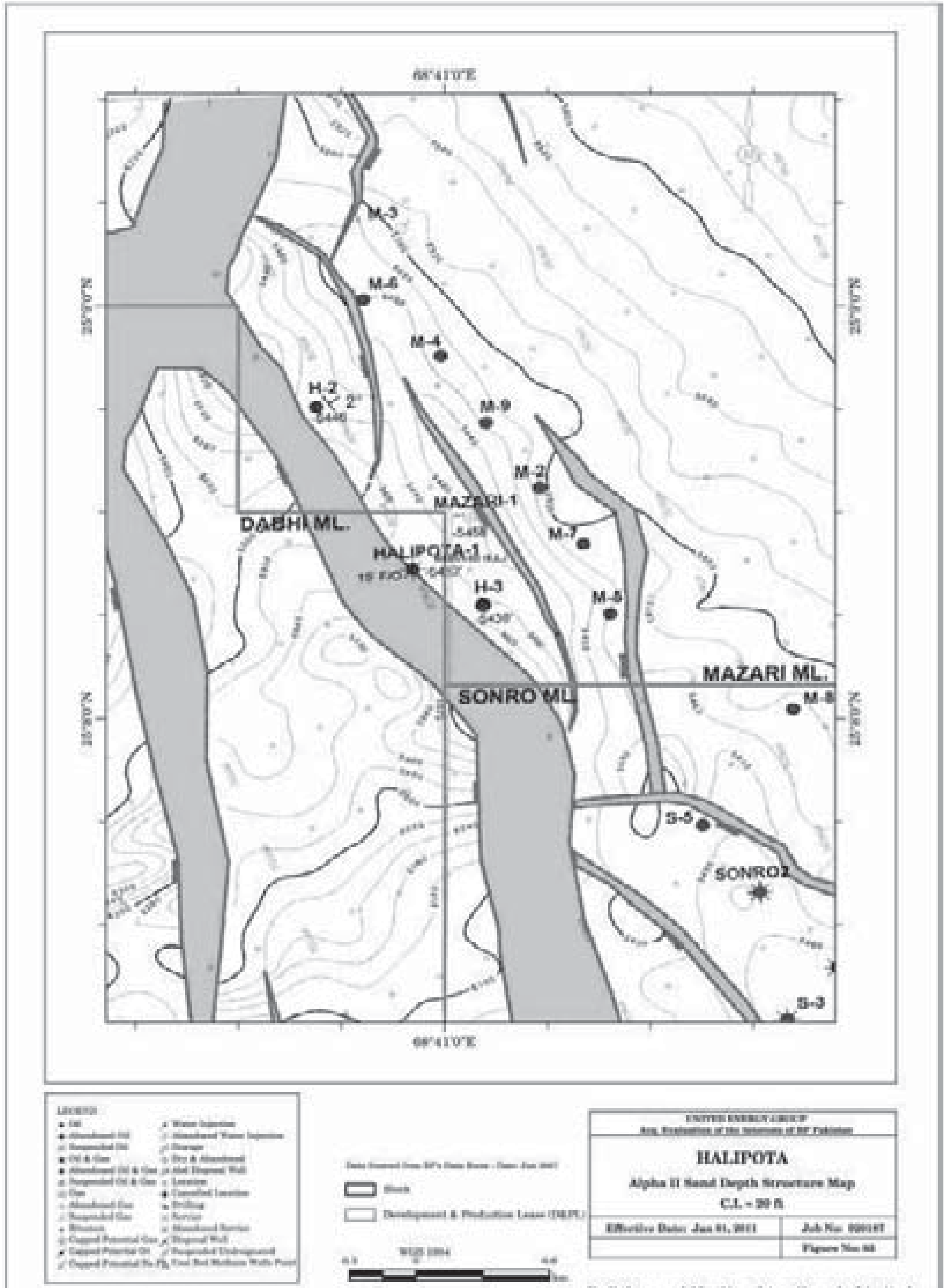
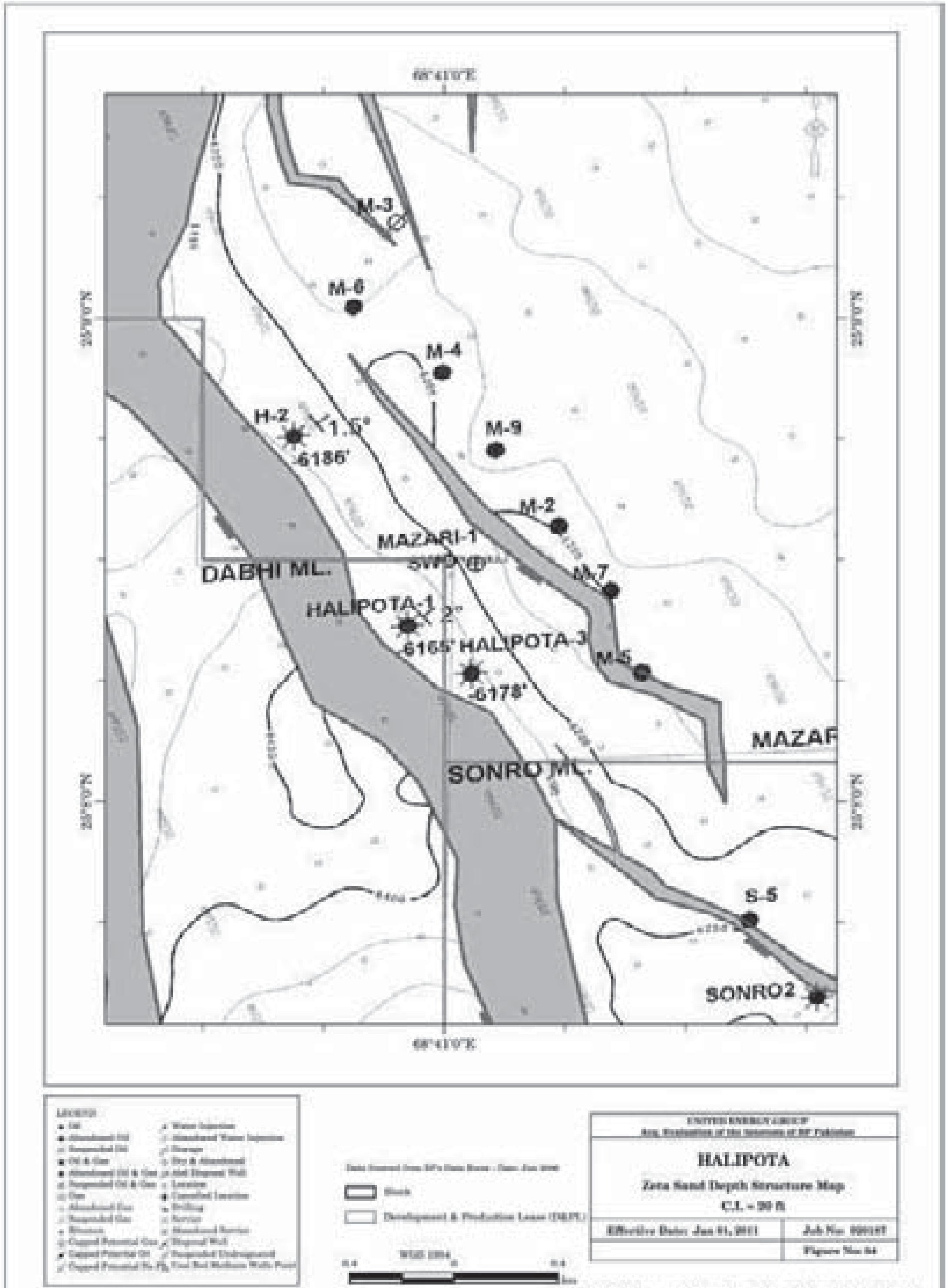


Figure 4 – Zeta Sand Depth Structure Map



Jagir

BP Pakistan (BPP) has a 76 percent working interest in the Jagir field of Sindh Pakistan in the Badin II Revised concession as shown on the attached land plat (Figure 1). A total of three oil wells have recorded production with one oil wells currently producing on the company's acreage. The primary productive zone of interest is the Lower Goru for oil.

The Jagir field is a tilted fault bounded by a northwest to southeast, three-way dip structure with oil accumulations in the Lower Goru sands (Figure 2) and in the Upper and Lower "B" zones. A net oil pay map is included for the Lower B zone (Figure 3). These reservoirs are bounded by oil/water contacts (OWC) on the flanks and by faults. Four wells have been drilled on the structure, three of which have encountered oil reservoirs. BP mapping was reviewed for reasonableness and compared with prior maps prepared by DeGolyer and MacNaughton over a period of 20 years.

Hydrocarbons were first produced from the field in 1996 and reached a maximum production rate of 3,015 barrels per day from one well in 1997. There is currently one oil well producing 261 barrels per day. Proved producing reserves were assigned based on production decline analysis. In the proved plus probable case, the field is forecast to produce economically beyond 2025.

Proved and probable non-producing reserves were assigned to one well based on work over in the year 2013 and at a cost of US$150 thousand.

Figure 1 – Property Index Map

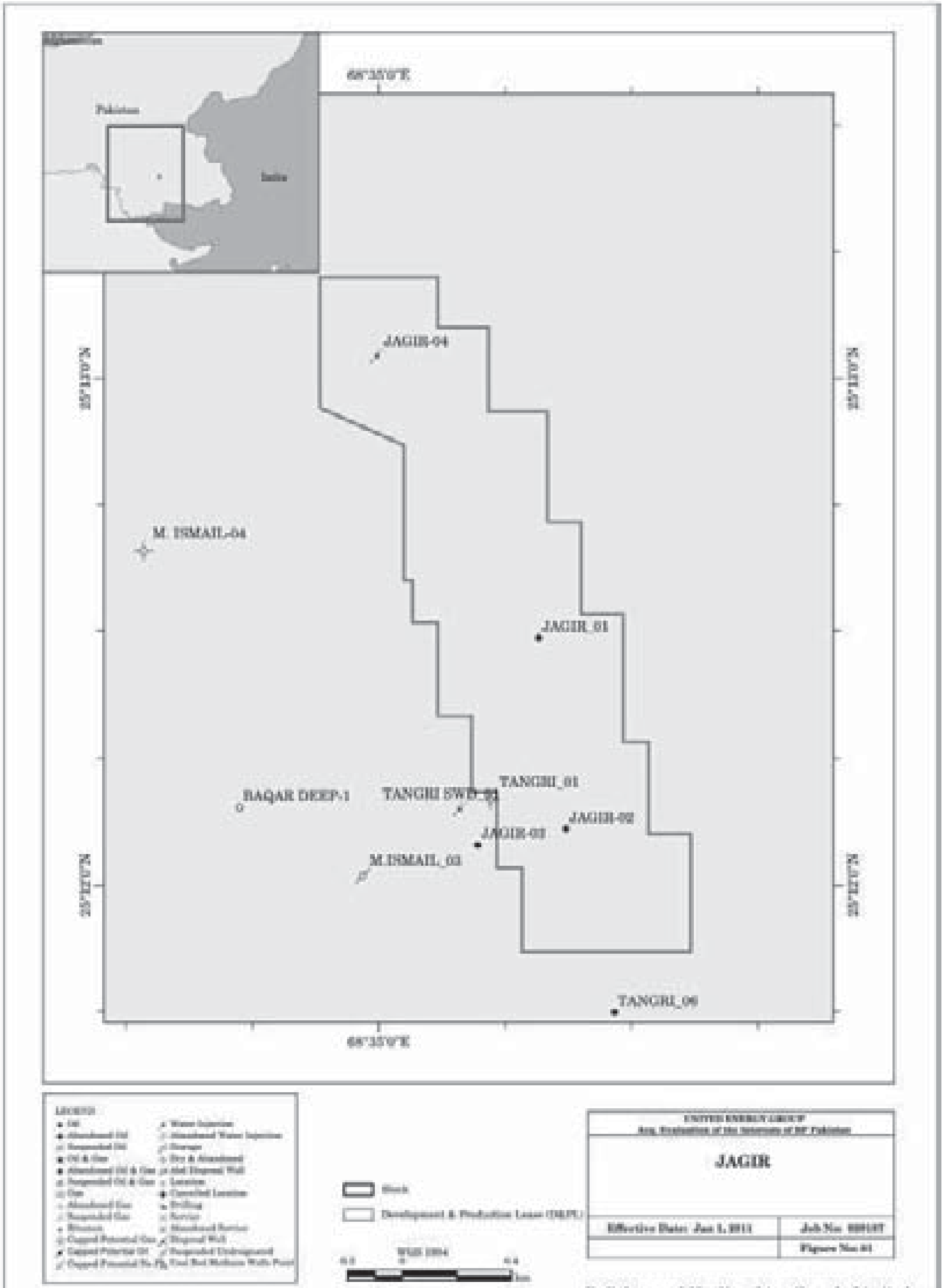


Figure 2 – Lower Goru B Sand Depth Structure Map

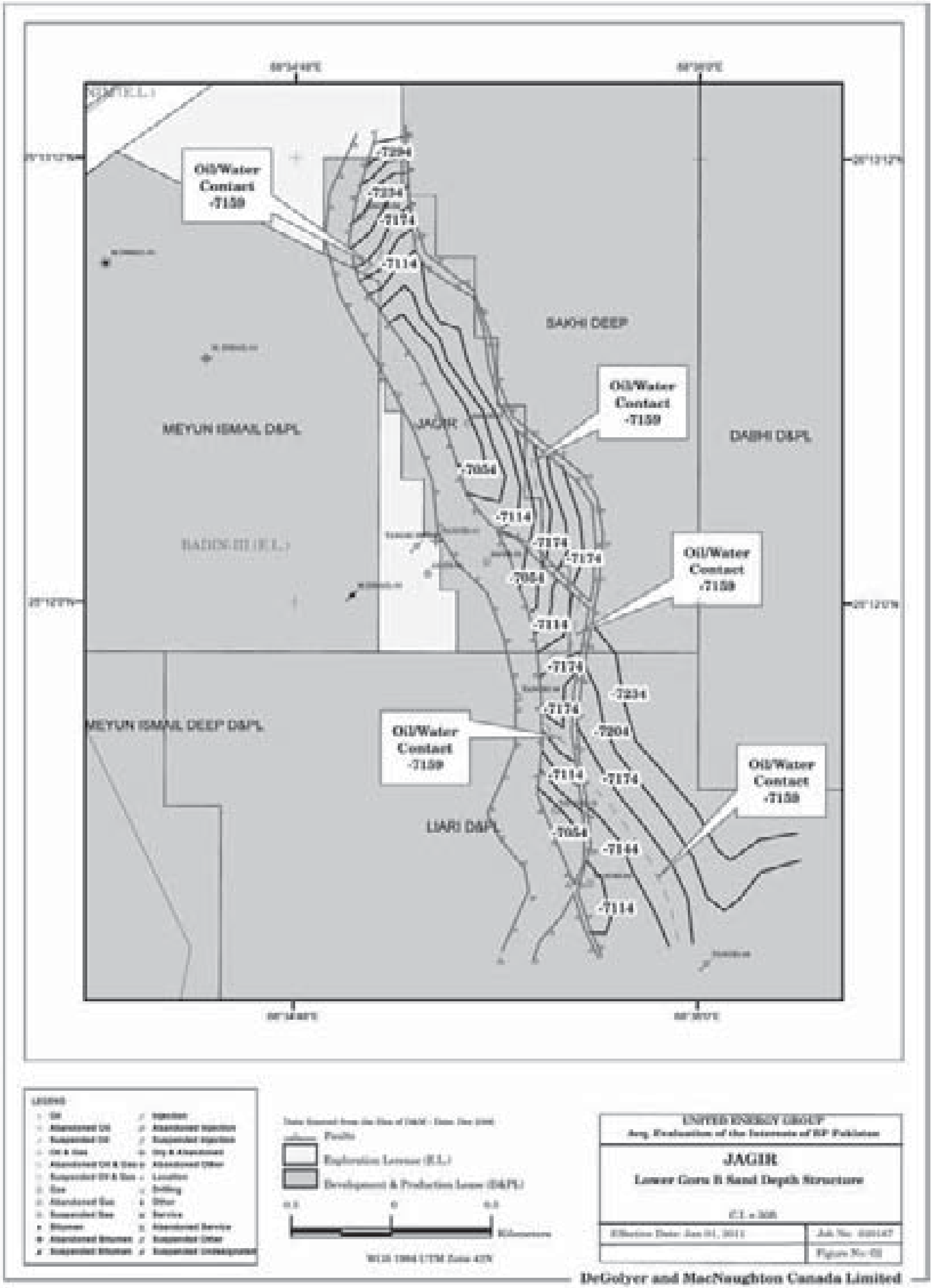
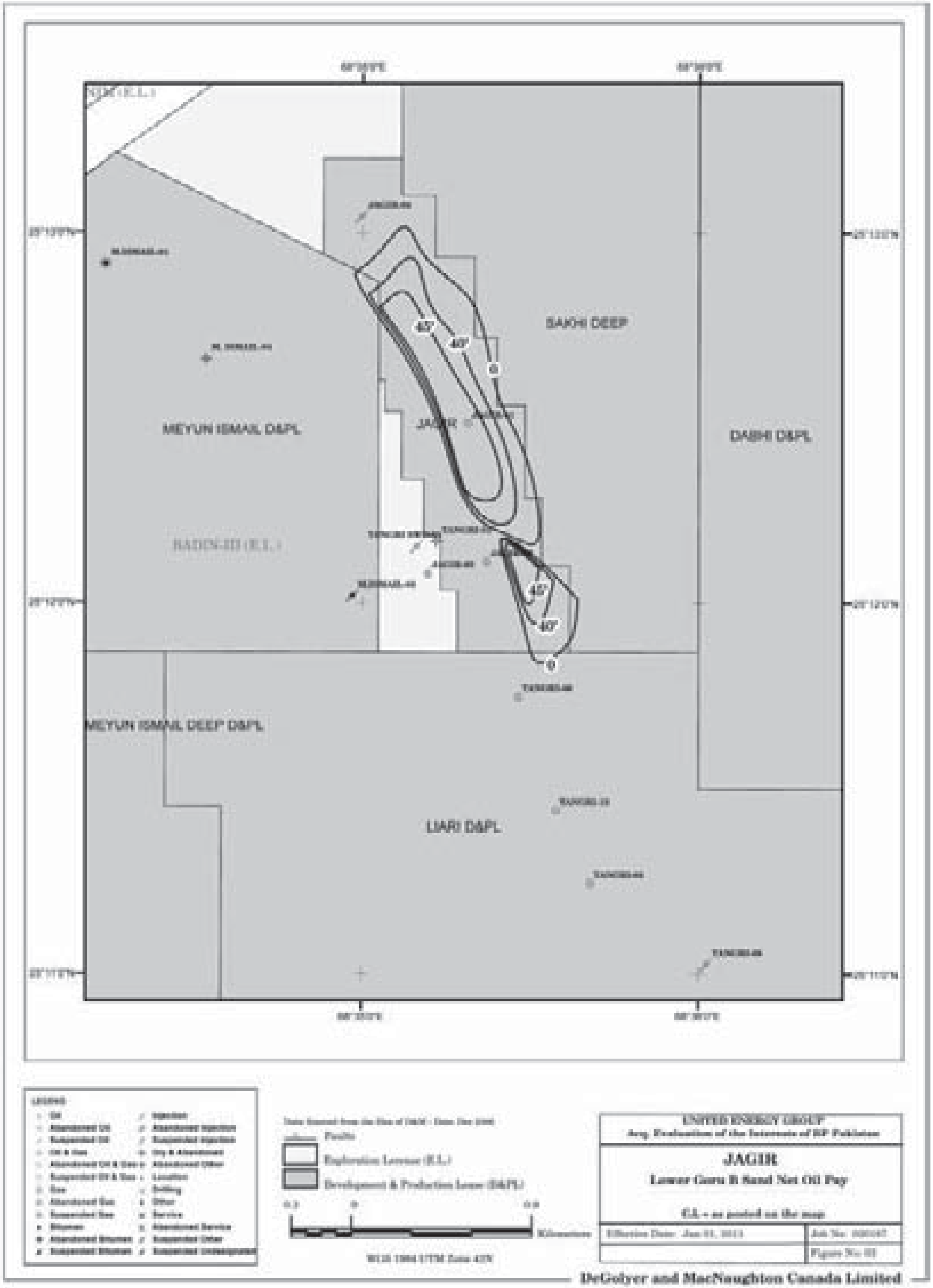


Figure 3 – Lower Goru B Sand Net Oil Pay Map



Jogwani

BP Pakistan (BPP) has a 100 percent working interest in the Jogwani field of Sindh Pakistan in the Badin I concession as shown on the attached land plat (Figure 1). A total of four gas wells have recorded production with four gas wells currently producing on the company's acreage. The primary productive zone of interest is the Lower Goru for gas.

The Jogwani field is a tilted fault bounded by a northwest to southeast trending, three-way dip structure with gas accumulations in the Lower Goru sands (Figure 2) and in the "C" zone. These reservoirs are bounded by oil/water contacts (OWC) on the flanks and by faults. Four wells have been drilled on the structure, all of which have encountered gas reservoirs.

Hydrocarbons were first produced from the field in 2005 and reached a maximum production rate of 28.9 MMcf per day from three wells in 2008. There are currently four gas wells producing 20.1 MMcf per day. Proved producing reserves were assigned based on production decline analysis. In the proved plus probable case, the field is forecast to produce economically beyond 2025.

Figure 1 – Property Index Map

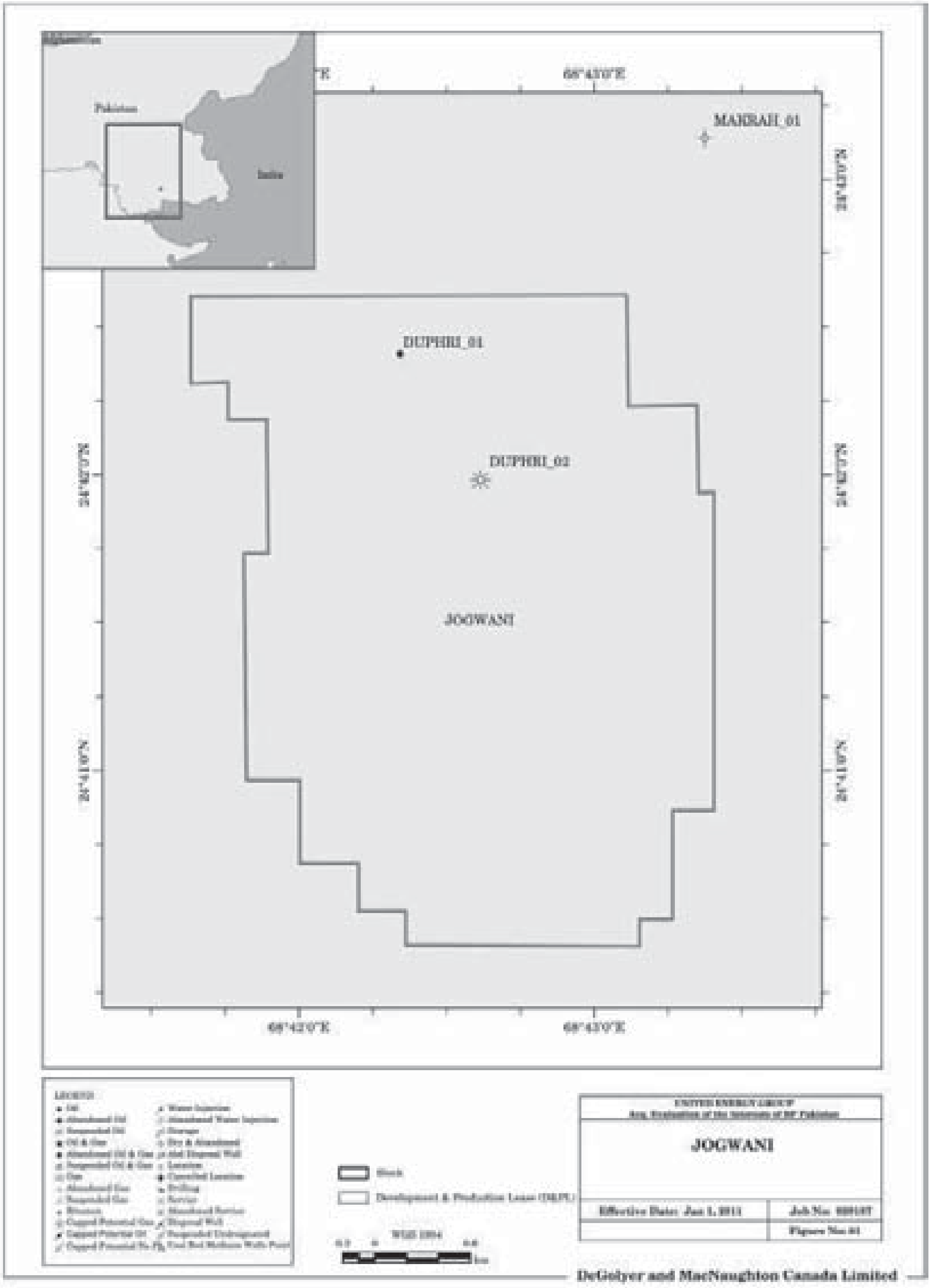
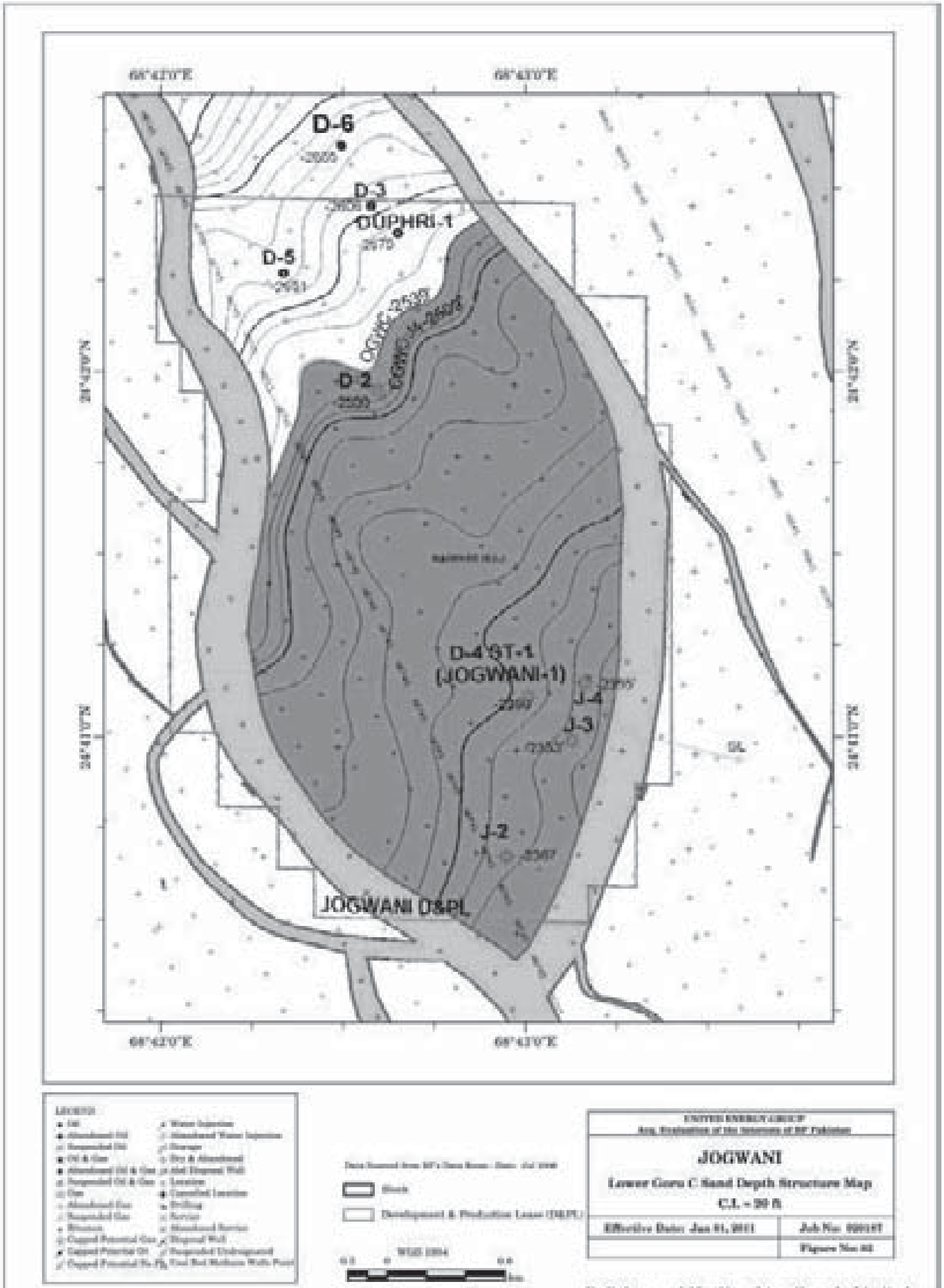


Figure 2 – Lower Goru C Sand Depth Structure Map



Kamal North

BP Pakistan (BPP) has a 51.3 percent working interest in the Kamal North field of Sindh Pakistan in the Mirpur Khas and Khipro Concessions as shown on the attached land plat (Figure 1). A total of two gas wells have recorded production with two gas wells currently producing on the company's acreage. The primary productive zone of interest is the Lower Goru for gas.

The Kamal North field is a faulted, north to south trending three-way dip structure with gas and oil accumulations in the Lower Goru sands (Figures 2 and 3) and gas over oil accumulations in the Upper and Lower Basal zones. Net gas and oil maps are included for the aforementioned zones. These reservoirs are bounded by oil/water contacts (OWC) on the flanks and by faults. Two wells have been drilled on the structure, both of which have encountered gas and oil reservoirs.

Hydrocarbons were first produced from the field in 2006 and reached a maximum production rate of 4.4 MMcf per day from two wells in 2010. There are currently two gas wells producing 3.57 MMcf per day. Proved producing reserves were assigned based on production decline analysis. In the proved plus probable case, the field is forecast to produce economically beyond 2025.

A separator and an injection compressor were installed in the field during 2010.

Proved and probable undeveloped reserves were assigned to two future locations based on analogy to offset producers and to the full field pressure maintenance scheme.

Figure 1 – Property Index Map

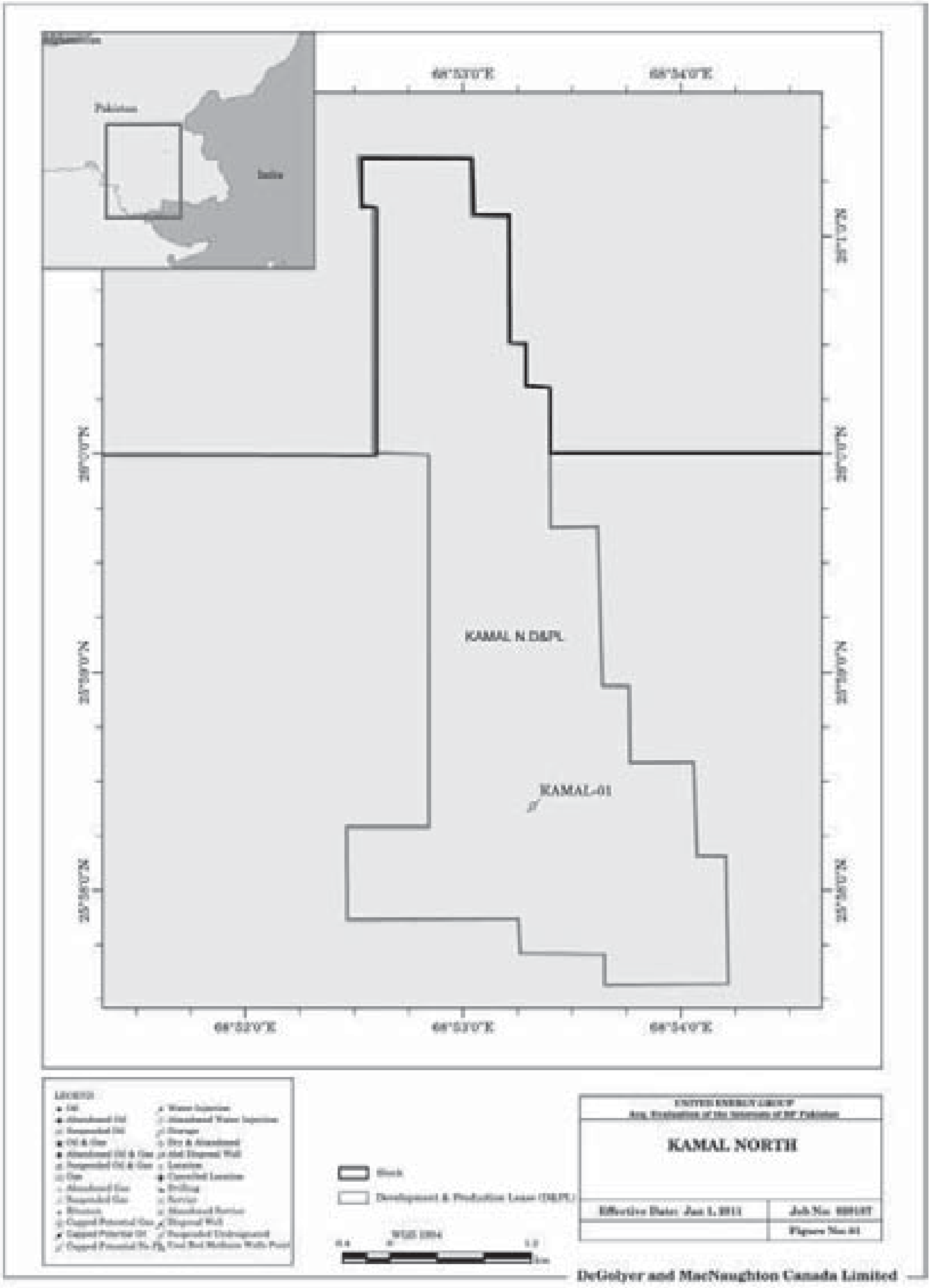


Figure 2 – Upper Basal Sand Depth Structure Map

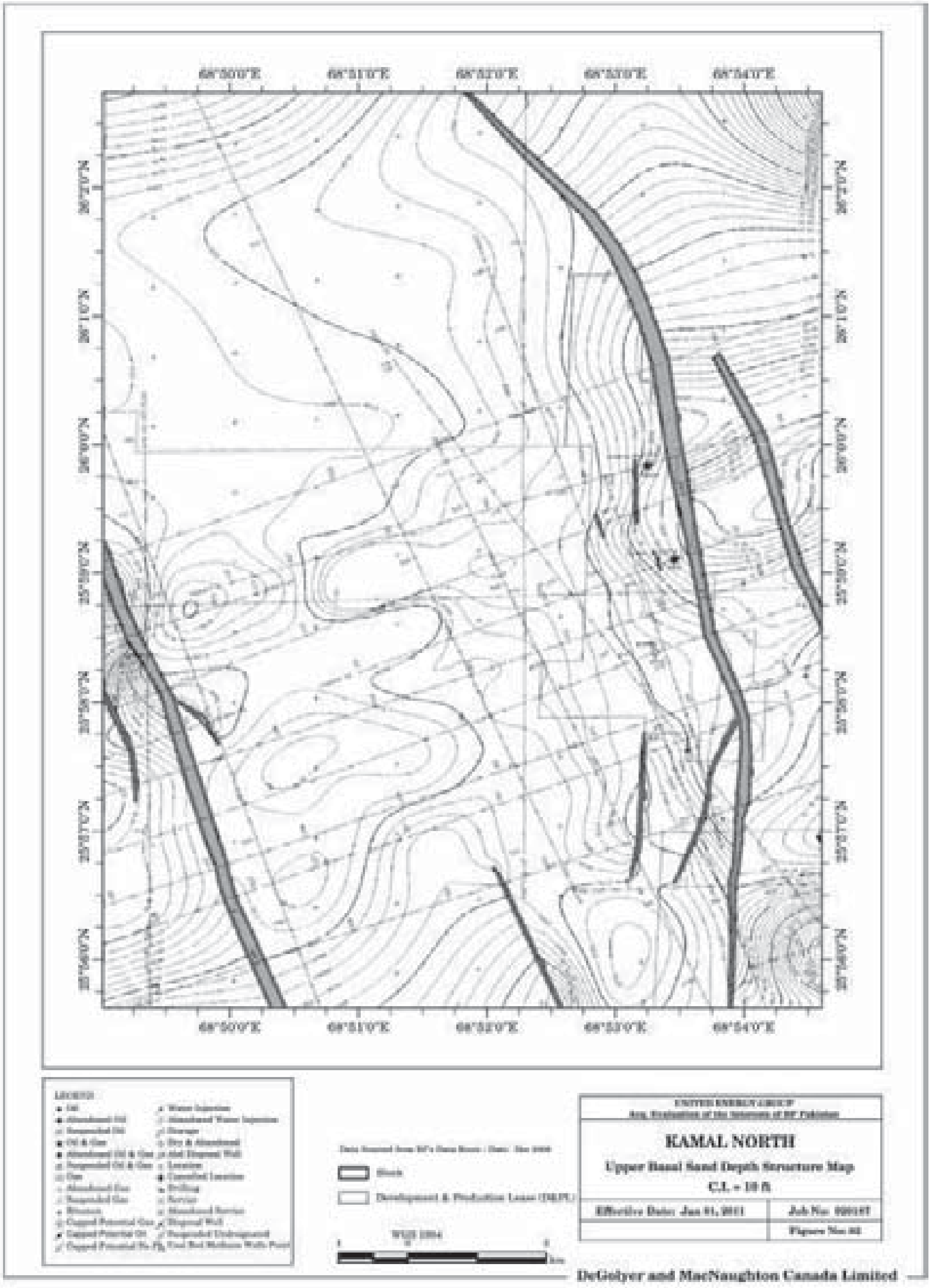


Figure 3 – Upper Basal Sand Net Oil Map

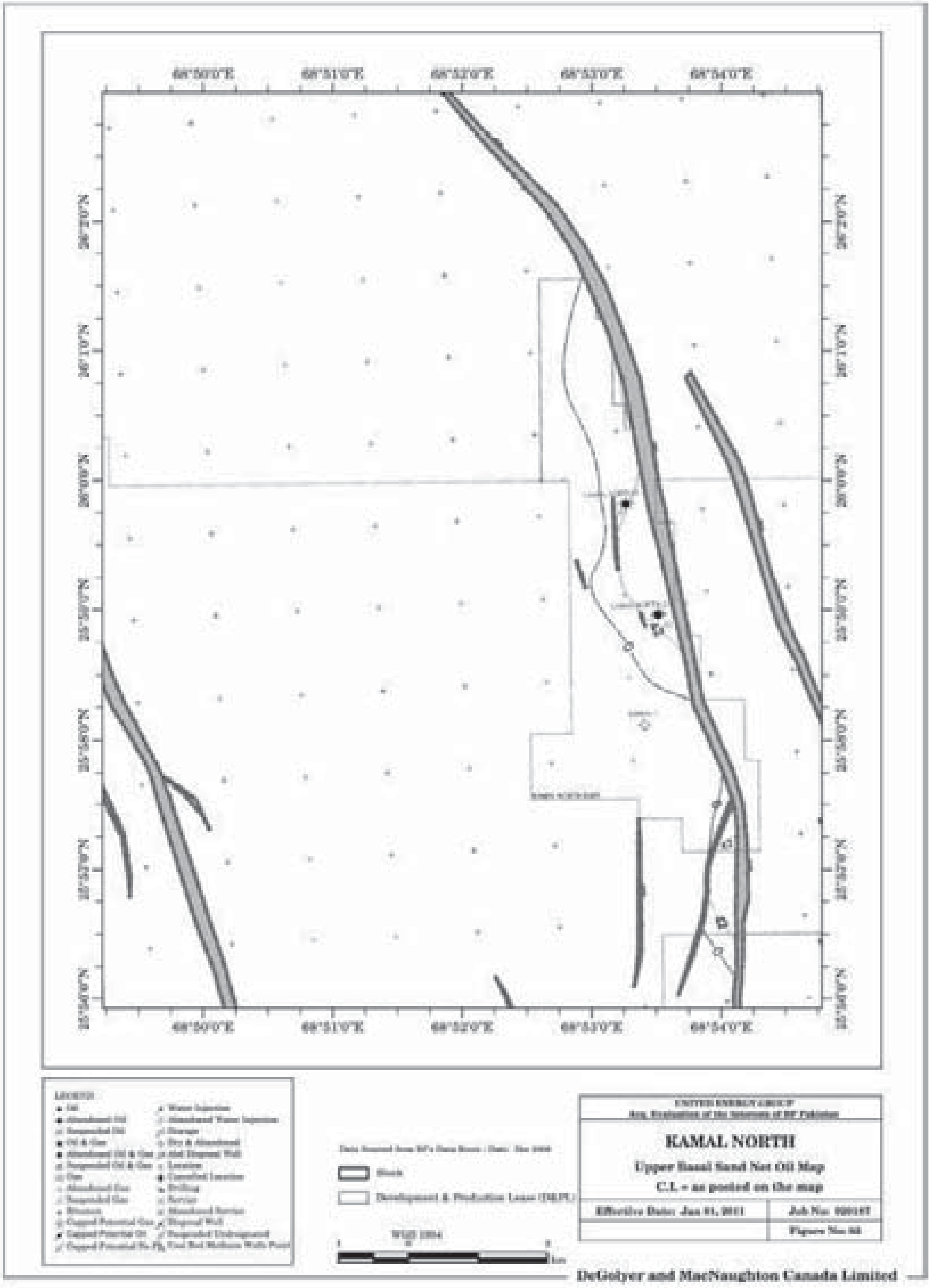


Figure 4 – Lower Basal Sand Depth Structure Map

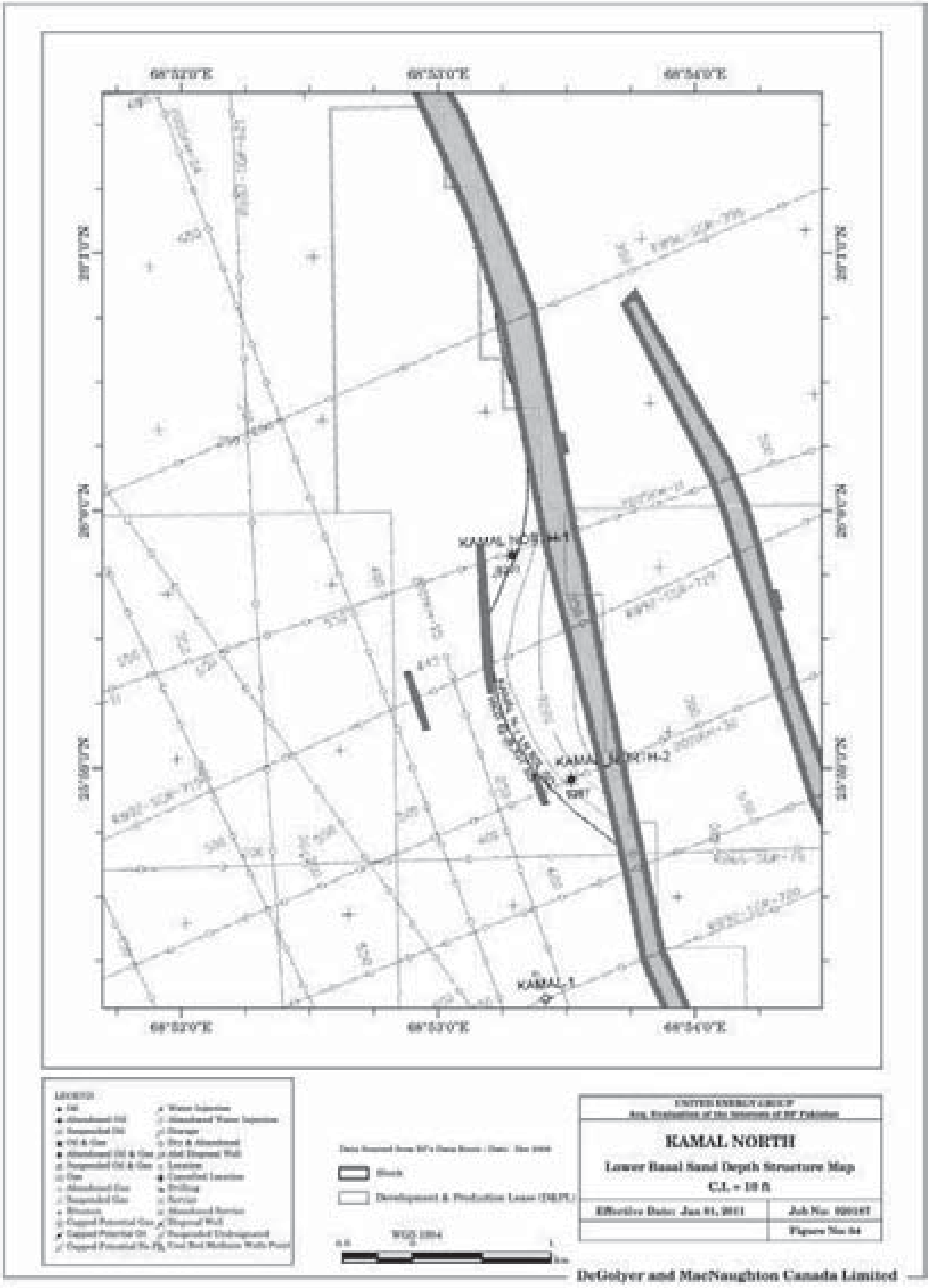
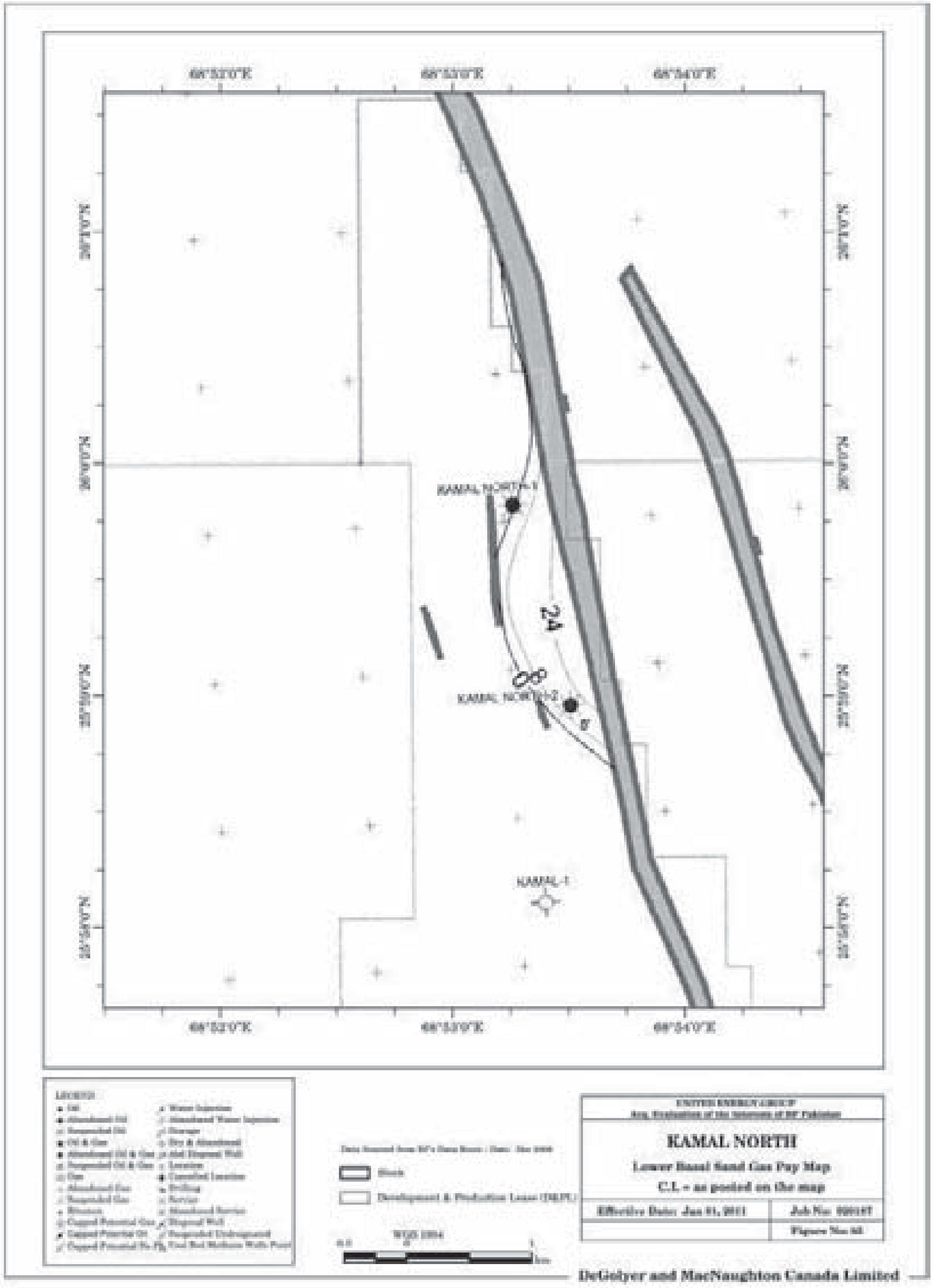


Figure 5 – Lower Basal Sand Gas Pay Map



Kauser-Usman

BP Pakistan (BPP) has a 51.3 percent working interest in the Kauser-Usman field of Sindh Pakistan in the Mirpur Khas and Khipro Concessions as shown on the attached land plat (Figure 1). A total of two gas wells have recorded production with two gas wells currently producing on the company's acreage. The primary productive zone of interest is the Lower Goru for gas.

The Kauser-Usman field is a faulted, north to south elongated, three-way dip structure with gas accumulations in the Lower Goru sands (Figure 2) and in the Lower Basal zone. Two wells have been drilled on the structure, both of which have encountered gas reservoirs.

Hydrocarbons were first produced from the field in 2004 and reached a maximum production rate of 58.9 MMcf per day from two wells in 2006. There are currently two gas wells producing 18.3 MMcf per day. Proved plus probable producing reserves were assigned based on production decline analysis. In the proved plus probable case, the field is forecast to produce economically until 2018.

In the proved plus probable case, DeGolyer and MacNaughton has forecasted the addition of a compression system to the field. This system was scheduled to be installed in the first quarter of 2012 at a cost of US$3.1 million.

Figure 1 – Property Index Map

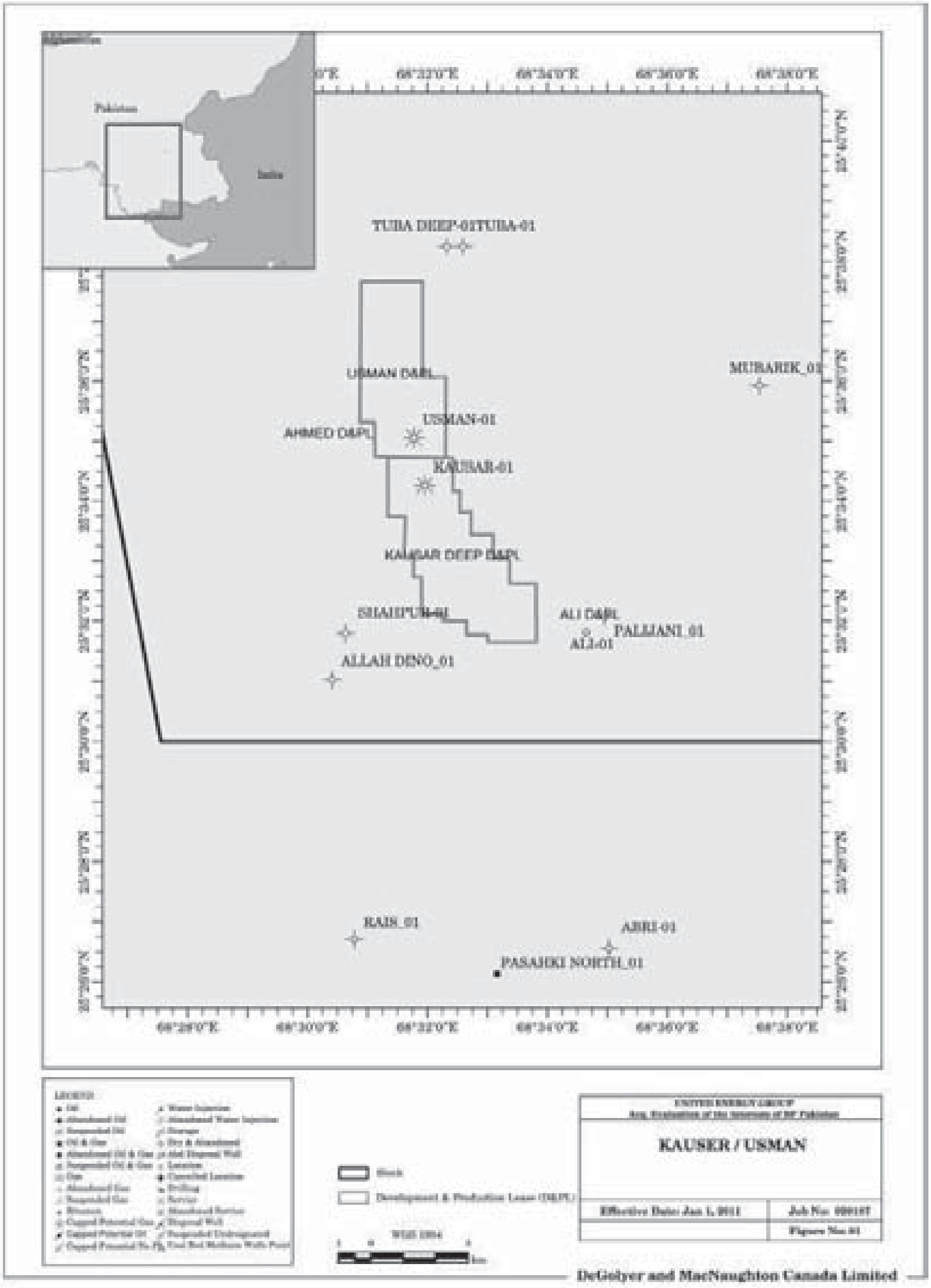
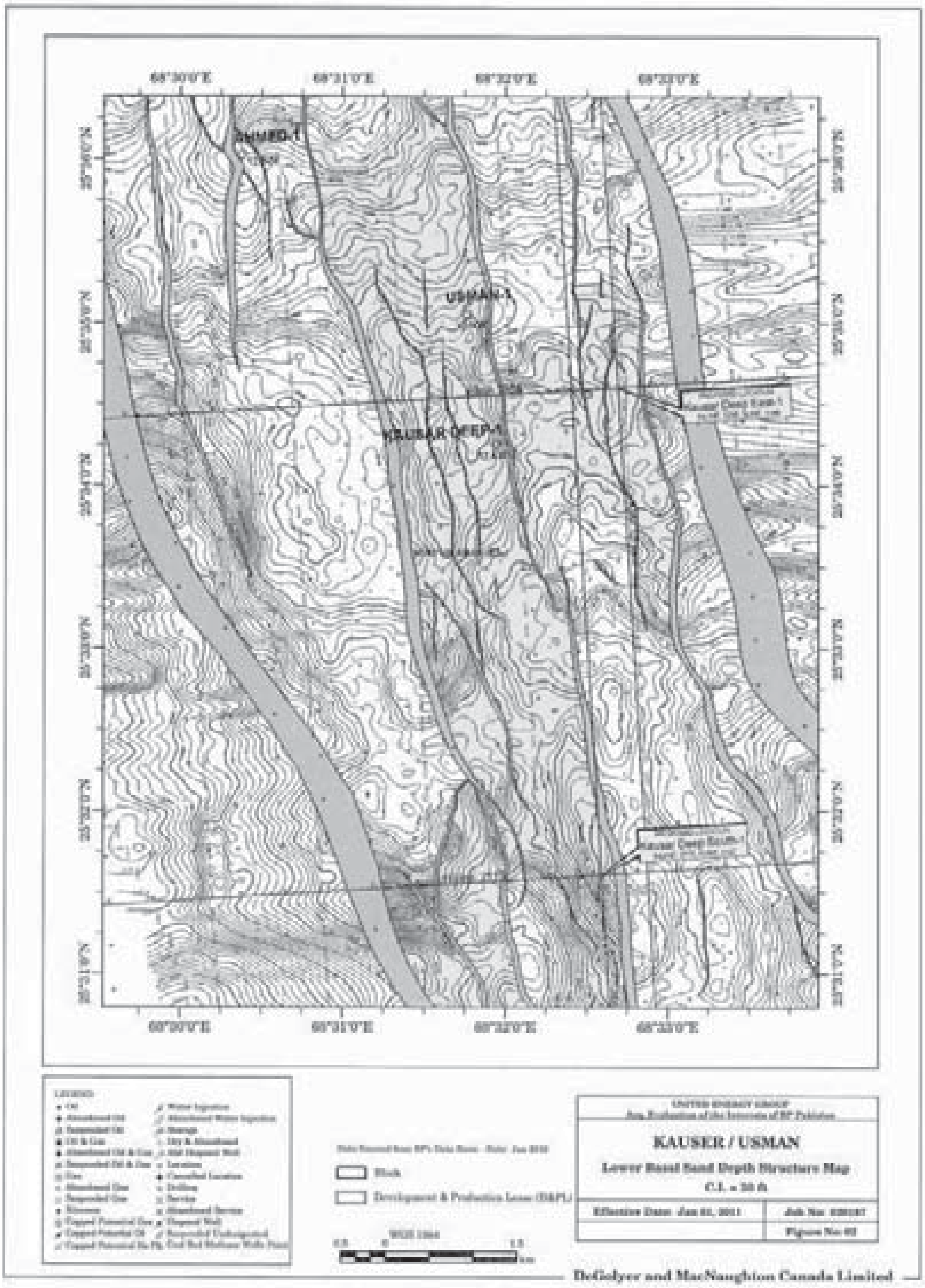


Figure 2 – Lower Basal Sand Depth Structure Map



Khorewah

BP Pakistan (BPP) has a 100 percent working interest in the Khorewah field of Sindh Pakistan in the Badin I concession as shown on the attached land plat (Figure 1). A total of four gas wells have recorded production with three gas wells currently producing on the company's acreage. The primary productive zone of interest is the Lower Goru for gas.

The Khorewah field is a fault bounded by a northwest to southeast elongated, domal structure with gas accumulations in the Lower Goru sands (Figures 2, 3 and 4) and in the "A", "B" and "C" zones. Four wells have been drilled on the structure, all of which have encountered gas reservoirs. BP mapping was reviewed for reasonableness and compared with prior maps prepared by DeGolyer and MacNaughton over a period of 20 years.

Hydrocarbons were first produced from the field in 1993 and reached a maximum production rate of 57.4 MMcf per day from four wells in December of 1994. There are currently three gas wells producing 9.8 MMcf per day. Proved plus probable producing reserves were assigned based on production decline analysis. In the proved plus probable case, the field is forecast to produce economically beyond 2025.

In the proved plus probable case, DeGolyer and MacNaughton has forecasted the addition of a compression system to the field. This system was scheduled to be installed in the fourth quarter of 2011 at a cost of US$1.1 million.

Figure 1 – Property Index Map

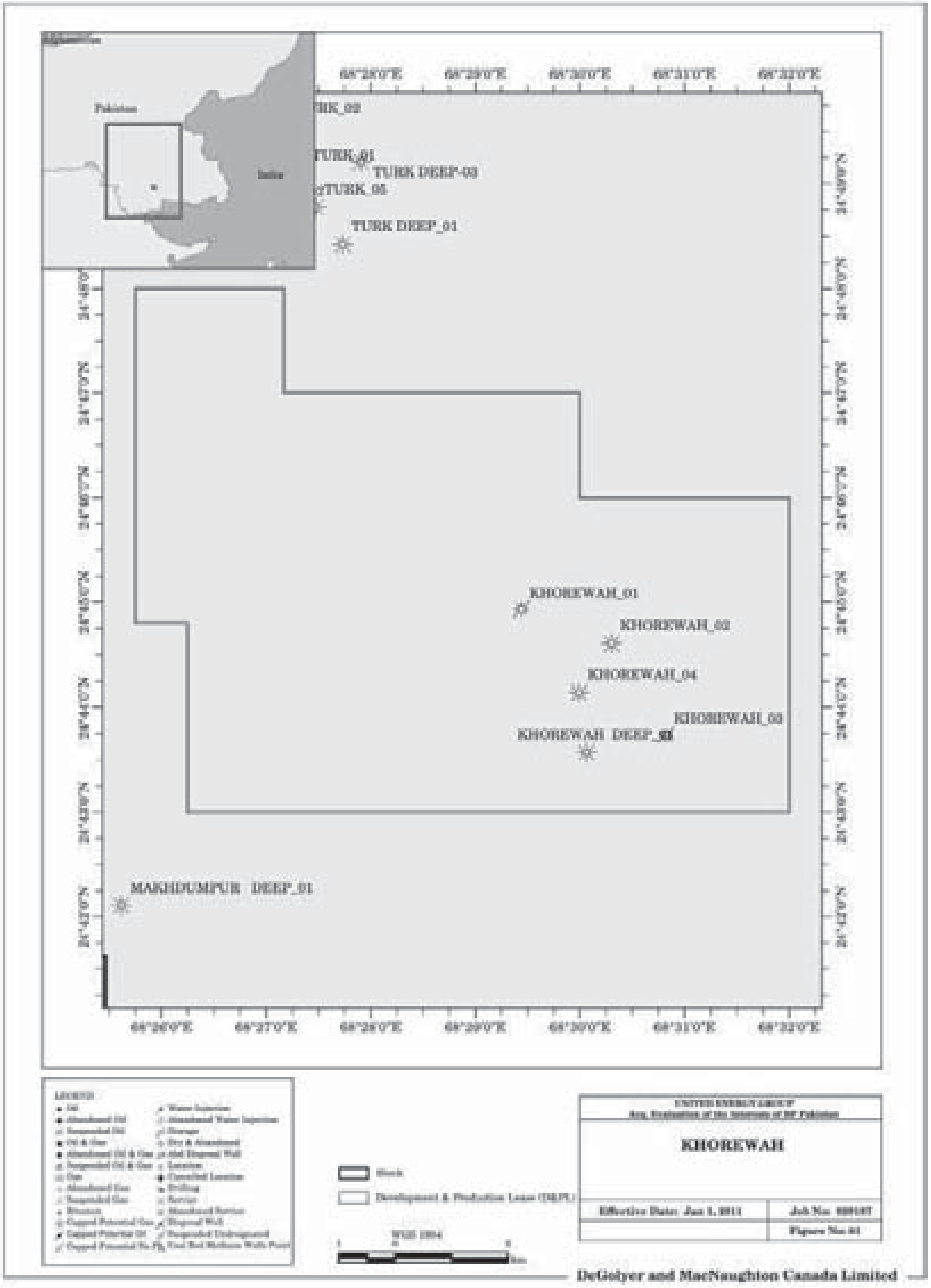


Figure 2 – Lower Goru A Sand Depth Structure Map

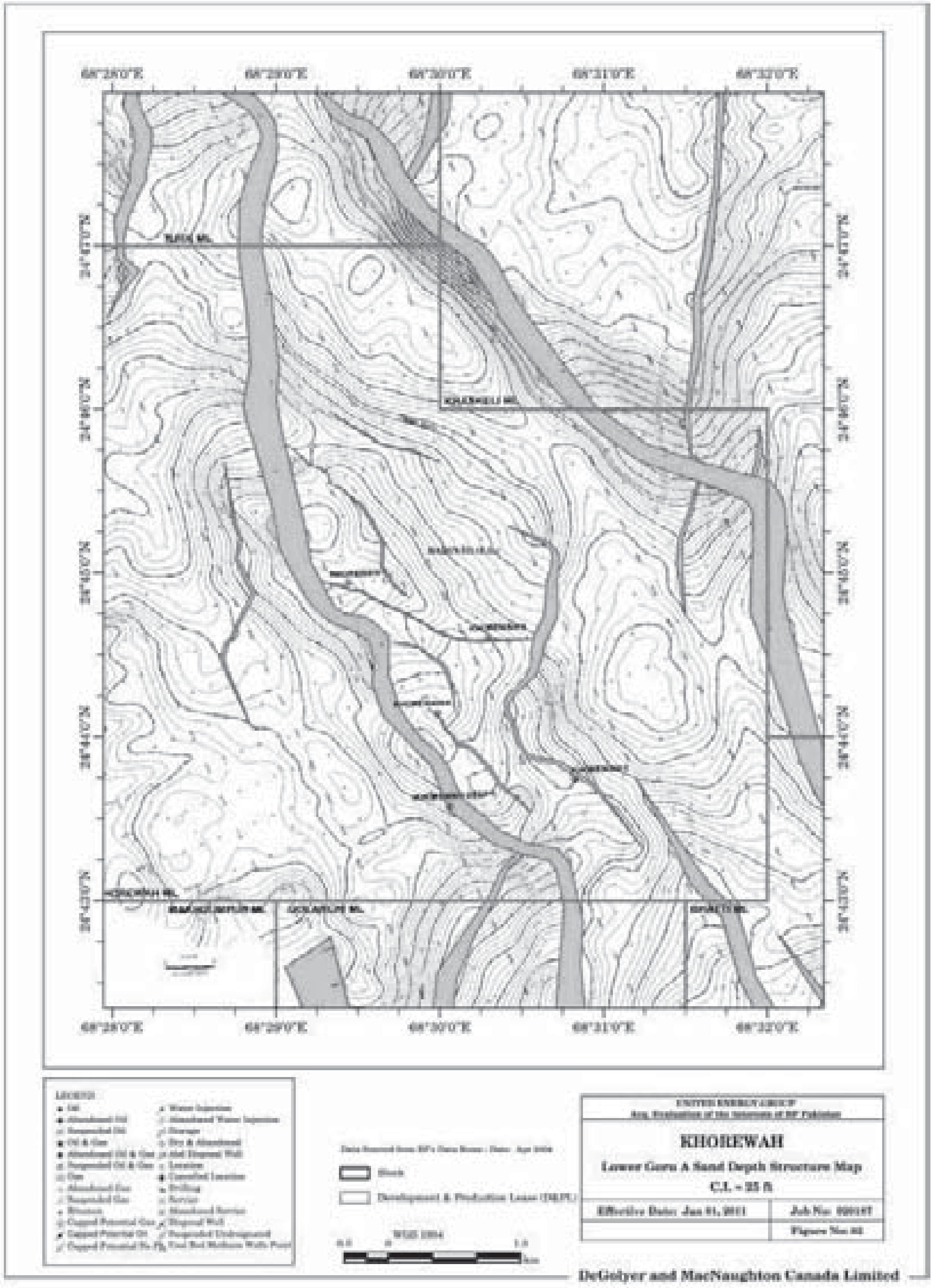


Figure 3 – Lower Goru B Sand Depth Structure Map

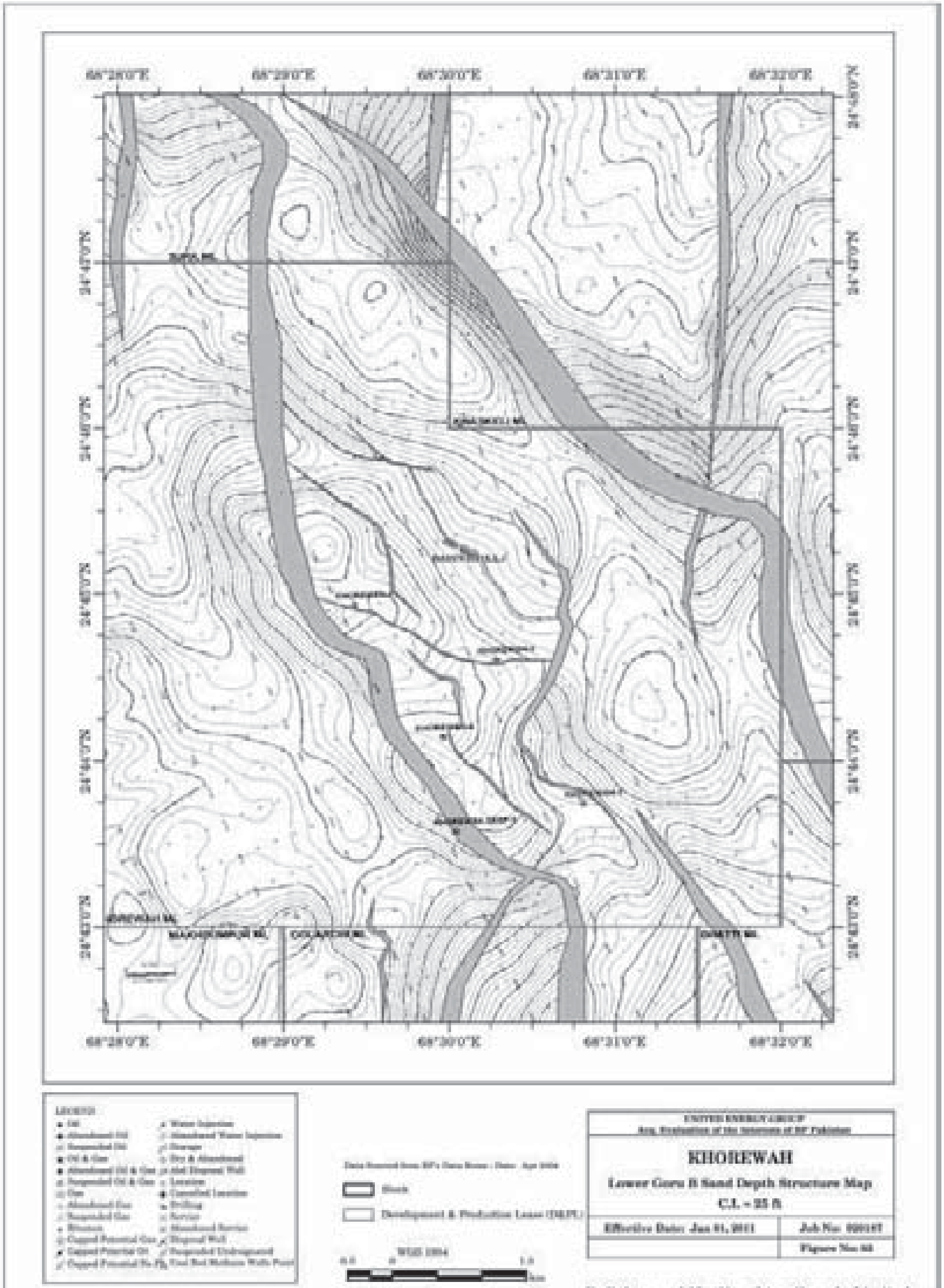
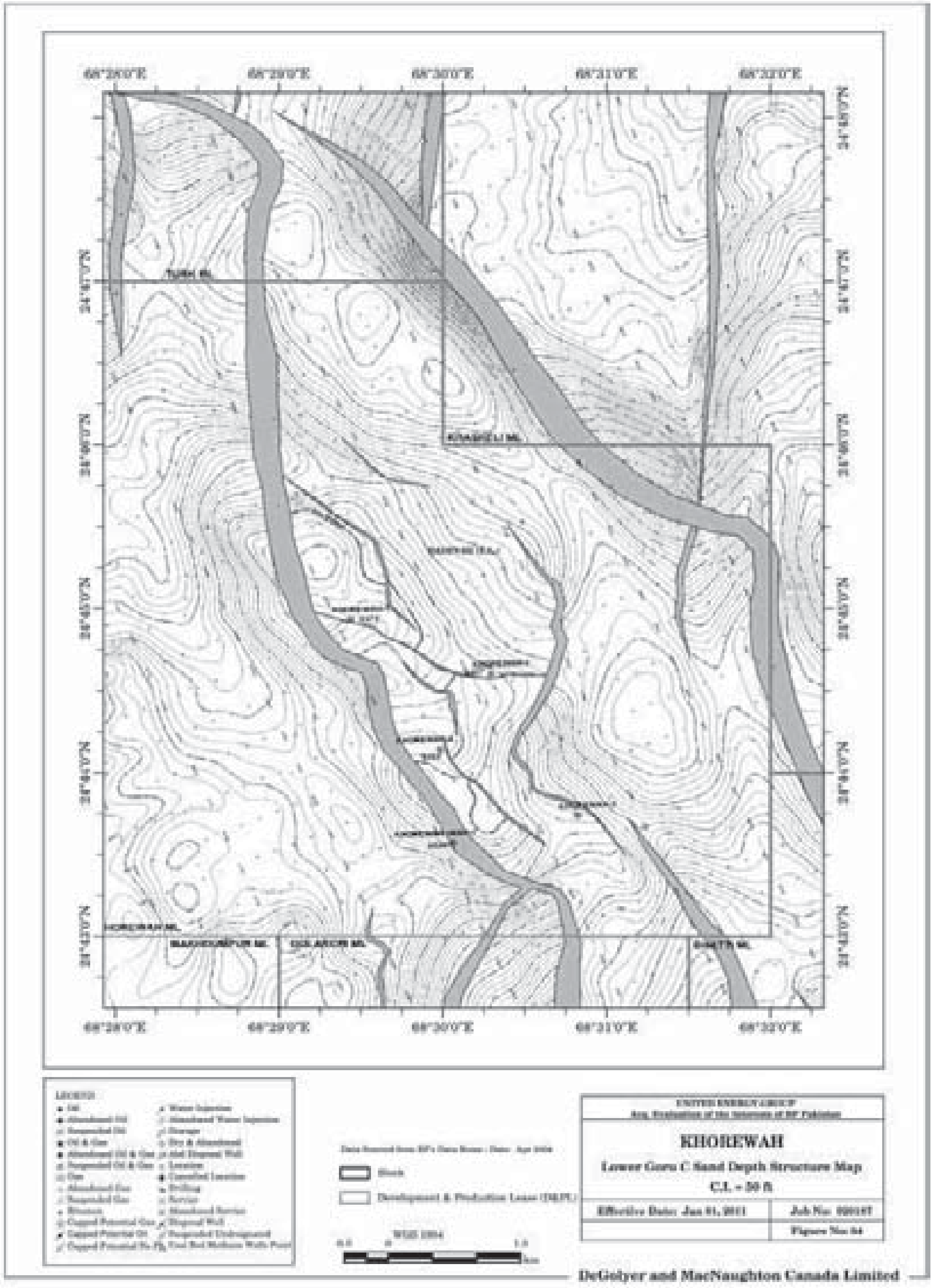


Figure 4 – Lower Goru C Sand Depth Structure Map



Laghari

BP Pakistan (BPP) has a 100 percent working interest in the Laghari field of Sindh Pakistan in the Badin I concession as shown on the attached land plat (Figure 1). A total of eight oil wells have recorded production with three oil wells currently producing on the company's acreage. The primary productive zone of interest is the Lower Goru for oil.

The Laghari field is a faulted, north to south elongated, tilted three-way dip structure with oil accumulations in the Lower Goru sands (Figure 2) and in the "C" zone. Nine wells have been drilled on the structure, four of which encountered oil reservoirs. BP mapping was reviewed for reasonableness and compared with prior maps prepared by DeGolyer and MacNaughton over a period of 20 years.

Hydrocarbons were first produced from the field in 1984 and reached a maximum production rate of 9,859 barrels per day from five wells in 1987. There are currently three oil wells producing 125 barrels per day. Proved producing reserves were assigned based on production decline analysis. In the proved plus probable case, the field is forecast to produce economically beyond 2025.

Probable non-producing reserves were assigned to workover shut in wells and to upgrade the facility to handle additional hydrocarbon volumes. The work is scheduled to take place in 2012 at a cost of US$550 thousand and US$980 thousand, respectively.

Figure 1 – Property Index Map

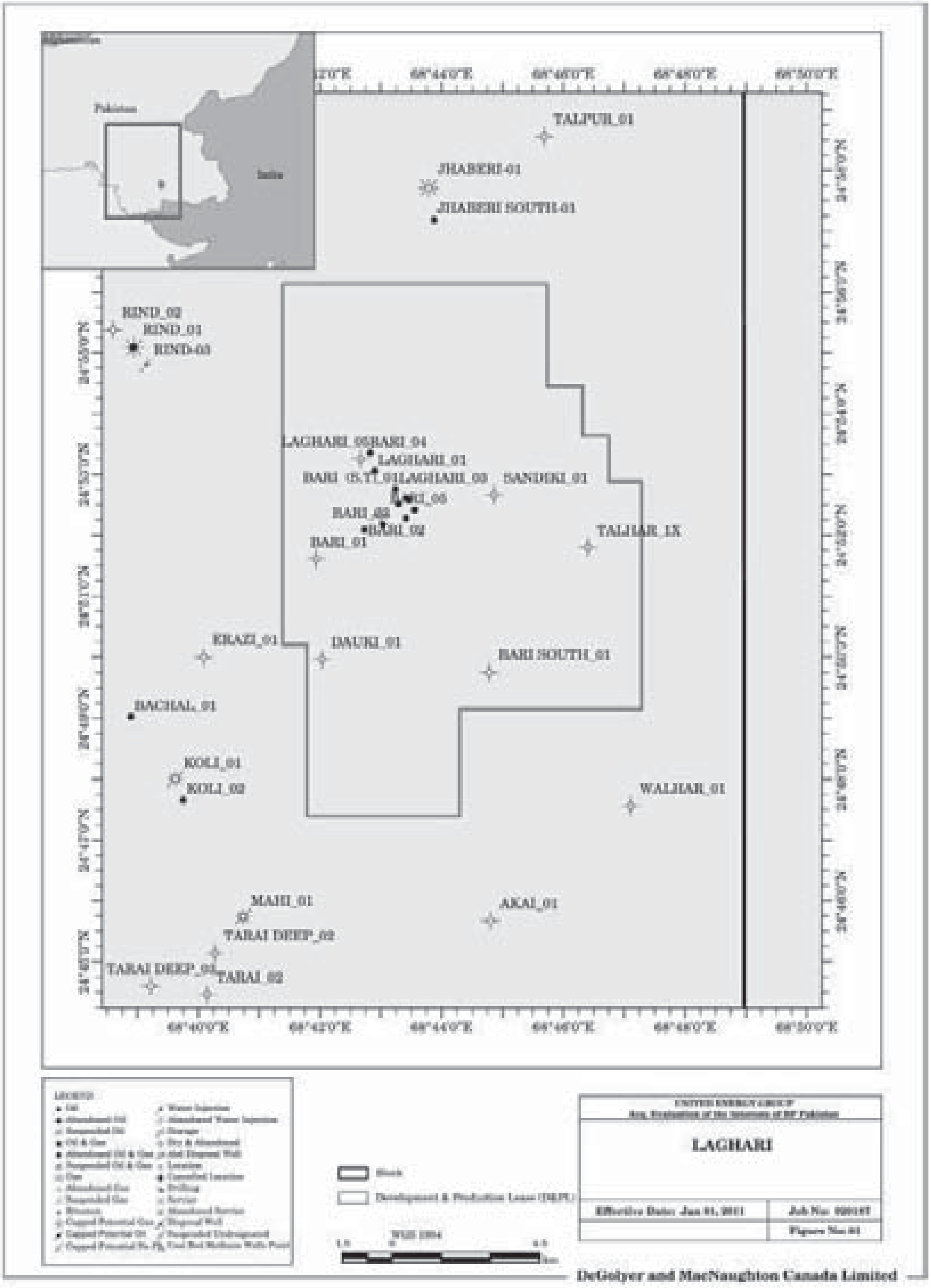
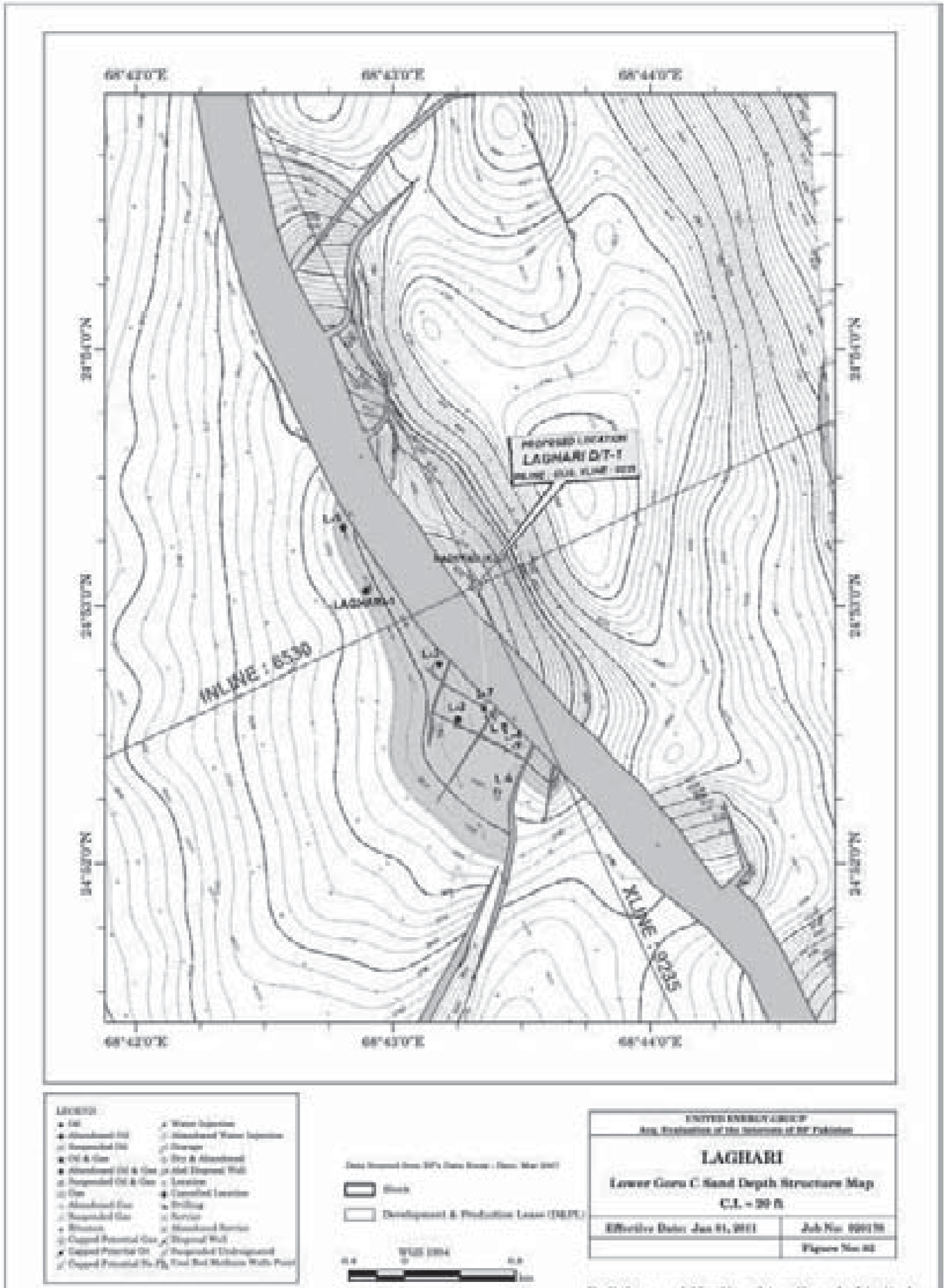


Figure 2 – Lower Goru C Sand Depth Structure Map



Meyun Ismail Deep

BP Pakistan (BPP) has a 51 percent working interest in the Meyun Ismail Deep field of Sindh Pakistan in the Badin II concession as shown on the attached land plat (Figure 1). A total of two gas wells have recorded production with one gas well currently producing on the company's acreage. The primary productive zone of interest is the Lower Goru for gas.

The Meyun Ismail field is a fault bounded by a north to south three-way dip structure on a tilted fault block with gas accumulations in the Lower Goru sands (Figures 2 and 3) and in the Upper and Lower Basal zones. Two wells have been drilled on the structure, both of which have encountered gas reservoirs. BP mapping was reviewed for reasonableness and compared with prior maps prepared by DeGolyer and MacNaughton over a period of 20 years.

Hydrocarbons were first produced from the field in 2001 and reached a maximum production rate of 21.2 MMcf per day from one well in 2009. There is currently one gas well producing 5.98 MMcf per day. Proved producing reserves were assigned based on production decline analysis. In the proved plus probable case, the field is forecast to produce economically until 2016.

Proved and probable undeveloped reserves were assigned based on installation of a compression and dehydration unit. This unit was scheduled for 2013 at a cost of US$2.2 million.

Figure 1 – Property Index Map

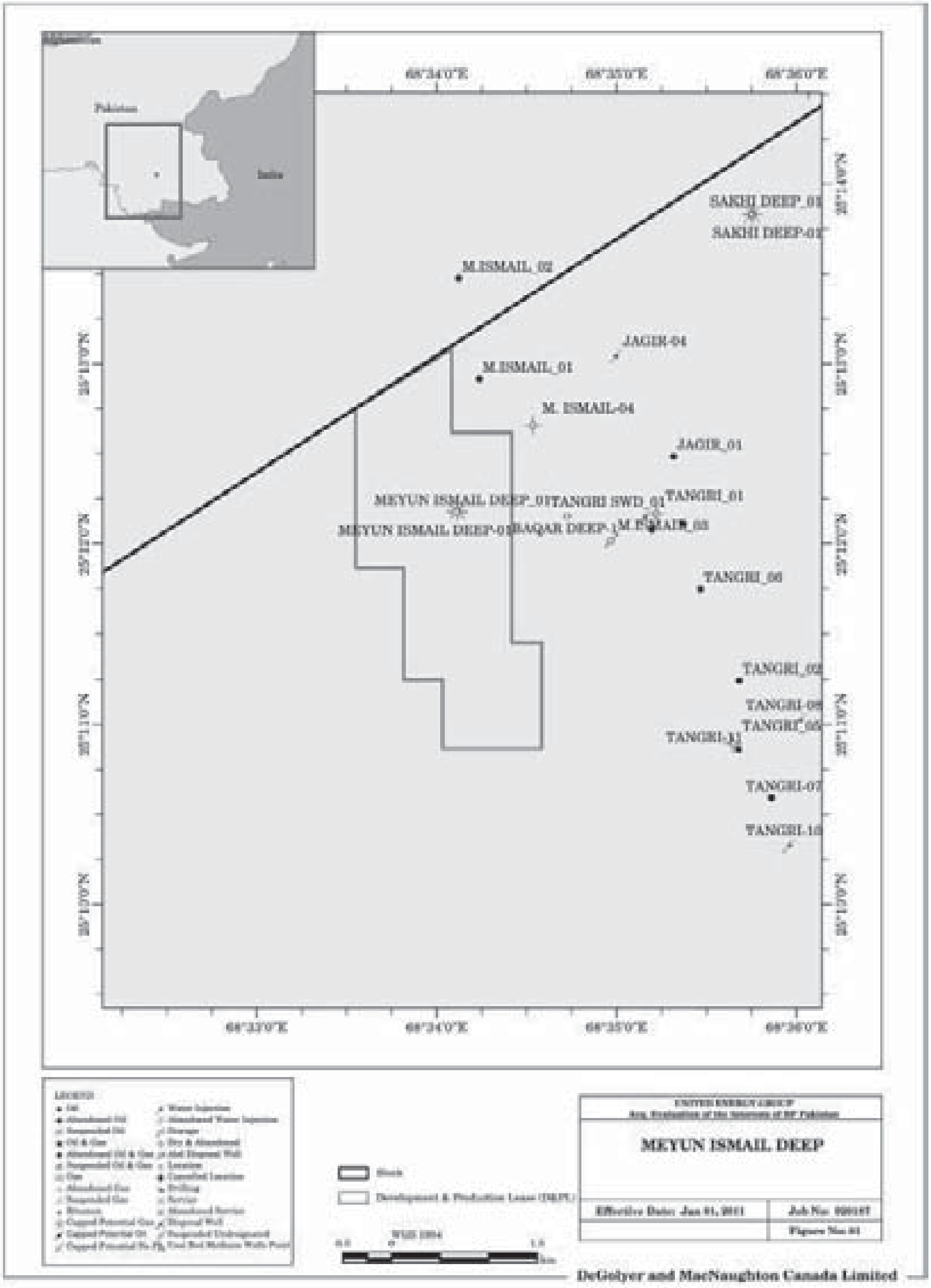


Figure 2 – Upper Basal Depth Structure Map

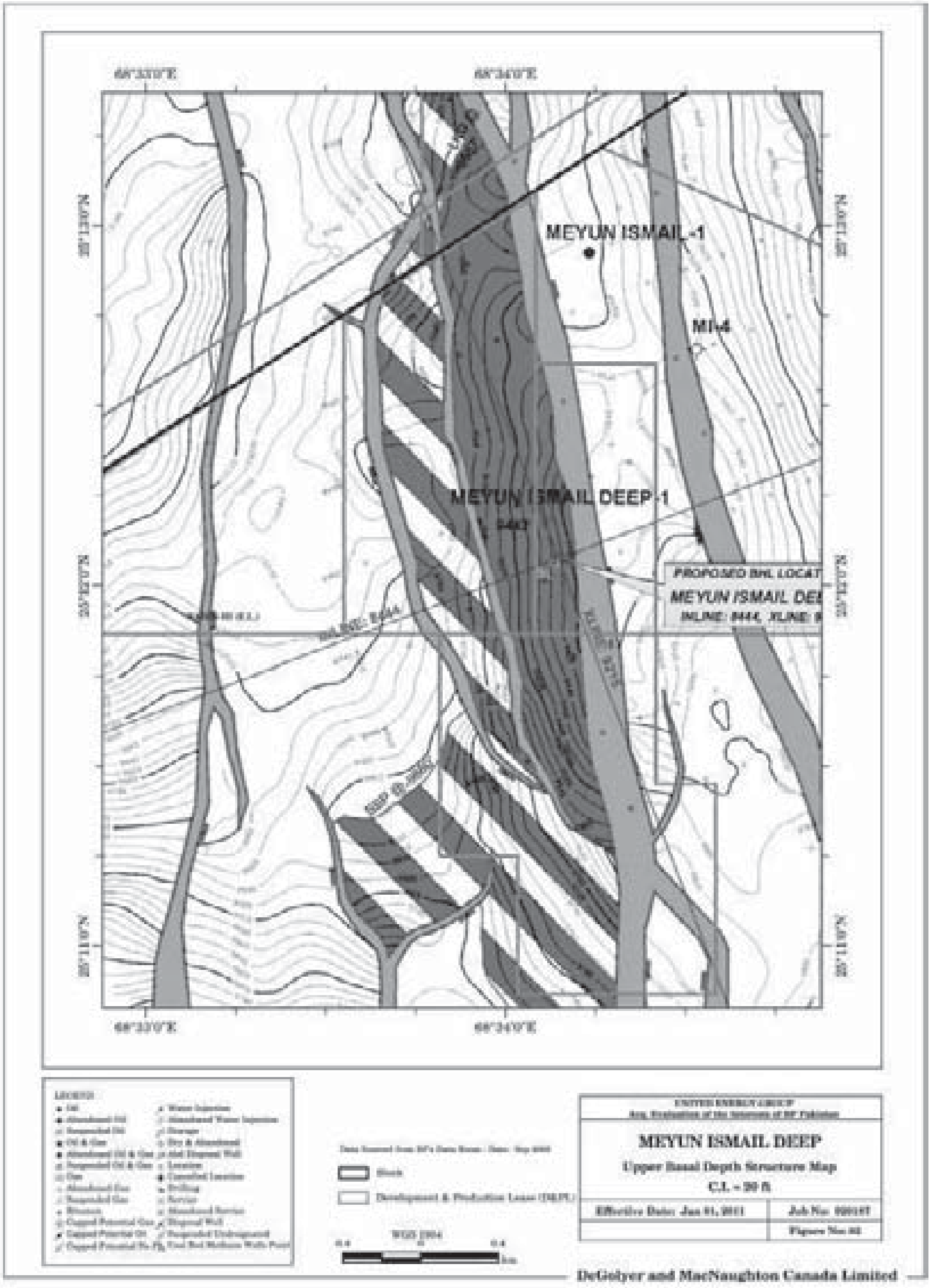
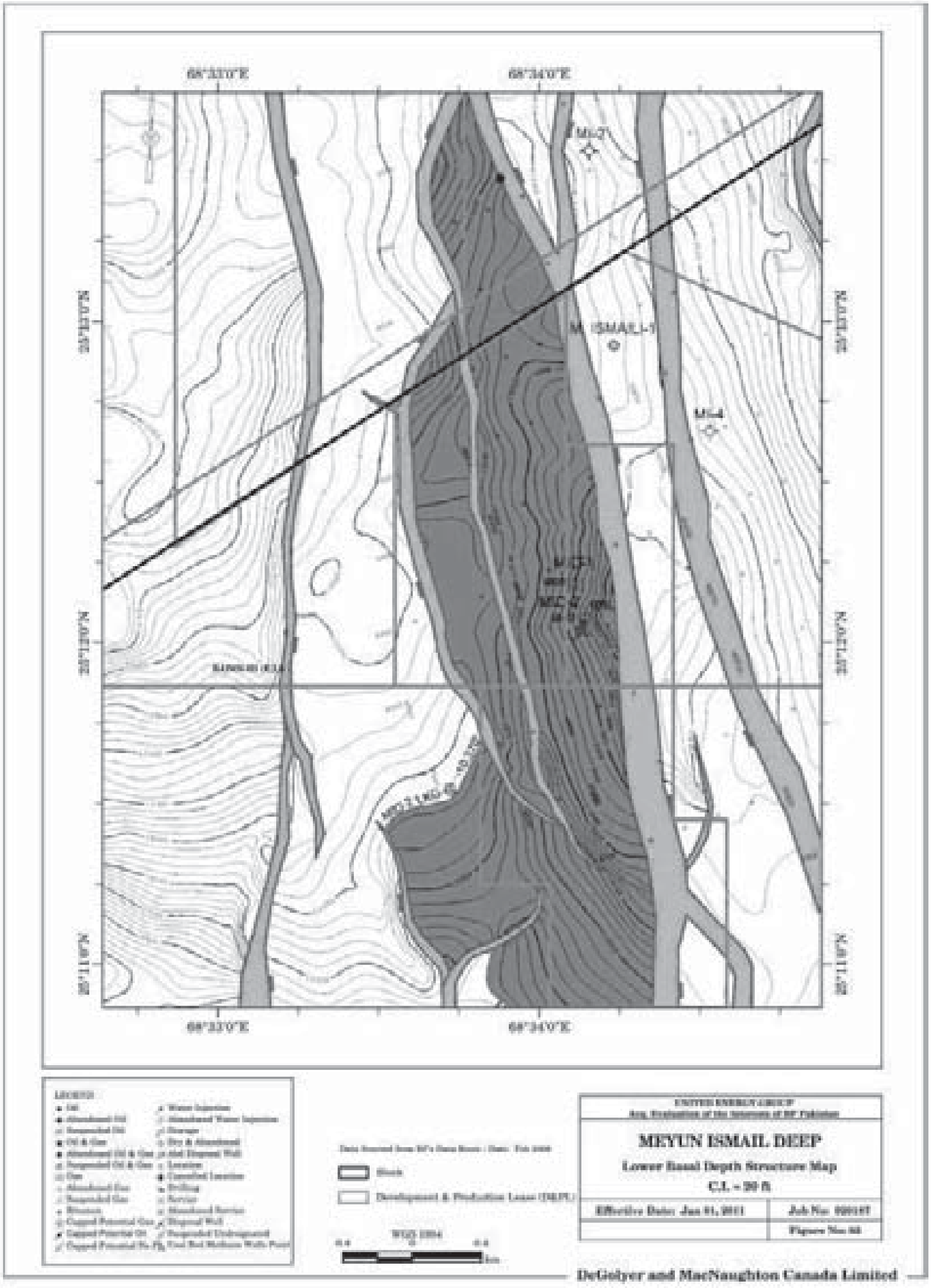


Figure 3 – Lower Basal Depth Structure Map



Missri

BP Pakistan (BPP) has a 100 percent working interest in the Missri Field of Sindh Pakistan in the Badin I concession as shown on the attached land plat (Figure 1). A total of three oil wells and two gas wells have recorded production. Currently, there are two oil wells and one gas well producing on the company's acreage. The primary productive zone of interest is the Lower Goru for oil or gas.

The Missri field is a trending fault bounded by a north to south direction, three-way dip structure with gas accumulations in the Lower Goru sands (Figures 2 to 4) and in the Lower "A" and "C" zones. Three wells have been drilled on the structures, two of which have encountered gas reservoirs.

Hydrocarbons were first produced from the field in 2007 and reached a maximum production rate of 939 barrels per day from three oil wells and 12.4 MMcf per day from two gas wells in 2009. There are currently two oil wells producing 709 barrels per day and one gas well producing 1.8 MMcf per day. DeGolyer and MacNaughton has accounted for the gas reserves by increasing the gas-oil ratio for the oil wells. Proved and probable producing reserves were assigned based on production decline analysis. In the proved plus probable case, the field is forecast to produce economically beyond 2025.

Proved and probable undeveloped reserves were assigned to reactivation of two wells and to facility upgrade, at a cost of US$160 thousand and US$530 thousand, respectively.

Figure 1 – Property Index Map

Figure 2 – Lower Goru A Sand Depth Structure Map

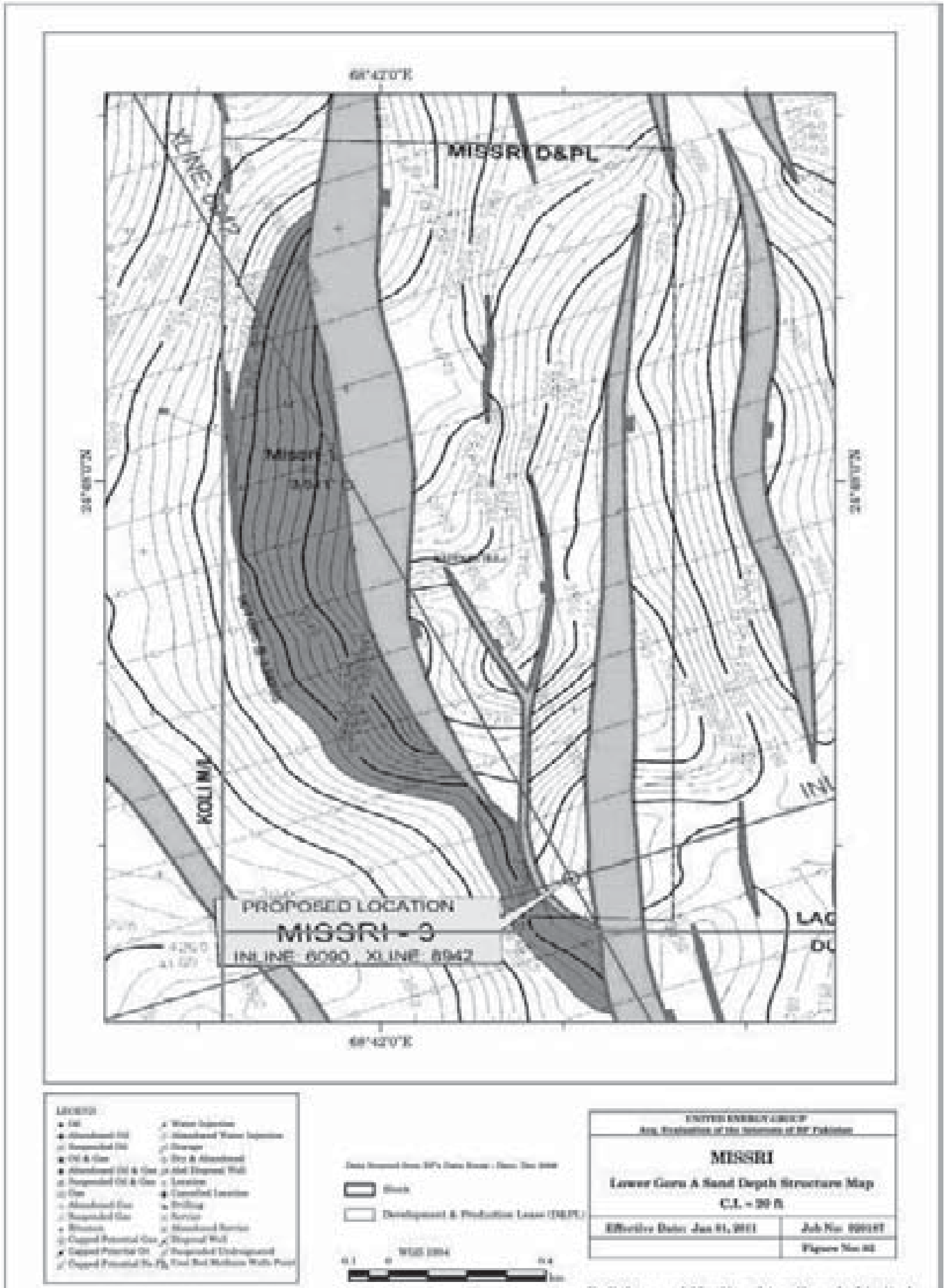


Figure 3 – Lower Goru A Sand Net Gas Pay Map

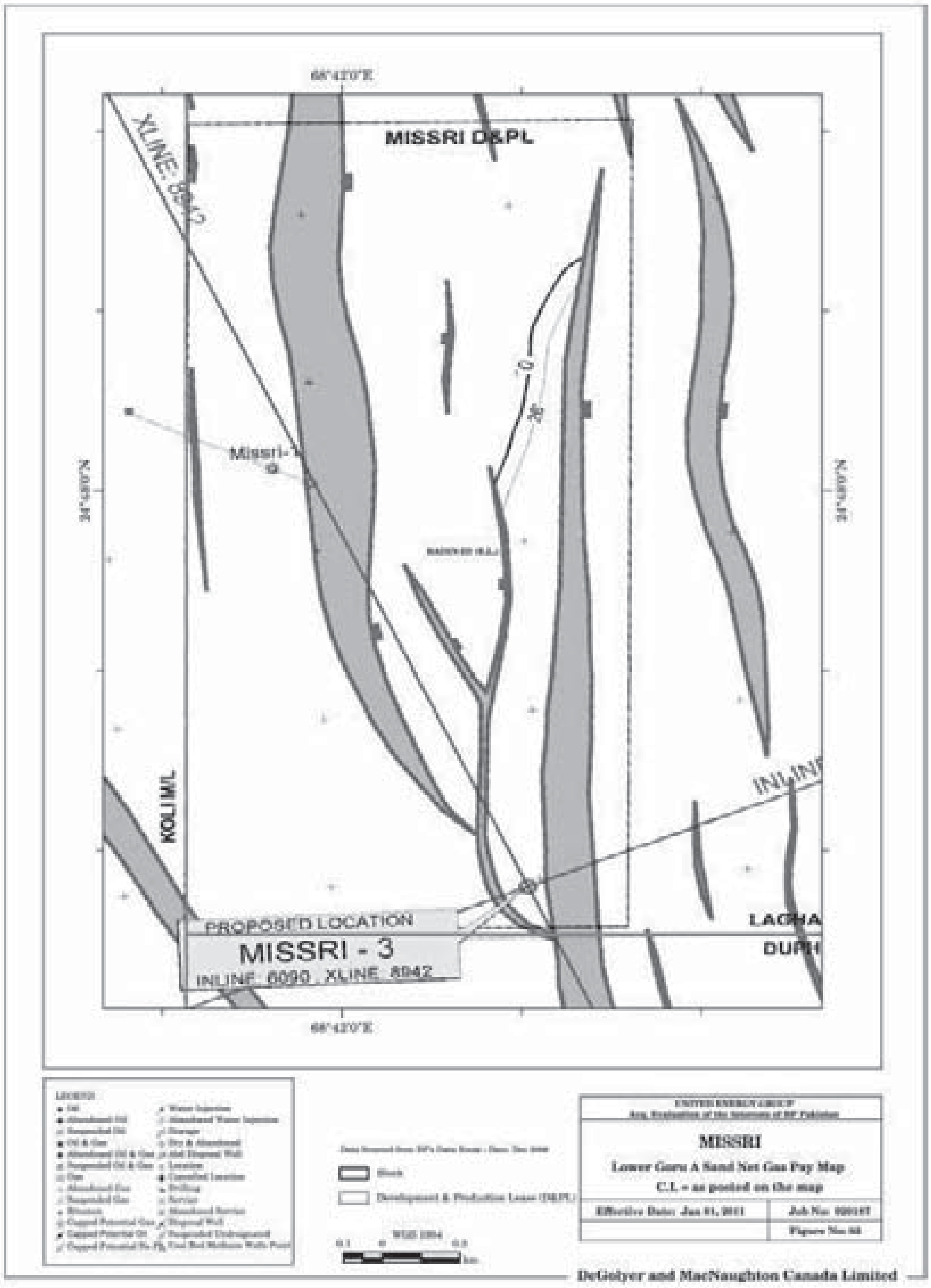


Figure 4 – Lower Goru B Sand Depth Structure Map

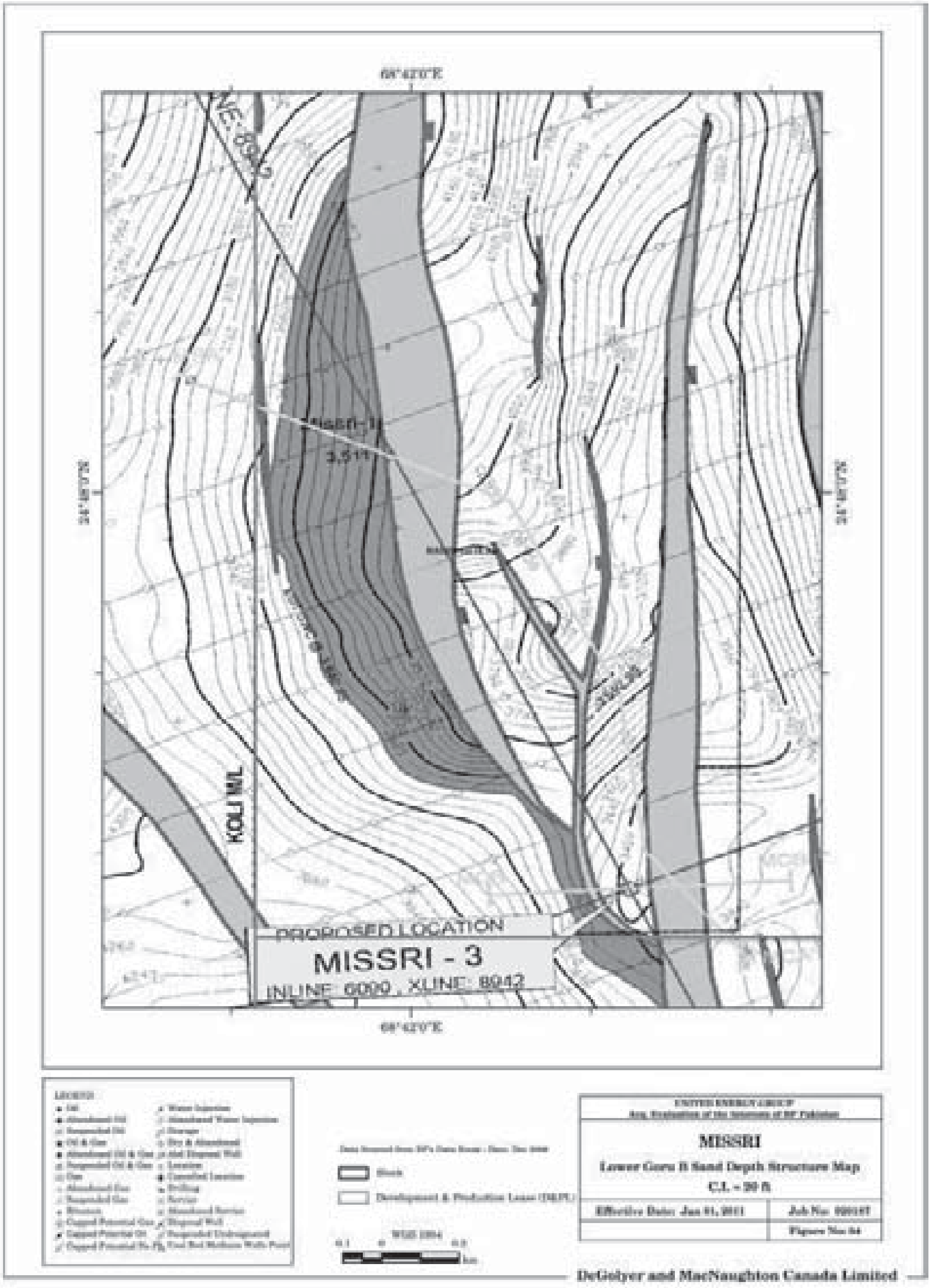


Figure 5 – Lower Goru B Sand Net Gas Pay Map

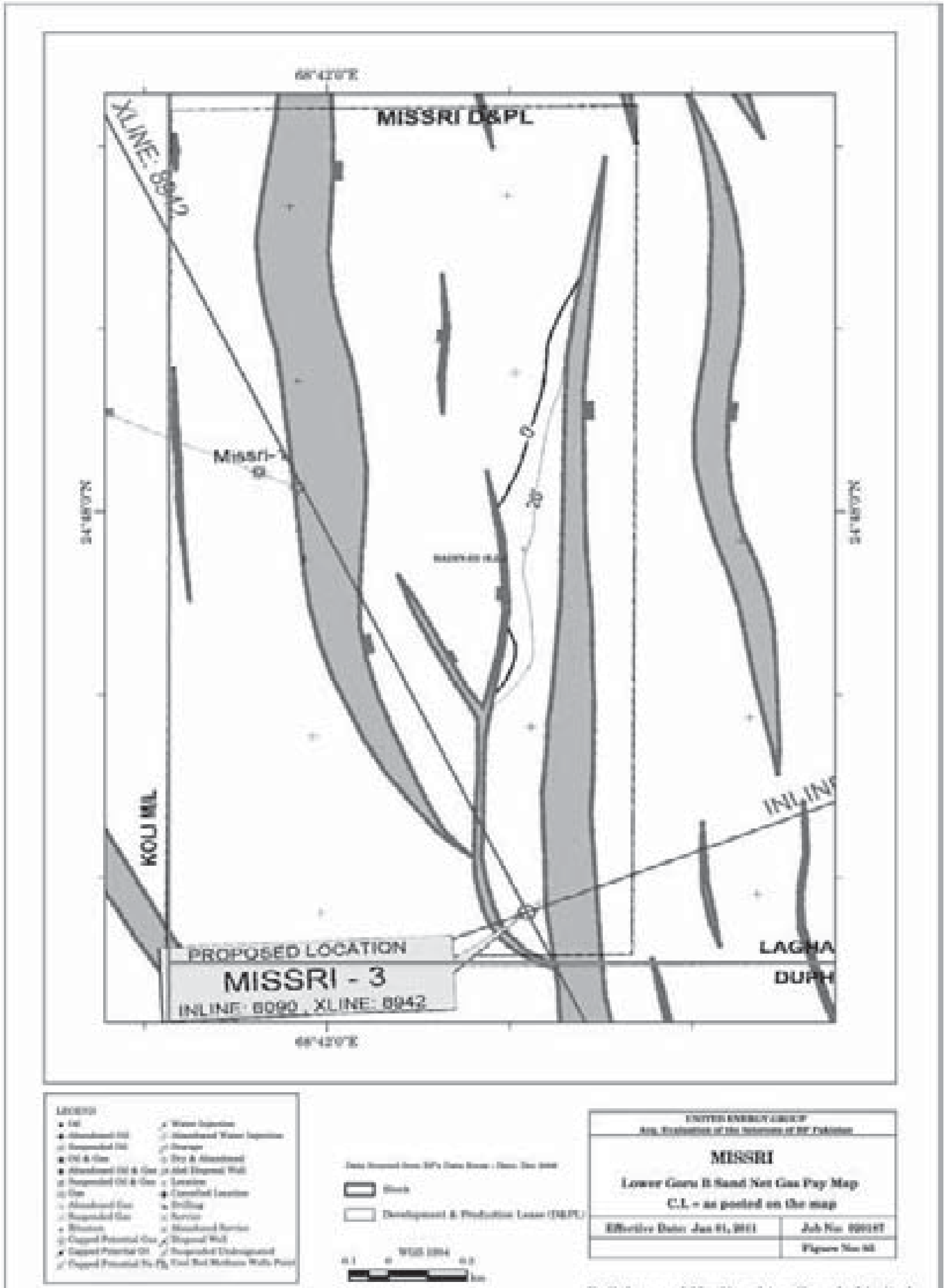


Figure 6 – Lower Goru C Sand Depth Structure Map

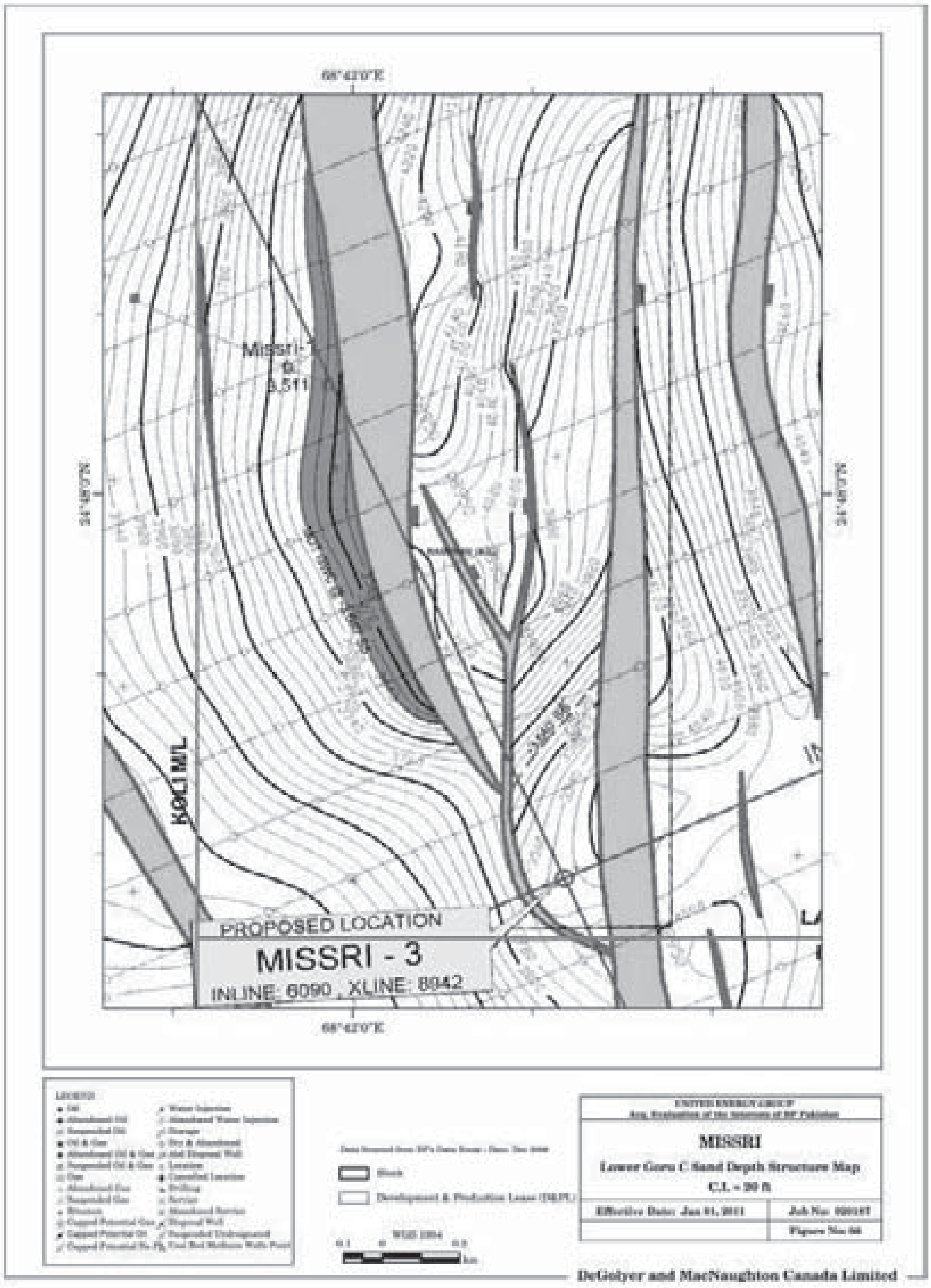
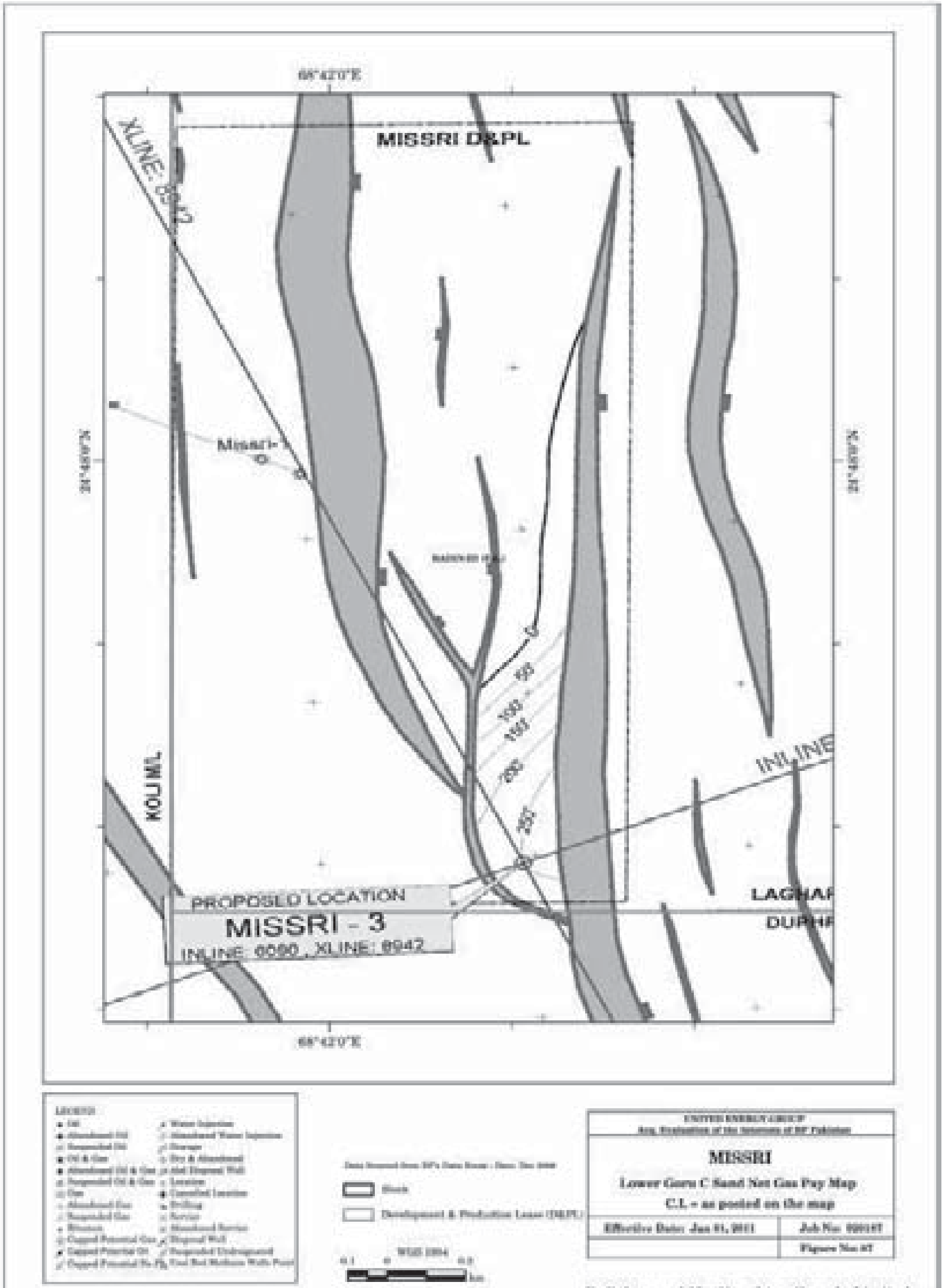


Figure 7 – Lower Goru C Sand Net Gas Pay Map



Naimat Basal

BP Pakistan (BPP) has a 51.3 percent working interest in the Naimat Basal field of Sindh Pakistan in the MKK Concessions as shown on the attached land plat (Figure 1). A total of two gas wells have recorded production with two gas wells currently producing on the company's acreage. The primary productive zone of interest is the Lower Goru for gas.

The Naimat Basal field is a tilted fault bounded by a northwest to southeast trending, three-way dip structure with gas accumulations in the Lower Goru sands (Figure 2) and in the Lower Basal zones. Two wells have been drilled on the structure, both of which have encountered gas and oil reservoirs.

Hydrocarbons were first produced from the field in 2003 and reached a maximum production rate of 23.4 MMcf per day from one well in 2004. There is currently one gas well producing 7.3 MMcf per day. Proved and probable producing reserves were assigned based on production decline analysis. In the proved plus probable case, the field is forecast to produce economically until 2022.

No development activities are anticipated at this time.

Figure 1 – Property Index Map

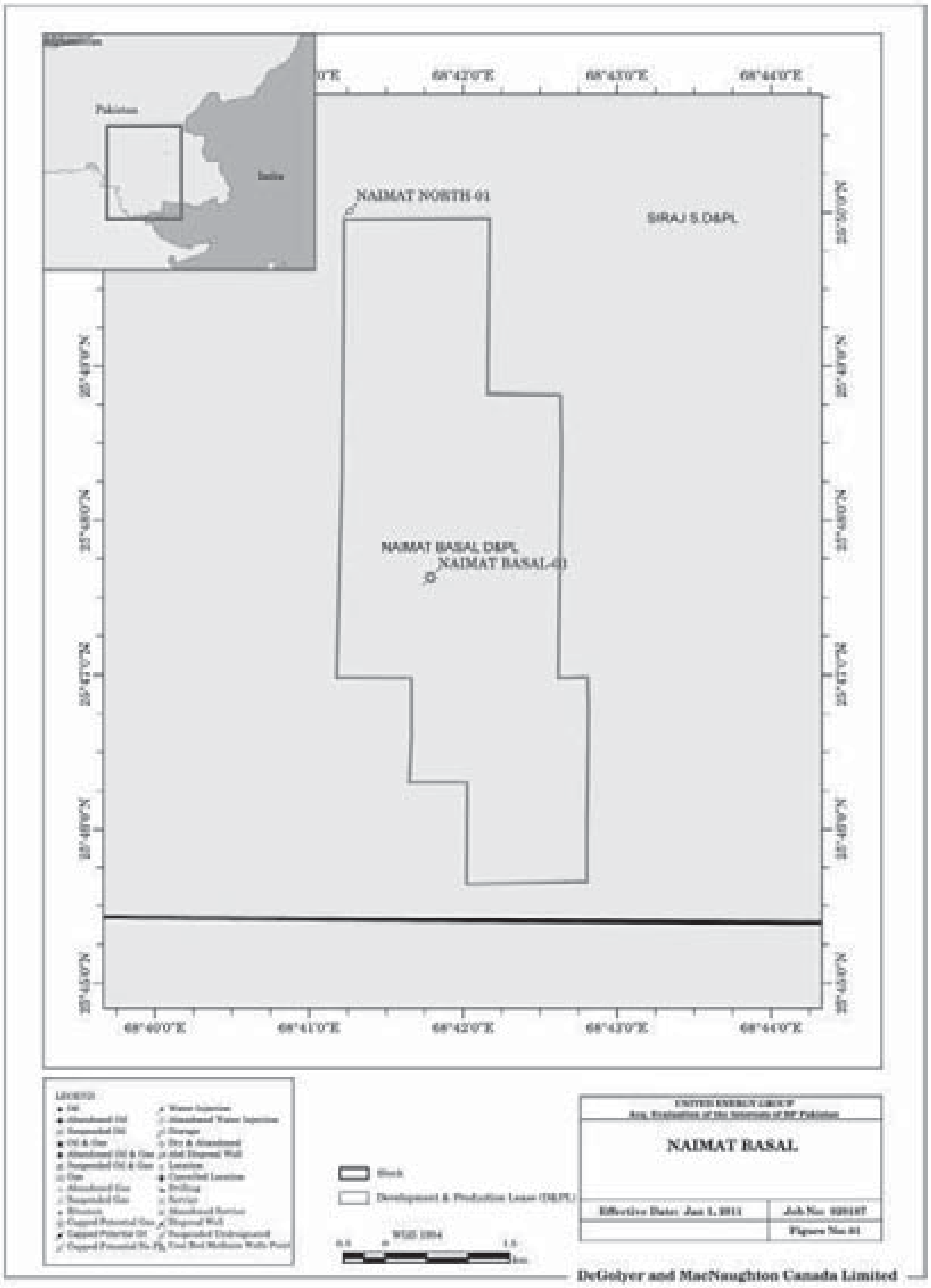
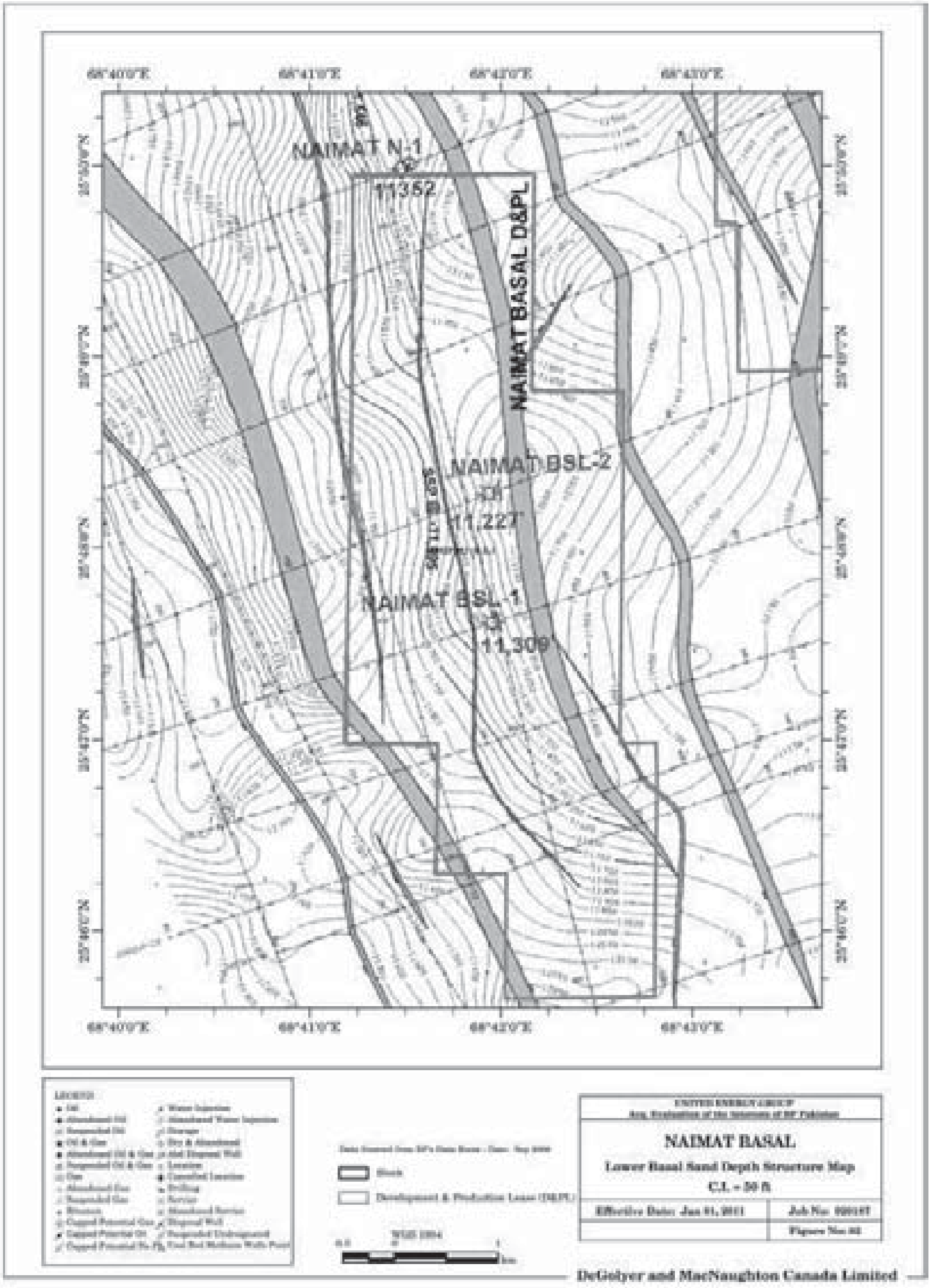


Figure 2 – Lower Basal Sand Depth Structure Map



Sonro

BP Pakistan (BPP) has a 100 percent working interest in the Sonro field of Sindh Pakistan in the Badin I concession as shown on the attached land plat (Figure 1). A total of nine oil wells have recorded production with five oil wells currently producing on the company's acreage. The primary productive zone of interest is the Lower Goru for oil.

The Sonro field is a tilted fault bounded by a north to south trending, elongated domal structure with gas and oil accumulations in the Lower Goru sands (Figure 2) and gas over oil accumulations in the "B" zone. Net pay maps are included for the aforementioned zone (Figures 3 and 4). These reservoirs are bounded by oil/water contacts (OWC) on the flanks and by faults. Ten wells have been drilled on the structure, all of which have encountered gas and oil reservoirs. BP mapping was reviewed for reasonableness and compared with prior maps prepared by DeGolyer and MacNaughton over a period of 20 years.

Hydrocarbons were first produced from the field in 1990 and reached a maximum production rate of 2,658 barrels per day from four wells in 2002. There are currently six oil wells producing 1,030.8 barrels per day. Proved and probable producing reserves were assigned based on production decline analysis. In the proved plus probable case, the field is forecast to produce economically beyond 2025.

No development activities are anticipated at this time.

Figure 1 – Property Index Map

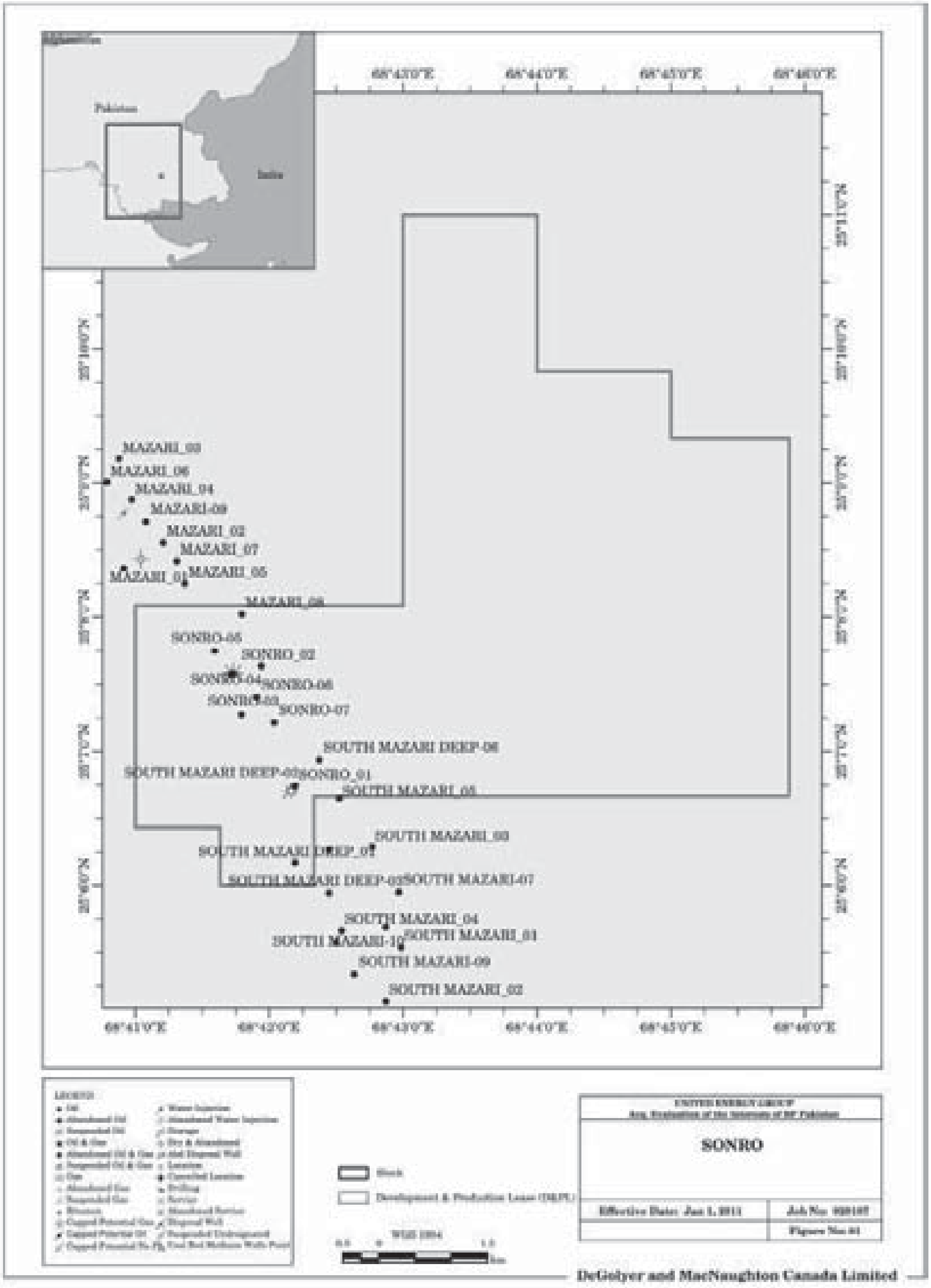


Figure 2 – Lower Goru B Sand Depth Structure Map

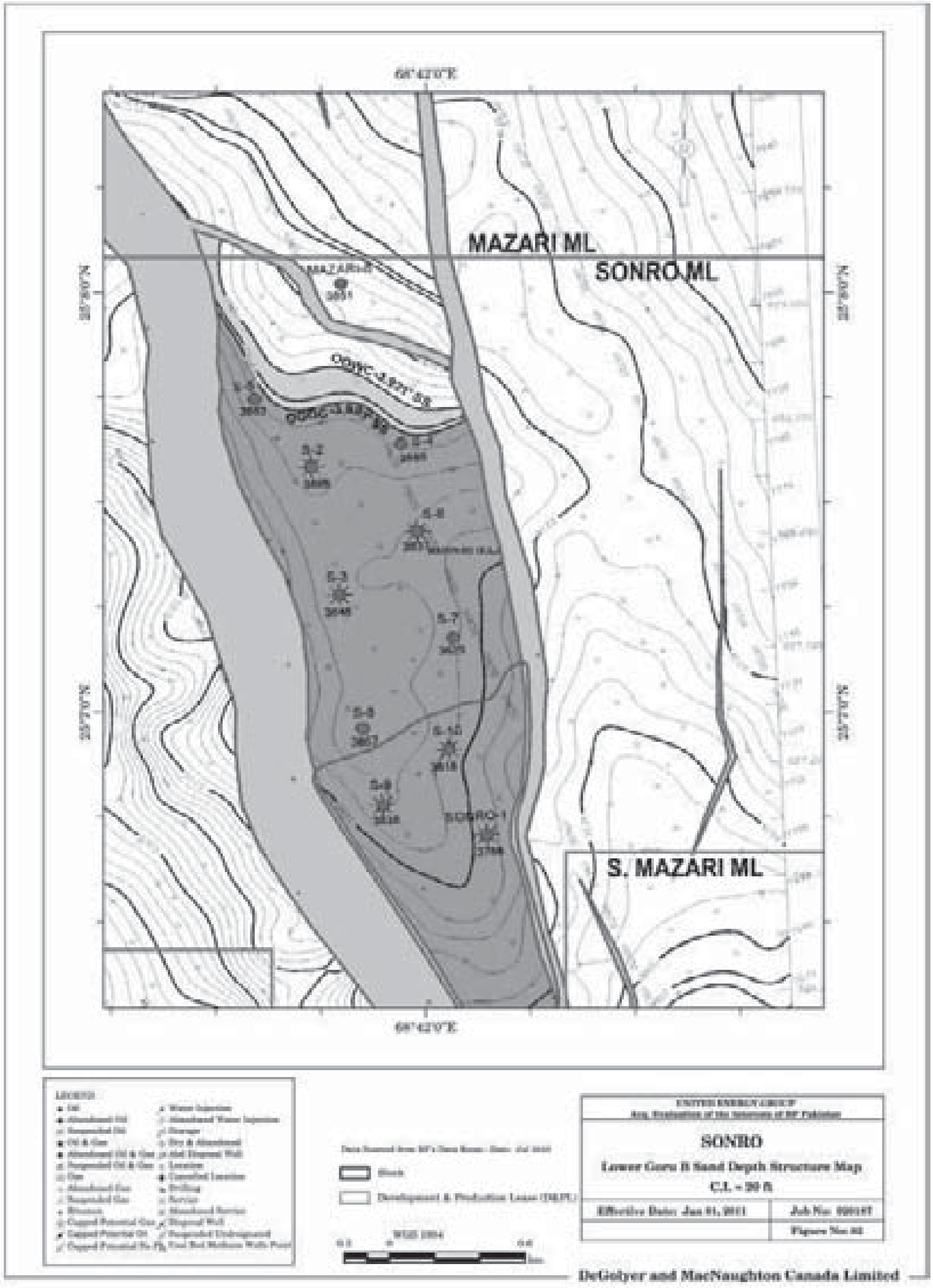


Figure 3 – Lower Goru B Sand Net Gas Pay Map

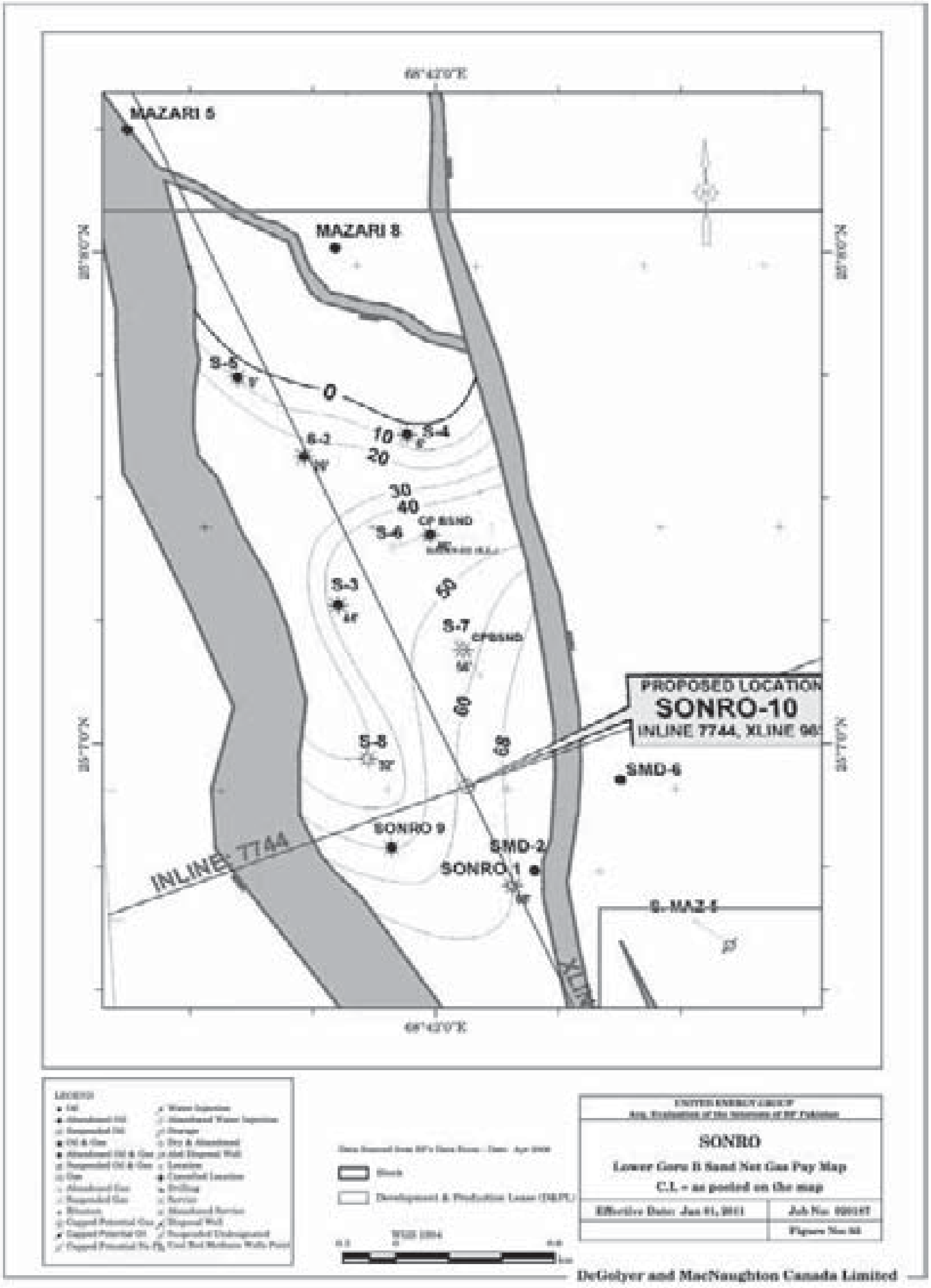
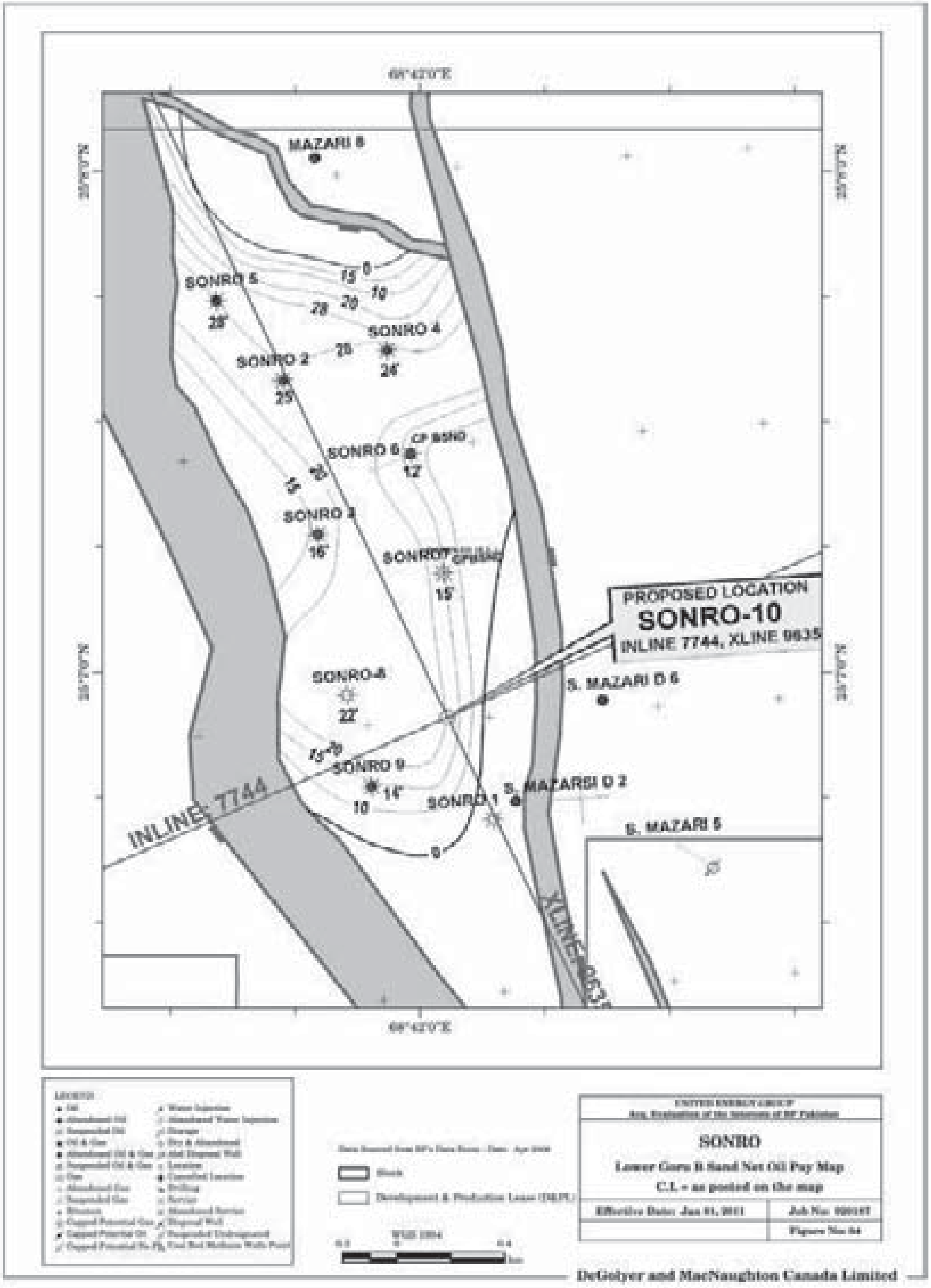


Figure 4 – Lower Goru B Sand Net Oil Pay Map



South Mazari

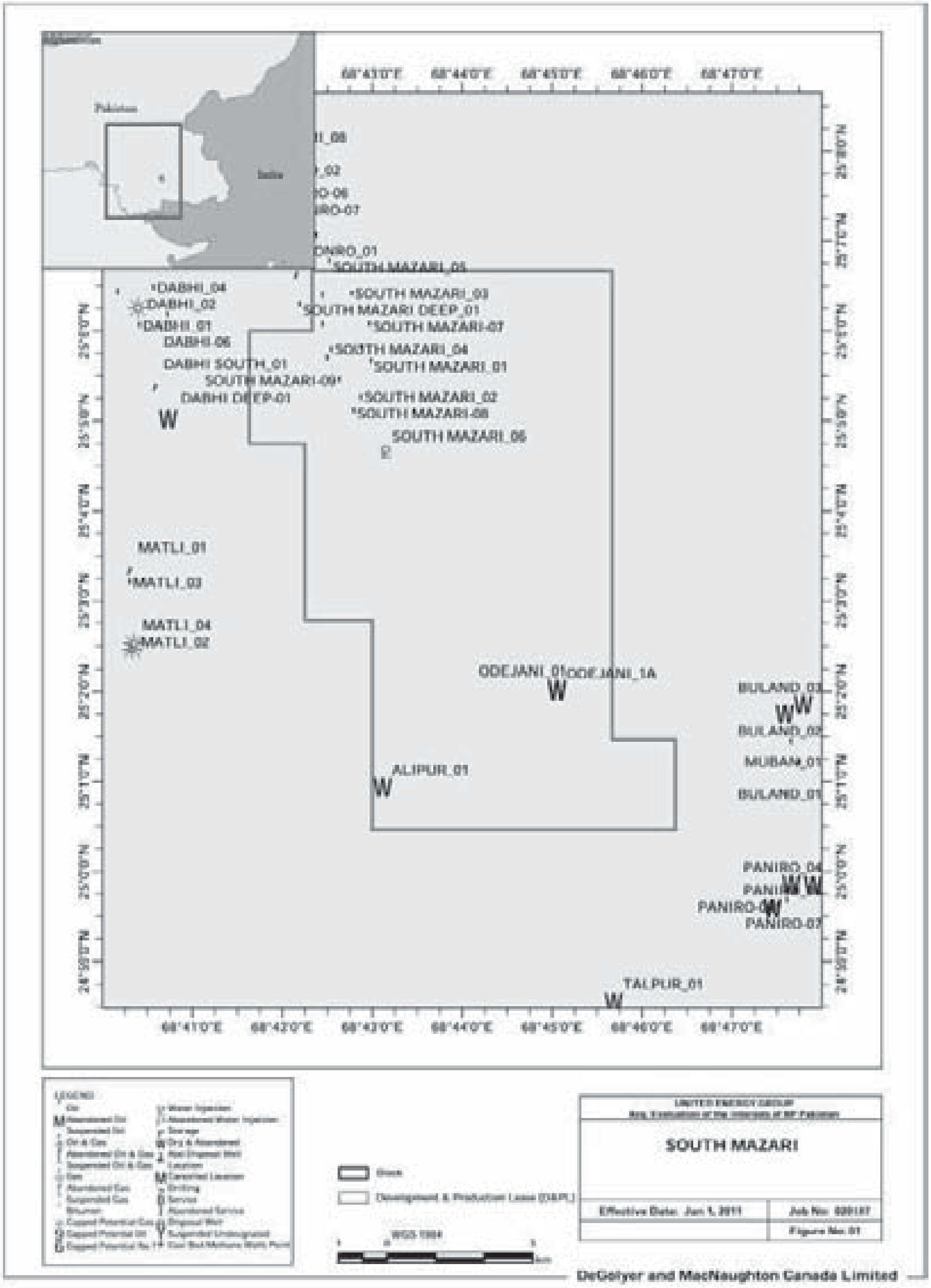
BP Pakistan (BPP) has a 100 percent working interest in the South Mazari field of Sindh Pakistan in the Badin I concession as shown on the attached land plat (Figure 1). A total of ten oil wells have recorded production with five oil wells currently producing on the company's acreage. The primary productive zone of interest is the Lower Goru for oil.

The field is a complexly faulted, triangular, closure along a regional normal fault forming an elongated tilted fault block trending north-northwest. Oil accumulations occur in the Lower Goru Formation.

Hydrocarbons were first produced from the field in 1998 and reached a maximum production rate of 4,670 barrels per day from four wells in 1996. There are currently five oil wells producing 564 barrels per day. Proved and probable producing reserves were assigned based on production decline analysis. In the proved plus probable case, the field is forecast to produce economically until 2024.

Probable undeveloped reserves were assigned to one future location based on analogy to offset producers. This is scheduled to be drilled, equipped and tied in during 2011 at a combined cost of US$2.47 million.

Figure 1 – Property Index Map



South Mazari Deep

BP Pakistan (BPP) has a 100 percent working interest in the South Mazari Deep field of Sindh Pakistan in the Badin I concession as shown on the attached land plat (Figure 1). A total of ten oil wells have recorded production with five oil wells currently producing on the company's acreage. The primary productive zone of interest is the Lower Goru for oil.

The South Mazari Deep field is a tilted fault bounded by a northwest to southeast elongated, three-way dip structure with oil accumulations in the Lower Goru sands (Figures 2 and 3) and in the Middle Alpha II and Middle Beta zones. These reservoirs are bounded by oil/water contacts (OWC) on the flanks and by faults. Nine wells have been drilled on the structure, all of which have encountered the oil reservoirs. BP mapping was reviewed for reasonableness and compared with prior maps prepared by DeGolyer and MacNaughton over a period of 20 years.

Hydrocarbons were first produced from the field in 1993 and reached a maximum production rate of 1,561 barrels per day from five wells in 1999. There are currently six oil wells producing 796 barrels per day. Proved producing reserves were assigned based on production decline analysis. In the proved plus probable case, the field is forecast to produce economically beyond 2025.

Proved and probable undeveloped reserves were assigned to two future locations based on analogy to offset producers. Both wells are scheduled to be drilled, equipped, and tied-in by mid-2012, at a cost of US$2.47 million and US$3.07 million, respectively.

Figure 1 – Property Index Map

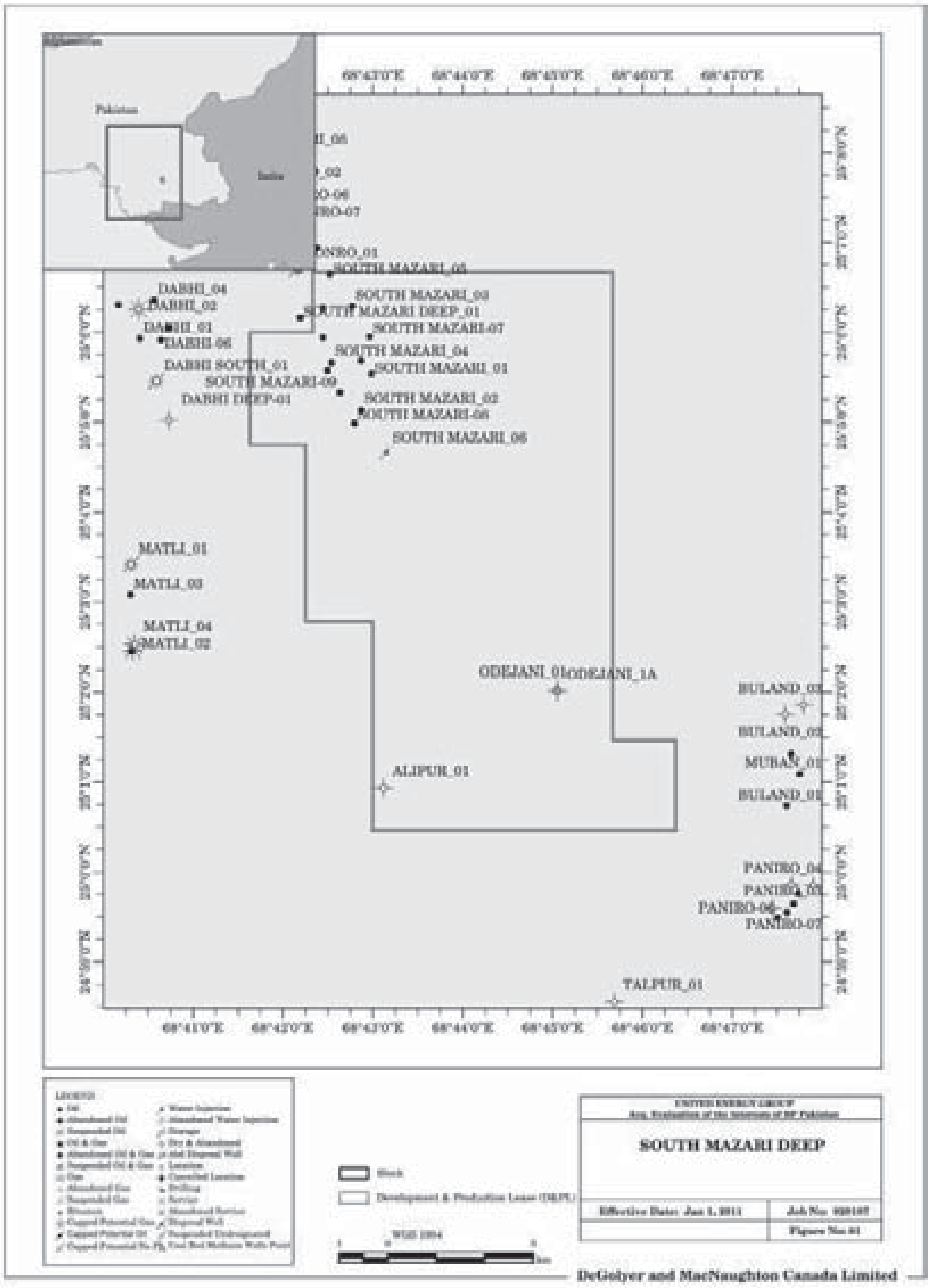


Figure 2 – Alpha II Sand Depth Structure Map

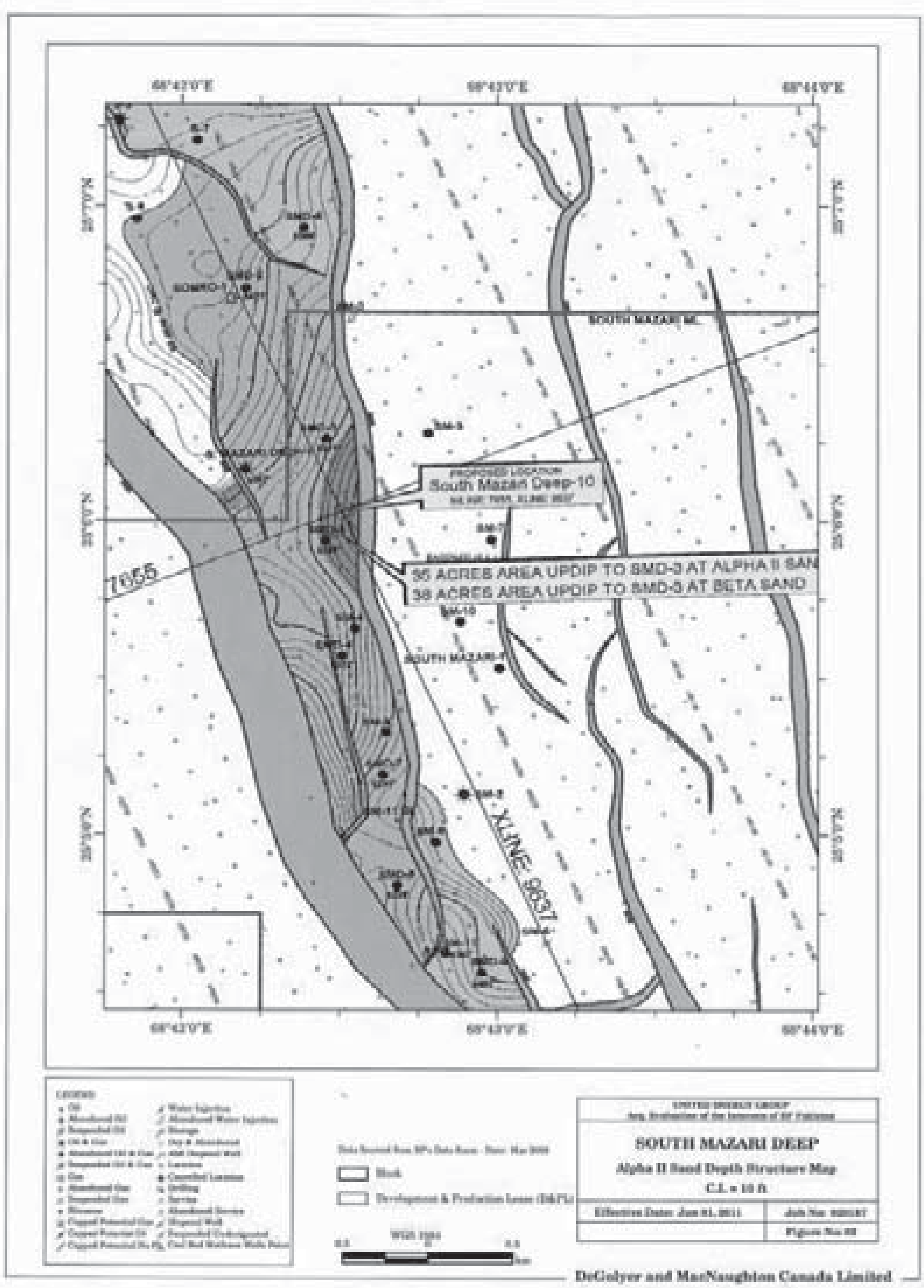
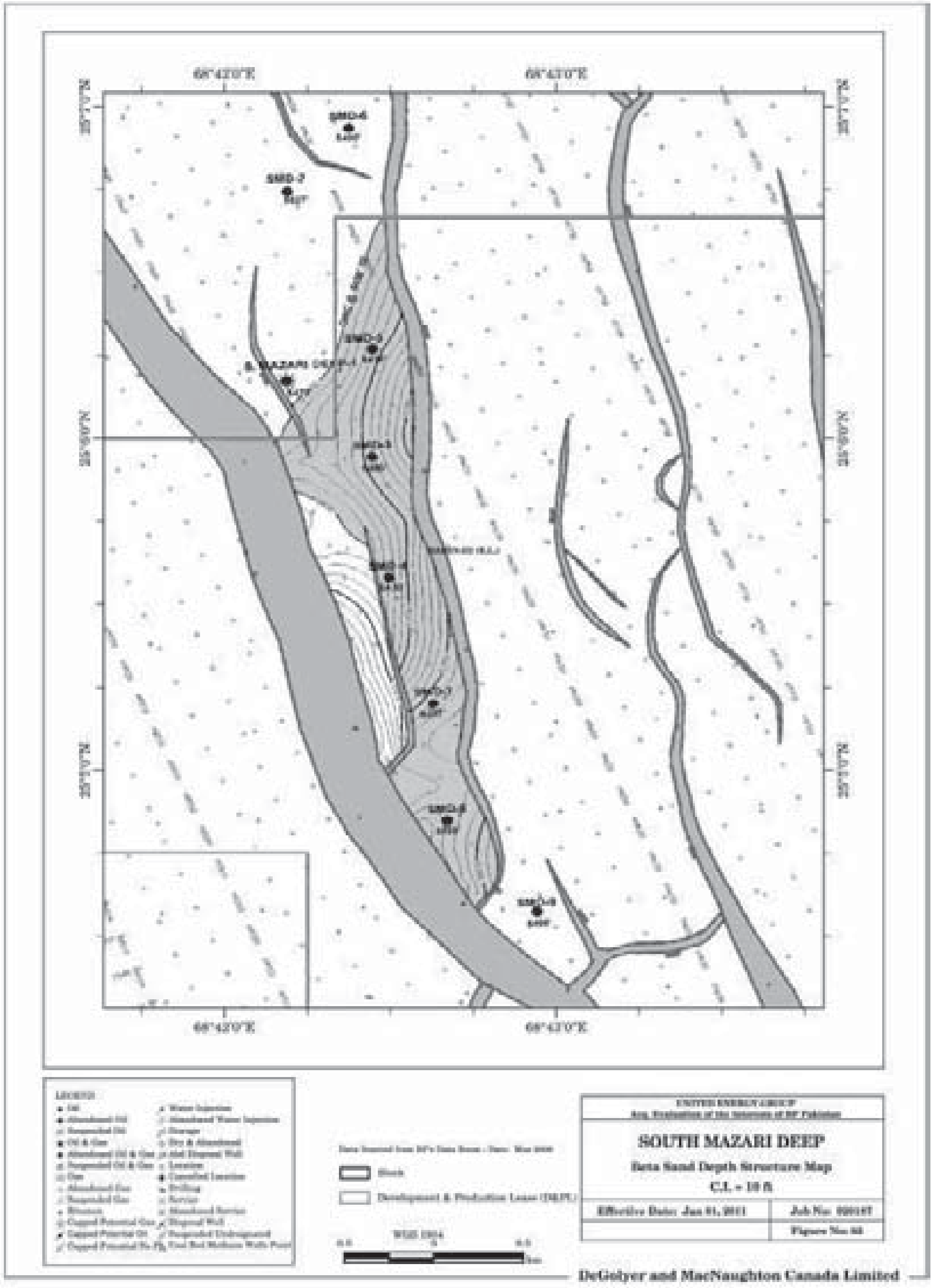


Figure 3 – Beta Sand Depth Structure Map



Tando Ghulam Ali

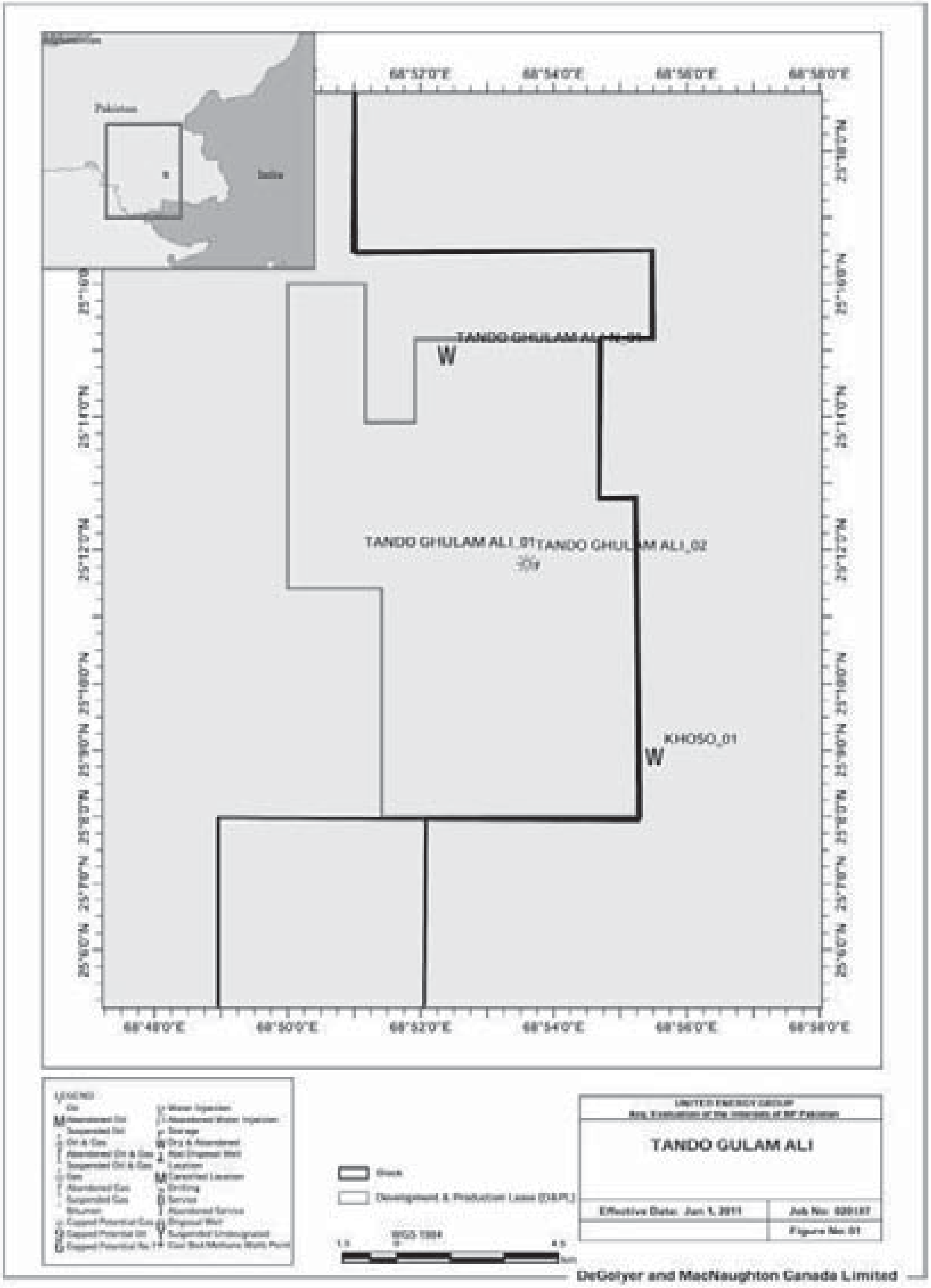
BP Pakistan (BPP) has a 100 percent working interest in the Tando Ghulam Ali field of Sindh Pakistan in the Badin I concession as shown on the attached land plat (Figure 1). A total of two gas wells have recorded production with two gas wells currently producing on the company's acreage. The primary productive zone of interest is the Lower Goru for gas.

The field is a tilted fault block trending north-northwest. Gas accumulations occur in the Lower Goru Formation.

Hydrocarbons were first produced from the field in 2006 and reached a maximum production rate of 5.8 MMcf per day from one well in 2006. There are currently two gas wells producing 1.97 MMcf per day. Proved producing reserves were assigned based on production decline analysis. In the proved plus probable case, the field is forecast to produce economically until 2022.

Addition of compression in 2011 at a cost of US$1.1 million was included in the proved plus probable producing case.

Figure 1 – Property Index Map



Tangri

BP Pakistan (BPP) has a 100 percent working interest in the Tangri and Tangri Deep fields of Sindh Pakistan in the Badin I concession as shown on the attached land plat (Figure 1). A total of eight wells have recorded production with two wells currently producing oil and one well producing gas on the company's acreage. The primary productive zone of interest is the Lower Goru.

The Tangri field is a tilted fault bounded by a northeast to southwest trending elongated structure with oil accumulations in the Lower Goru sands (Figures 2 and 3) and in the Upper and Lower "B" zones. These reservoirs are bounded by oil/water contacts (OWC) on the flanks and by faults. Eleven wells have been drilled on the structure, six of which have encountered oil reservoirs. BP mapping was reviewed for reasonableness and compared with prior maps prepared by DeGolyer and MacNaughton over a period of 20 years.

Hydrocarbons were first produced from the field in 1995 and reached a maximum production rate of 5,270 barrels per day for oil and 2.387 MMcf per day for gas from six wells in 2002. There are currently two oil wells producing 201 barrels of oil per day and one gas well producing 14.3 MMcf of gas per day. The company commissioned a new flowline for the Tangri Deep-1 well in July 2010. Proved and probable producing reserves were assigned based on production decline analysis. In the proved plus probable case, the field is forecast to produce economically beyond 2025.

Proved and probable undeveloped reserves were assigned based on well completion in the second quarter of 2011 and for the addition of field compression in 2011 at a cost of US$400 thousand and US$3.1 million, respectively.

Figure 1 – Property Index Map

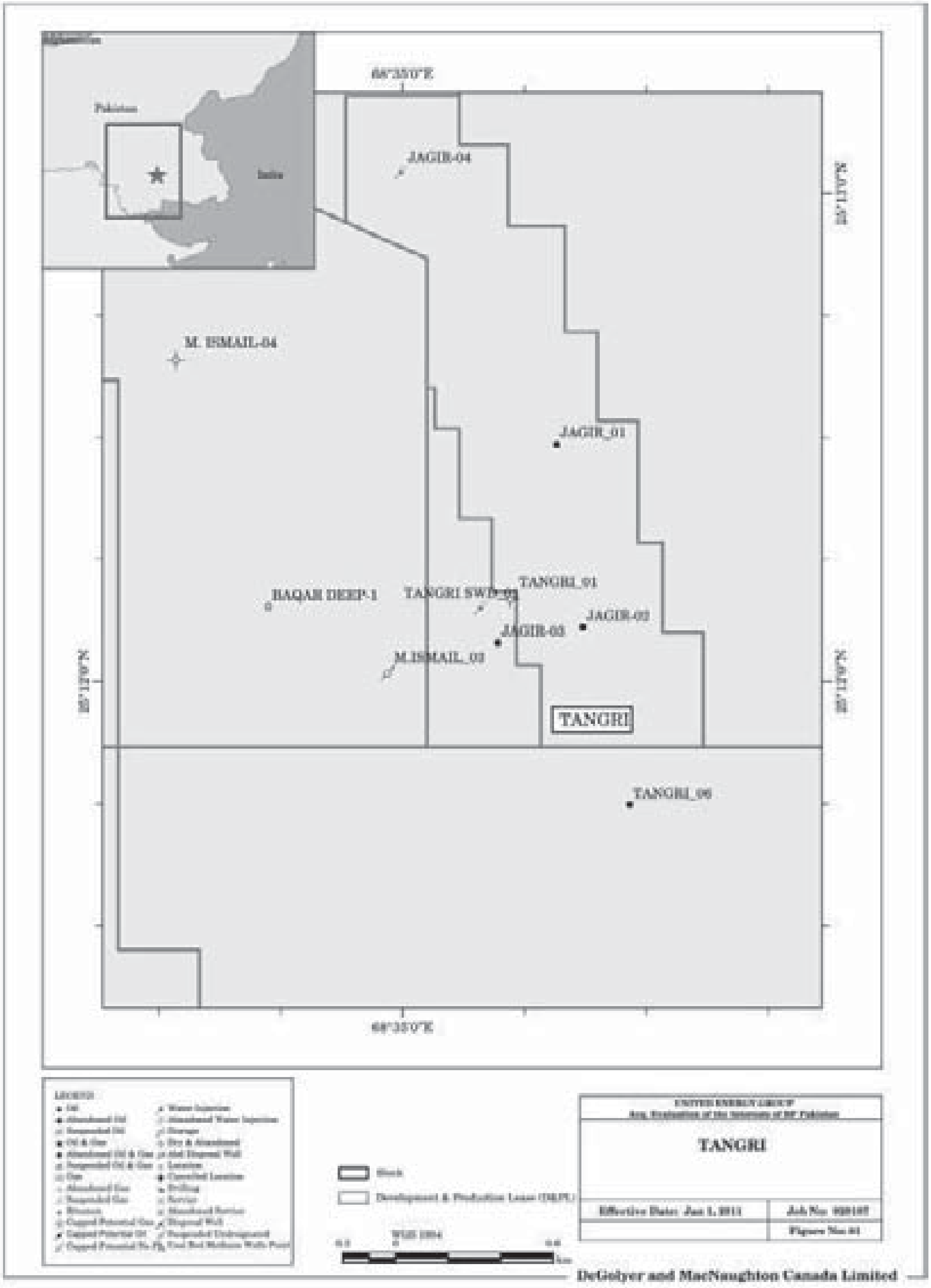


Figure 2 – Upper B Sand Depth Structure Map

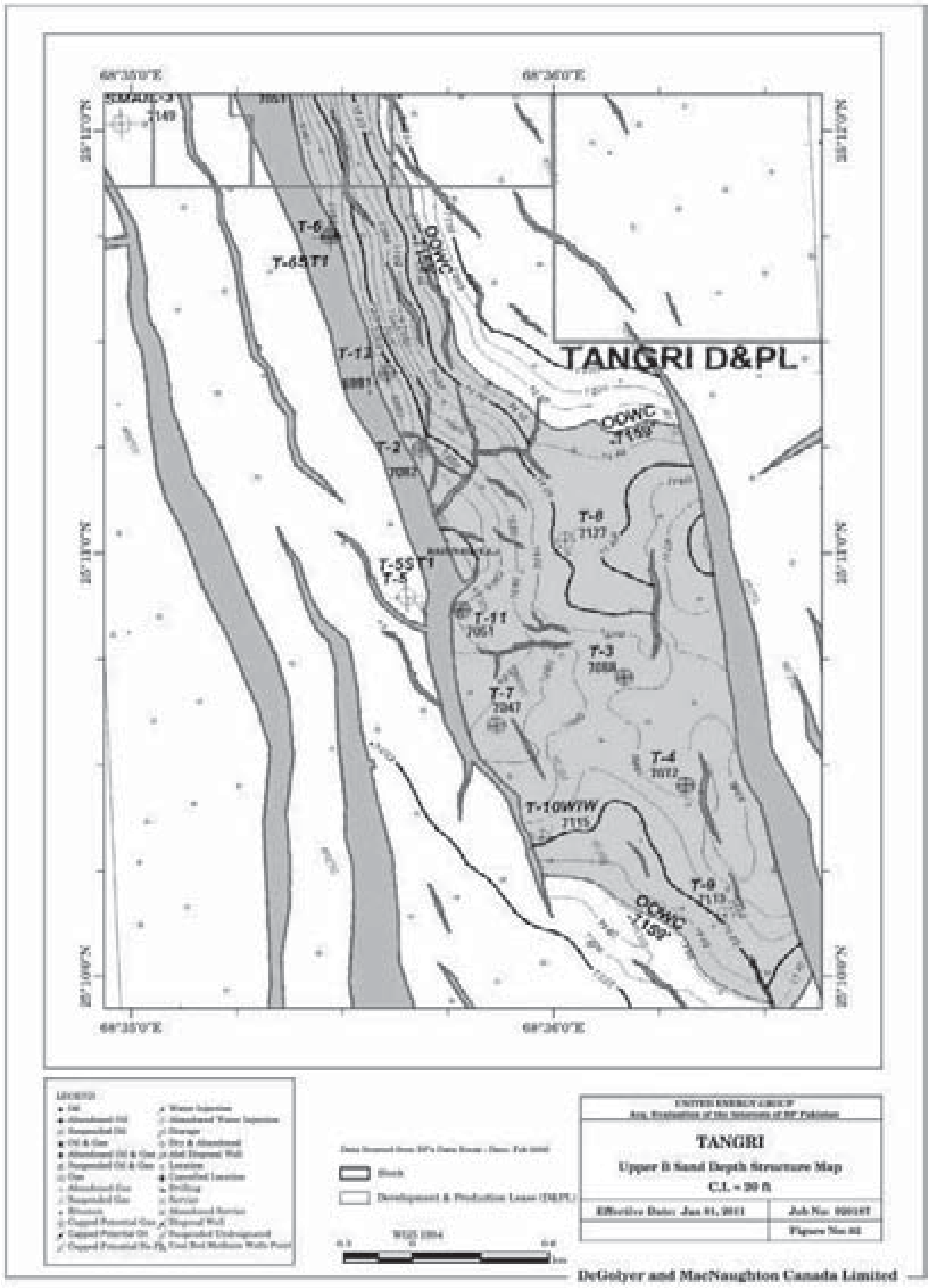
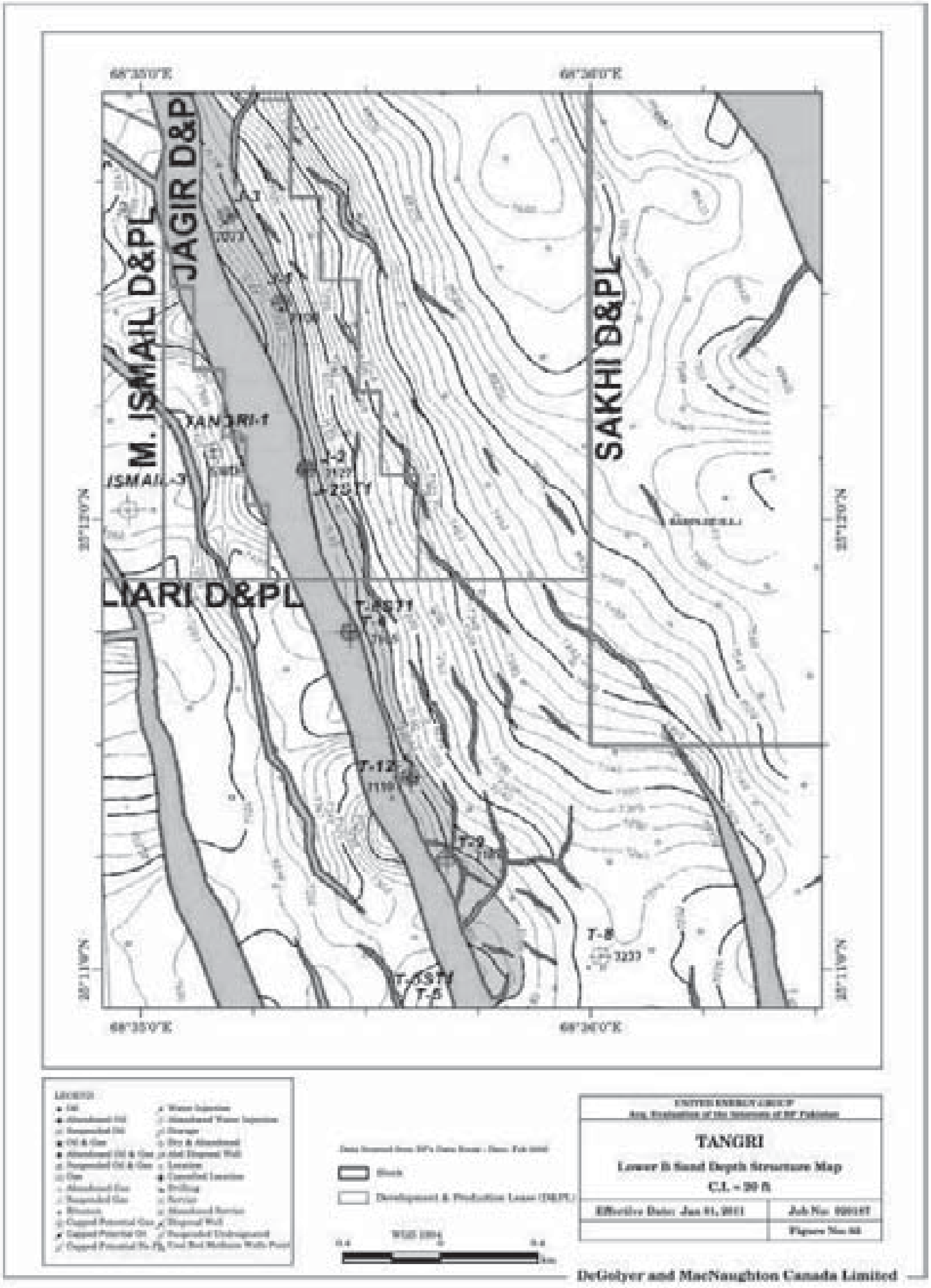


Figure 3 – Beta Sand Depth Structure Map



Turk

BP Pakistan (BPP) has a 100 percent working interest in the Turk field of Sindh Pakistan in the Badin I concession as shown on the attached land plat (Figure 1). A total of six gas wells have recorded production with four gas wells currently producing on the company's acreage. The primary productive zone of interest is the Lower Goru for gas.

The Turk field is a fault bounded by a northwest to southeast trending, tilted anticlinal structure with gas and oil accumulations in the Lower Goru sands (Figures 2 and 3) and gas over oil accumulations in the "A", "B", "C" and "D" zones. These reservoirs are bounded by oil/water contacts (OWC) on the flanks and by faults. Seven wells have been drilled on the structure, six of which have encountered gas and oil reservoirs. BP mapping was reviewed for reasonableness and compared with prior maps prepared by DeGolyer and MacNaughton over a period of 20 years.

Hydrocarbons were first produced from the field in 1989 and reached a maximum production rate of 77.2 MMcf per day from five wells in 1991. There are currently four gas wells producing 3.3 MMcf per day. Proved and probable producing reserves were assigned based on production decline analysis. In the proved plus probable case, the field is forecast to produce economically beyond 2025.

No development activities are anticipated at this time.

Figure 1 – Property Index Map

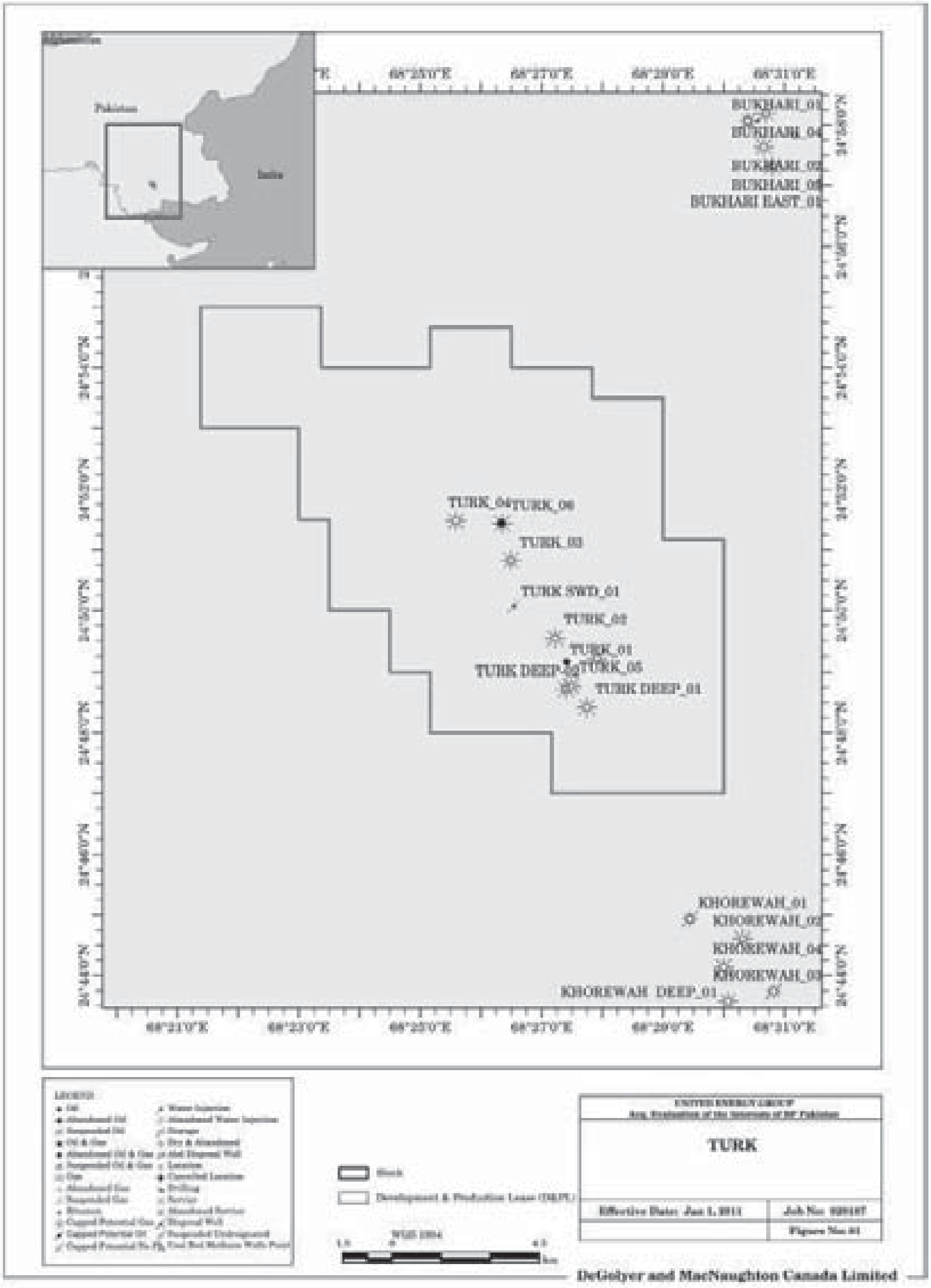


Figure 2 – Lower Goru A Sand Depth Structure Map

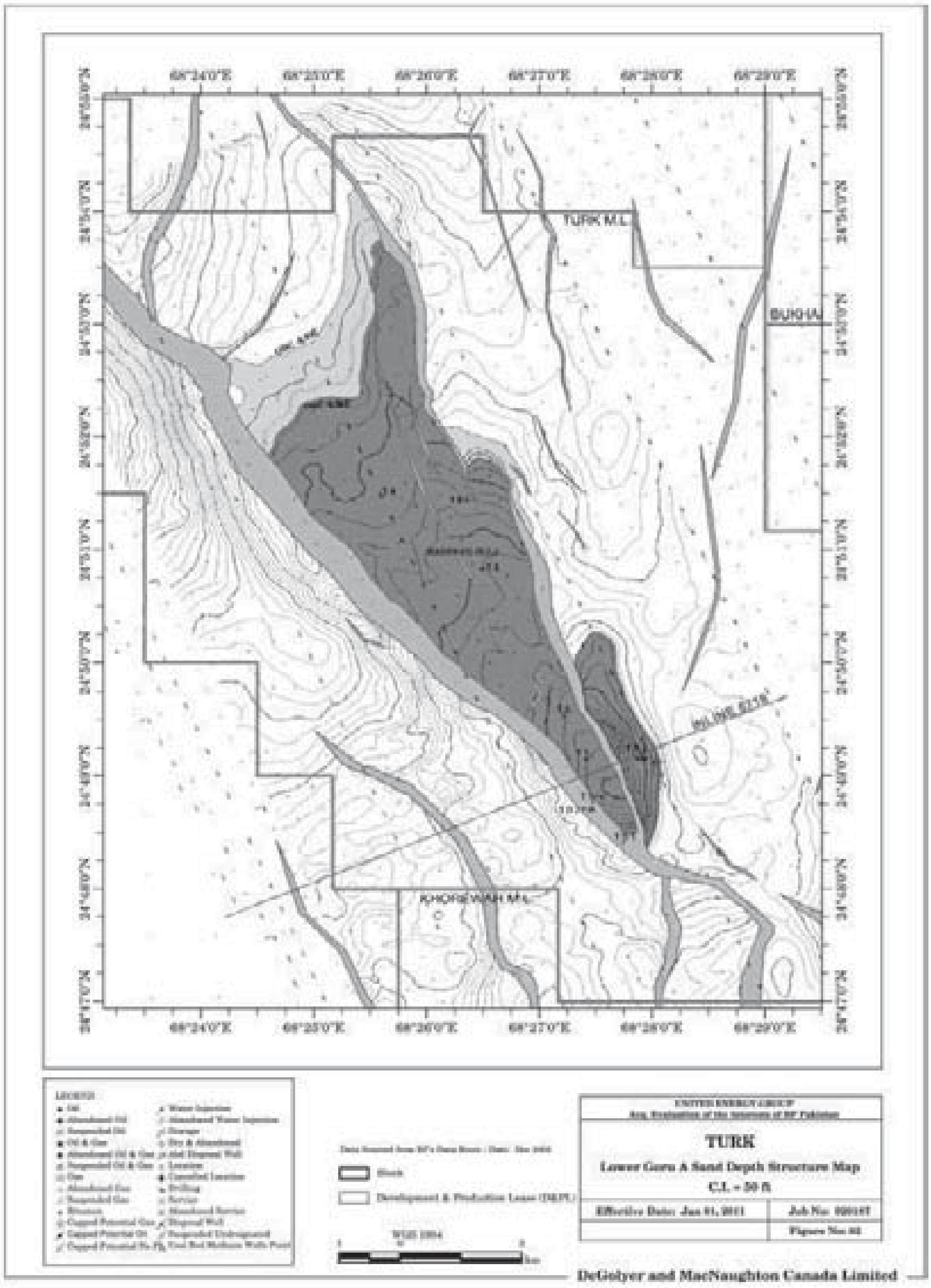
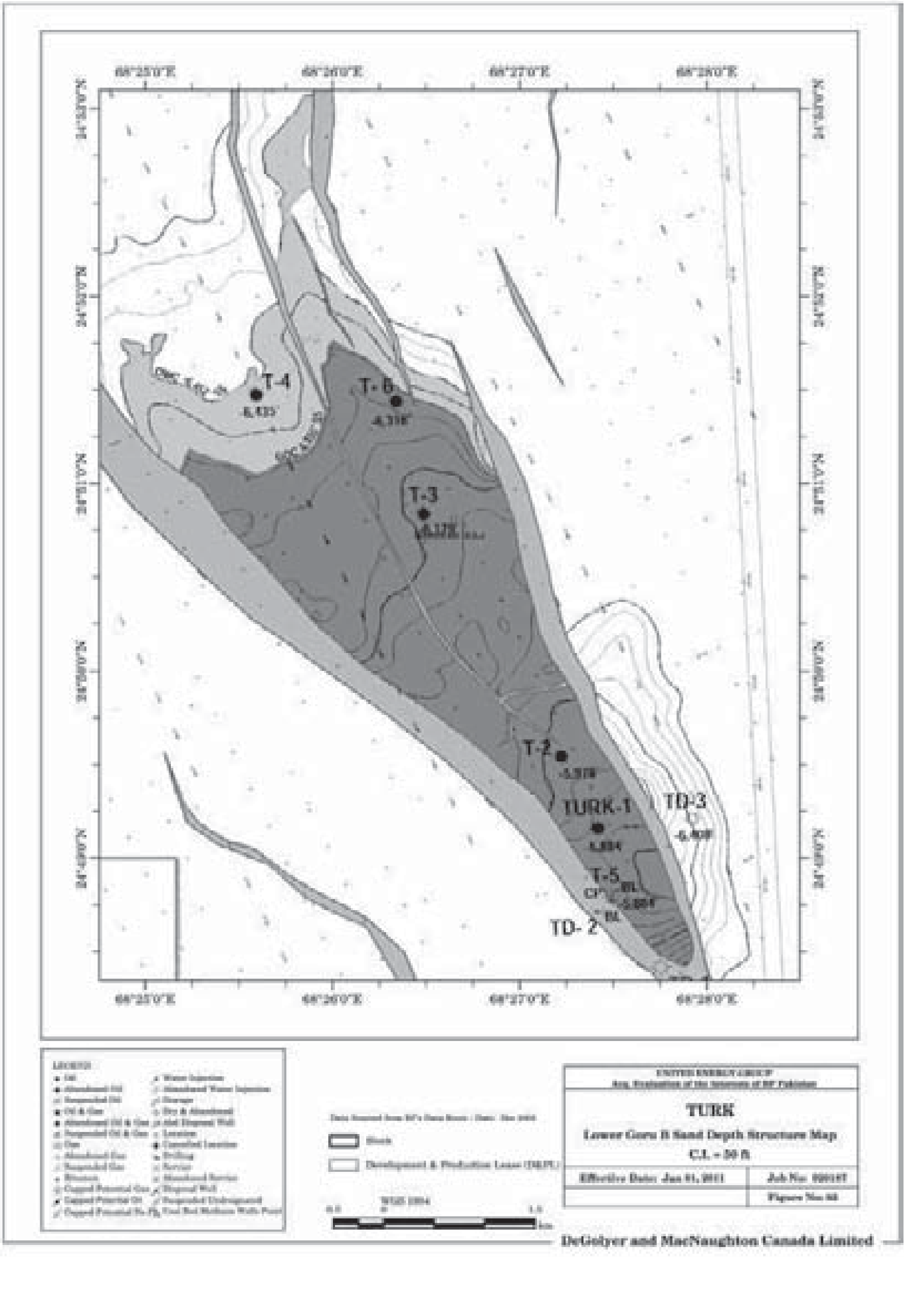


Figure 3 – Lower Goru B Sand Depth Structure Map



Turk Deep

BP Pakistan (BPP) has a 100 percent working interest in the Turk Deep field of Sindh Pakistan in the Badin I concession as shown on the attached land plat (Figure 1). A total of three gas wells have recorded production with three gas wells currently producing on the company's acreage. The primary productive zone of interest is the Lower Goru for gas.

The Turk Deep field is a fault bounded by a north to south trending, tilted anticlinal structure with gas accumulations in the Upper and Lower Goru Sands (Figure 2) and in the Middle and Basal zones. Three wells have been drilled in the structure, all of which have encountered gas reservoirs. BP mapping was reviewed for reasonableness and compared with prior maps prepared by DeGolyer and MacNaughton over a period of 20 years.

Hydrocarbons were first produced from the field in 1995 and reached a maximum production rate of 45.1 MMcf per day from two wells in 2001. There are currently three gas wells producing 6.6 MMcf per day. Proved and probable producing reserves were assigned based on production decline analysis. In the proved plus probable case, the field is forecast to produce economically beyond 2025.

No development activities are anticipated at this time.

Figure 1 – Property Index Map

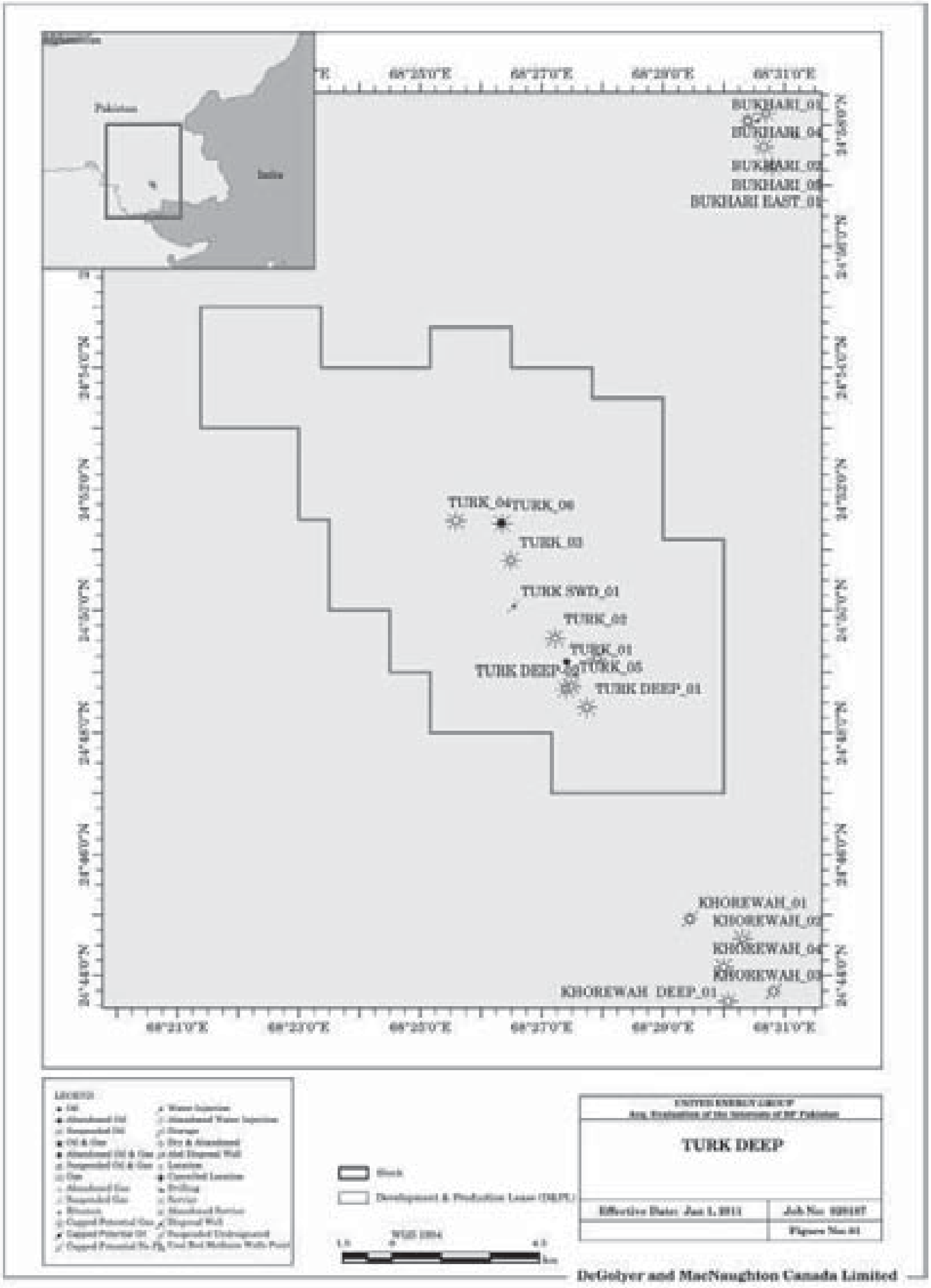
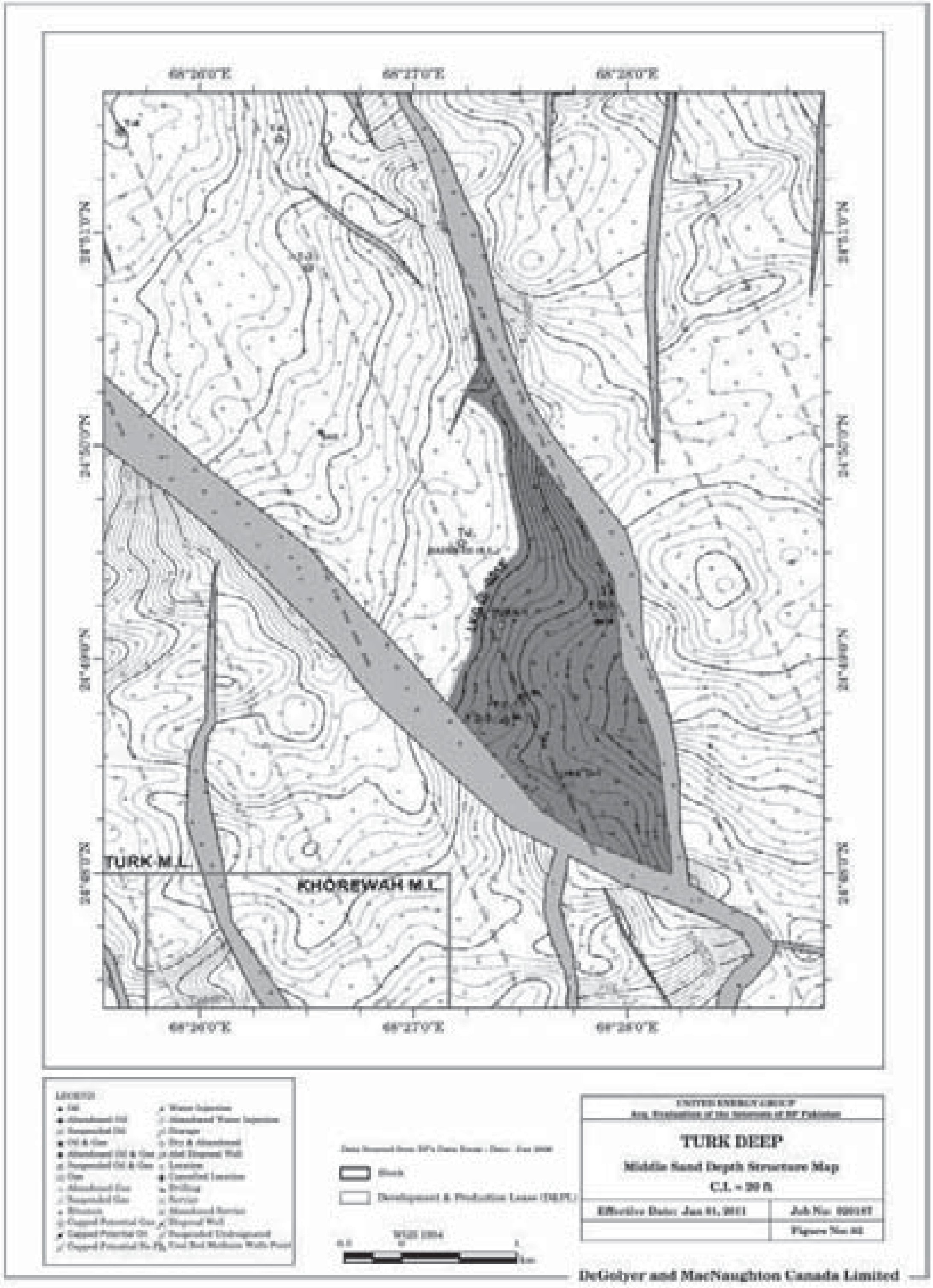


Figure 2 – Middle Sand Depth Structure Map



Umar

BP Pakistan (BPP) has a 51.3 percent working interest in the Umar field of Sindh Pakistan in the MKK Concessions as shown on the attached land plat (Figure 1). A total of one oil well has recorded production with one oil well currently producing on the company's acreage. The primary productive zone of interest is the Lower Goru for oil.

The field is a tilted fault block, trending north to south, with a three-way dip structure with oil accumulations in the Lower Goru sands (Figure 2) and in the Upper Basal zone. One well has been drilled on the structure which has encountered oil reservoirs. BP mapping was reviewed for reasonableness and compared with prior maps prepared by DeGolyer and MacNaughton over a period of 20 years.

Hydrocarbons were first produced from the field in January 2004 and reached a maximum production rate of 2,144 barrels per day from one well in May 2004. There is currently one oil well producing 48 barrels per day. Proved and probable producing reserves were assigned based on production decline analysis. In the proved plus probable case, the field is forecast to produce economically beyond 2025.

Proved and probable undeveloped reserves were assigned to the water flood scheme planned for this field and the drilling of two future locations based on analogy to offset producers. The work was scheduled for 2012 and 2013 at a cost of US$300 thousand and US$1.892 million respectively.

Figure 1 – Property Index Map

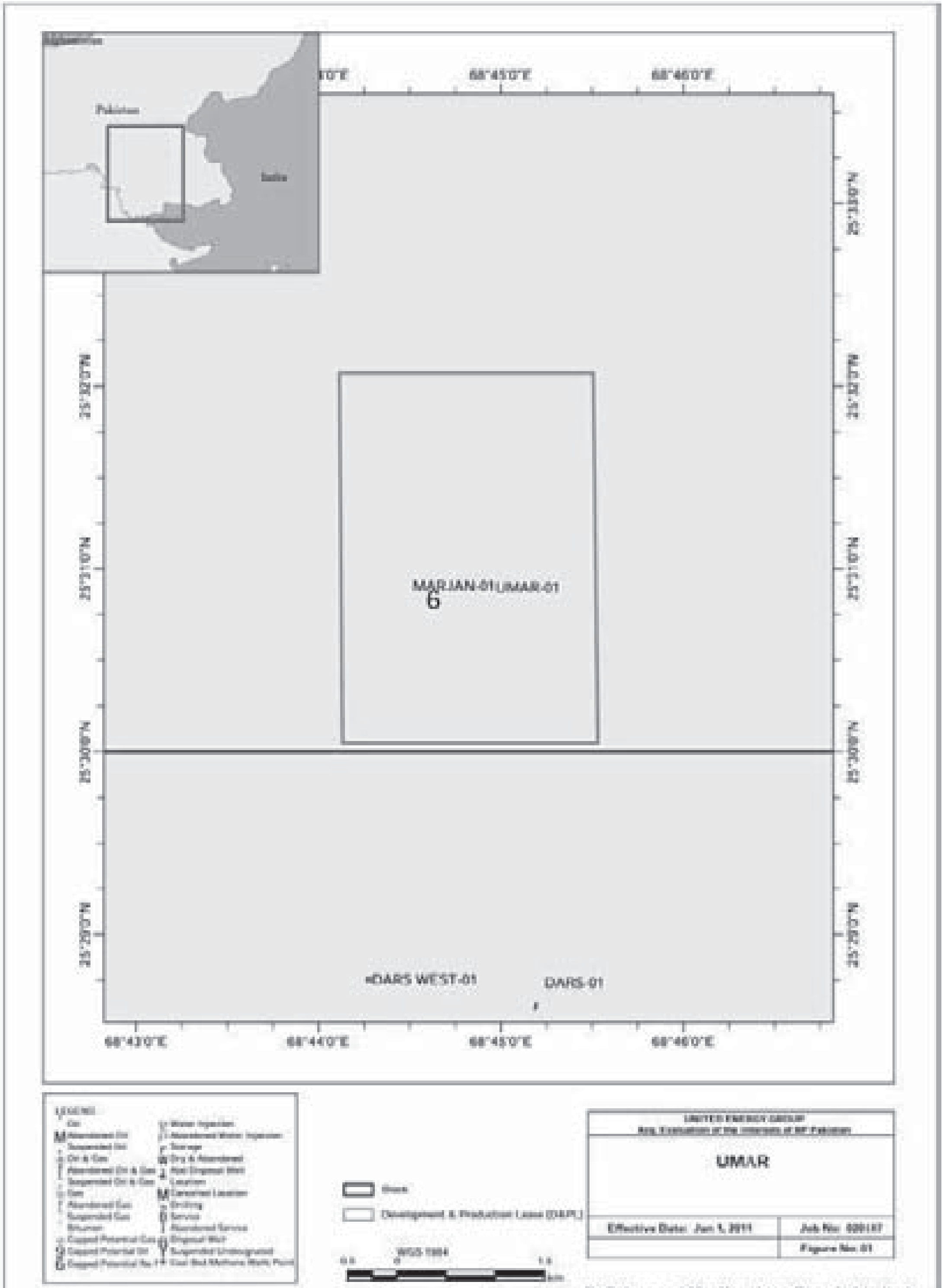
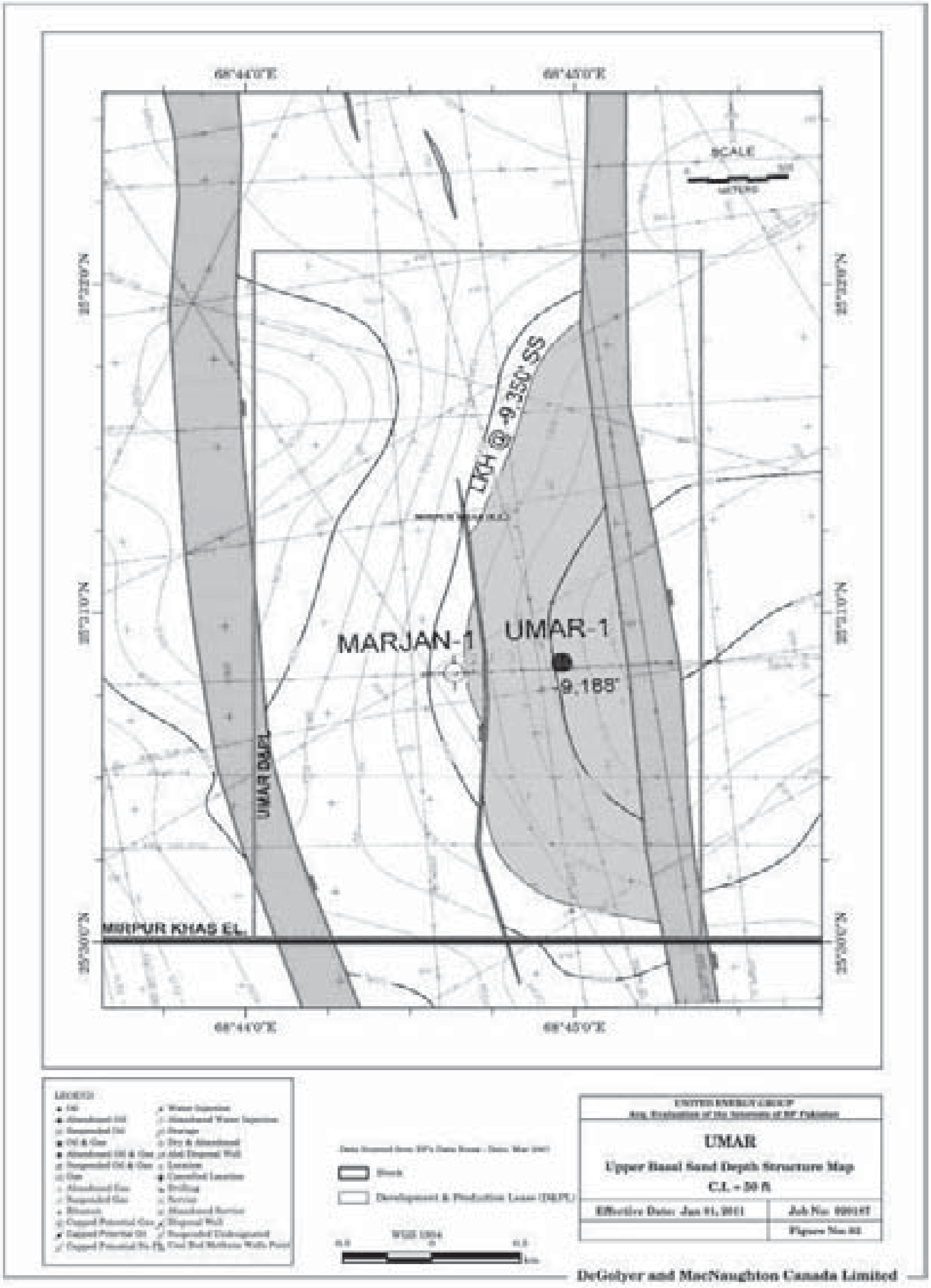


Figure 2 – Upper Basal Sand Depth Structure Map



Zaur

BP Pakistan (BPP) has a 51 percent working interest in the Zaur field of Sindh Pakistan in the Badin II concession as shown on the attached land plat (Figure 1). A total of sixteen oil wells have recorded production with eight oil wells currently producing on the company's acreage. The primary productive zone of interest is the Lower Goru for oil.

The Zaur field is bounded by multiple, elongated fault blocks, trending in a north to south direction, three-way dip structure with gas and oil accumulations in the Middle and Lower Goru sands (Figures 2 to 5) and gas over oil accumulations in the Lower "A", "B" and "C" zones. There are 19 wells that have been drilled on the structures, sixteen of which encountered gas and oil reservoirs. BP mapping was reviewed for reasonableness and compared with prior maps prepared by DeGolyer and MacNaughton over a period of 20 years.

Hydrocarbons were first produced from the field in 1994 and reached a maximum production rate of 3,134 barrels per day from nine wells in 2004. There are currently ten oil wells producing 821 barrels per day. Proved and probable producing reserves were assigned based on production decline analysis. In the proved plus probable case, the field is forecast to produce economically until 2020. Zaur-18 was drilled in June 2010 and was tested at 33 Mcf per day. No reserves were assigned to this well at this time.

No development activities are anticipated at this time.

Figure 1 – Property Index Map

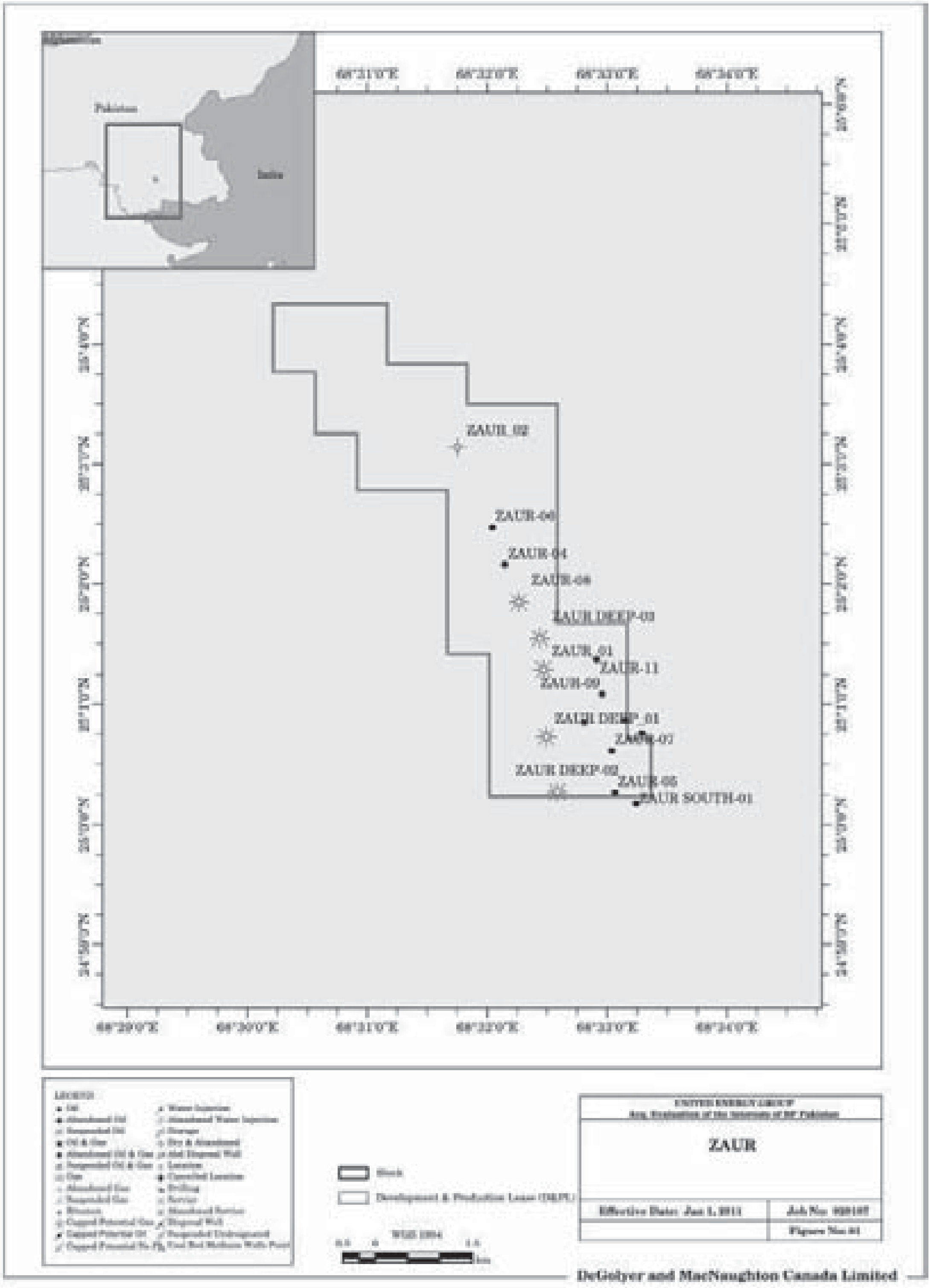


Figure 2 – Lower Goru A Sand Depth Structure Map

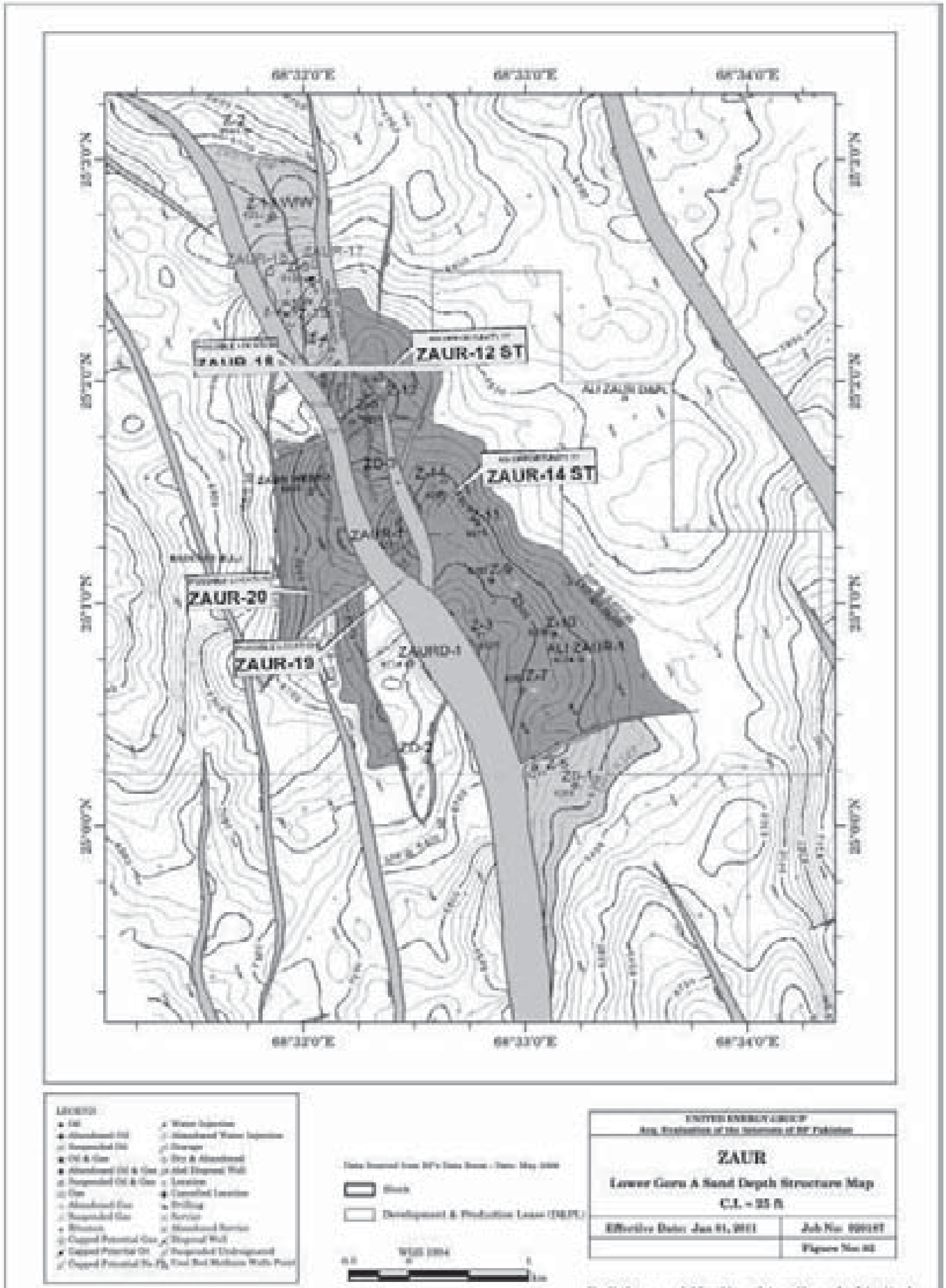


Figure 3 – Lower Goru B Sand Depth Structure Map

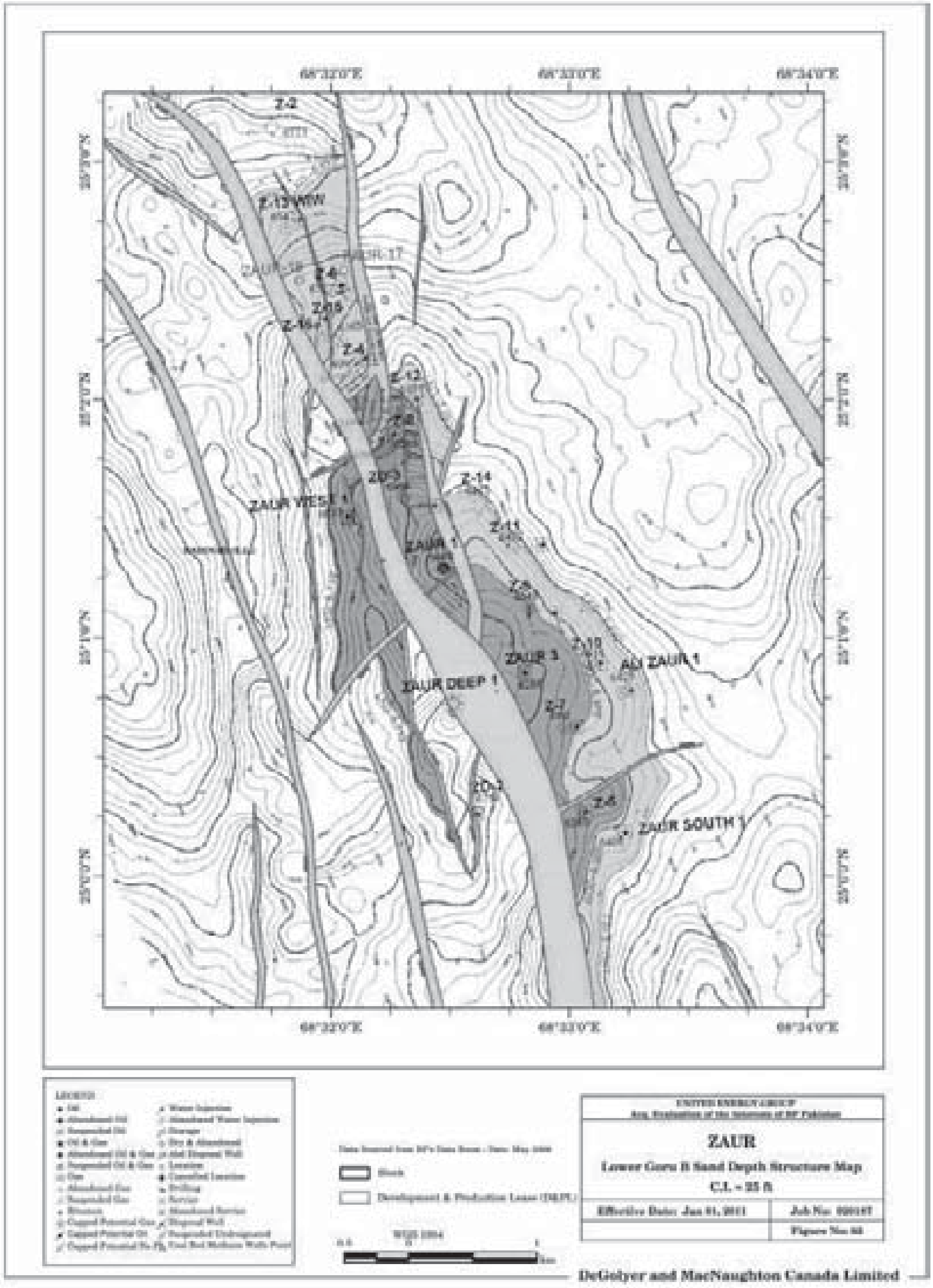


Figure 4 – Lower Goru C Sand Depth Structure Map

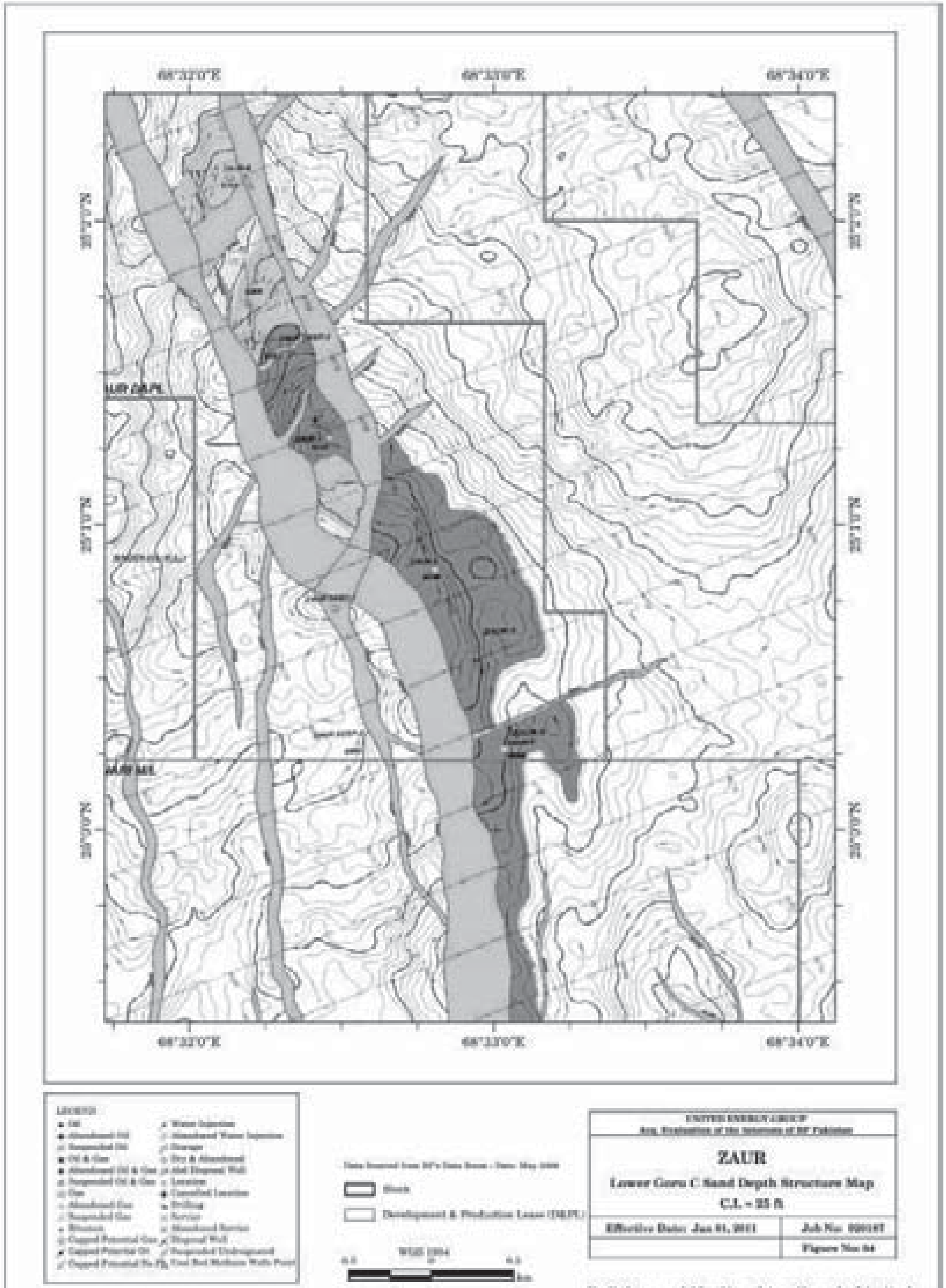
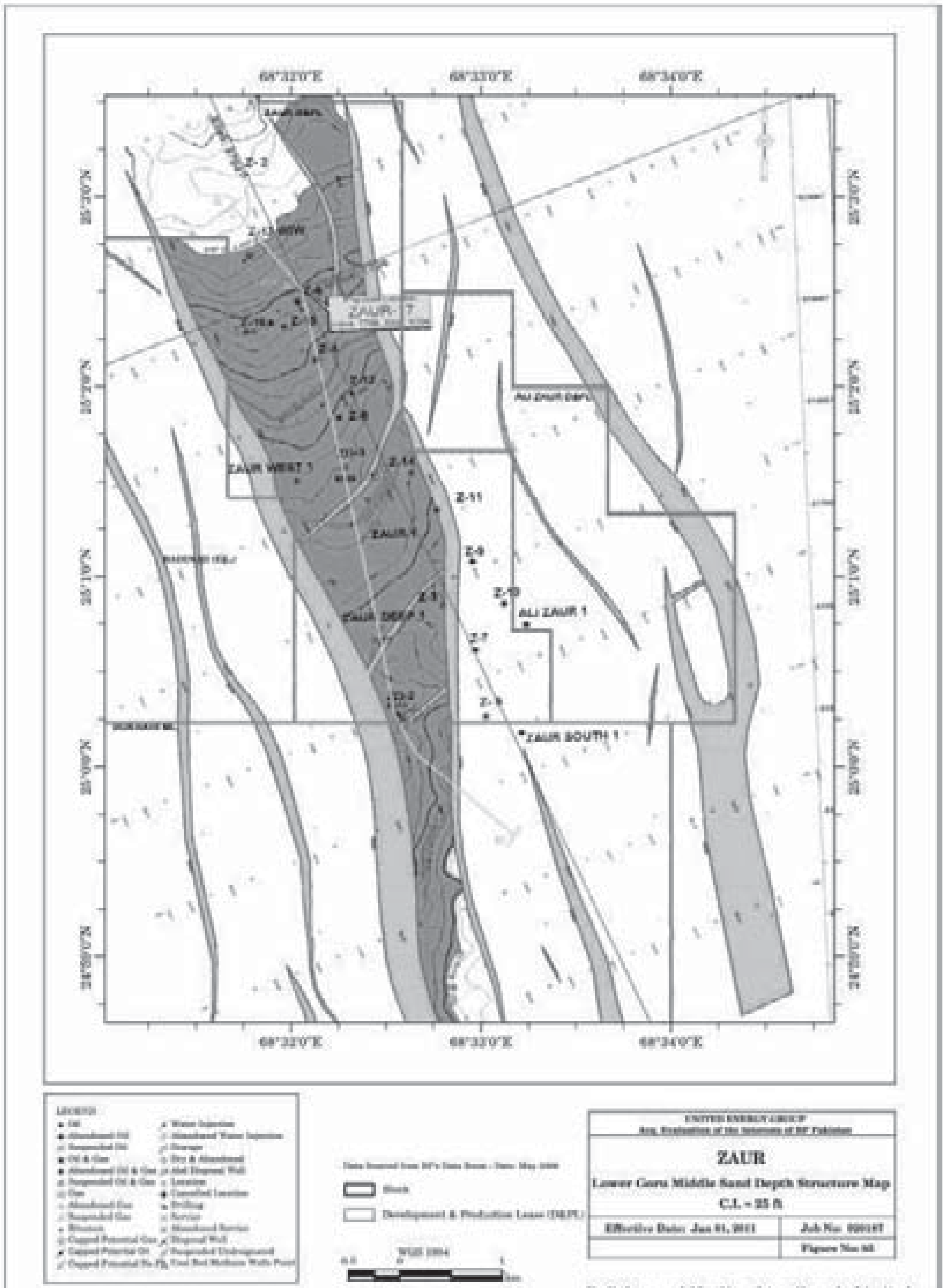


Figure 5 – Lower Goru Middle Sand Depth Structure Map



The following is the text of the Valuation Report issued by DeGolyer and MacNaughton, the independent competent evaluator, for the purpose of inclusion in this circular.

EVALUATION OF THE
OIL, GAS, NATURAL GAS LIQUIDS INTERESTS OF
THE BUSINESS

FAIR MARKET VALUE

Prepared for:
UNITED ENERGY GROUP LIMITED

Effective date:

January 1, 2011

Prepared by:
DEGOLYER AND MACNAUGHTON CANADA LIMITED
Calgary, Alberta, Canada

DEGOLYER AND MACNAUGHTON CANADA LIMITED
311 SIXTH AVENUE S.W., SUITE 1430
ENERGY PLAZA EAST TOWER
CALGARY, ALBERTA, CANADA, T2P 3H2

May 12, 2011

United Energy Group Limited
Suite 2505, 25/F, Two Pacific Place
88 Queensway
Hong Kong
Attn: The Board of Directors

Re: Fair Market Value Determination of the Oil, Gas and Natural Gas Liquids Assets of the Business – Effective January 1, 2011.

Dear Sir,

Pursuant to the request of United Energy Group Limited (the "Company"), we have prepared a Fair Market Value ("FMV") Determination based on the Evaluation of the Business with an effective date of January 1, 2011 in the onshore properties at the Badin Concessions (Badin-I, Badin-II, Badin-II Revised, Badin-III, Mehran concessions), the MKK Concessions and the DSS Concessions located in the Sindh province of Pakistan and the offshore assets which include Offshore Blocks S, U, V and W of the Sellers' offshore concessions (the "BPP Properties"). Each property, where proved or probable additional reserves are identified, has been evaluated individually with respect to interests, burdens, geology, reservoir characteristics, production history, and economic factors influencing the future revenues obtained from the net remaining reserves. This report was prepared for inclusion in the circular to shareholders of the Company in connection with its proposed acquisition of the Sellers' interests in those properties. This report should also be read concurrently with the Competent Person's Report prepared by DeGolyer and MacNaughton, where detailed technical information and data are considered.

This report identifies the property appraised, describes the scope of work, states the basis of value, specifies key inputs and assumptions, explains the valuation methodology utilized, and presents our conclusion of value developed in accordance with the reporting standards of the Code for Technical Assessment and Valuation of Mineral and Petroleum Assets and Securities for Independent Expert Reports ("VALMIN Code"). This letter is intended to present only a summary discussion of the data, reasoning, major assumptions and analyses that were used by DeGolyer and MacNaughton to develop the opinion of value. Supporting documentation concerning these matters has been retained in our work papers.

Any discrepancies in any table in this report between the total shown and the sum of the amounts listed are due to rounding.

Based on the results of our investigations and analysis outlined below, we are of the opinion that the FMV of the BPP Properties as of January 1, 2011 is reasonably stated as **US$781 Million**.

PURPOSE OF VALUATION

The Company intends to acquire the BPP Properties from the Sellers ("Proposed Transaction"). This report was prepared for the determination of the FMV of the BPP Properties supportive to the purchase price the Company proposes to pay under the Proposed Transaction and for inclusion in the circular of the Company in connection with the Proposed Transaction.

An independent technical assessment of the BPP Properties ("Competent Person's Report") dated May 12, 2011 was undertaken by us in accordance with the Petroleum Resources Management System ("PRMS") adopted by the Society of Petroleum Engineers ("SPE"). The Competent Person's Report contains a description of the BPP Properties that we have not reproduced again here. With the Company's approval and as stipulated by the engagement agreement in formulating our opinion on the FMV of the BPP Properties, we relied upon completeness and accuracy of the geological, operational, and financial information provided by the Sellers referred below and the Company, including the Competent Person's Report.

At the time of preparation of the Competent Person's Report there were no discoveries, production nor data available that would be useful in the preparation of a reserves determination on the exploration assets of the MKK Concessions, the DSS Concessions and on the Offshore Blocks S, U, V and W. The Competent Person's Report is restricted to the developed reserves and undeveloped reserves only in association with the developed reserves up to a reserve classification of proved-plus-probable reserves. DeGolyer and MacNaughton's evaluation of the exploration assets of the MKK Concessions, the DSS Concessions and the Offshore Blocks S, U, V and W confirms that there is no proved plus probable petroleum reserve in these properties. Therefore, no economic values are attached in the Competent Person's Report to the exploration assets of the MKK Concessions, the DSS Concessions and the Offshore Blocks S, U, V and W in accordance with the requirement of Chapter 18 of the Listing Rules.

The intended use of the FMV Determination is to serve as an internal reference for the assessment of the purchase price for the Proposed Transaction of the Company. The ultimate transaction and the corresponding acquisition price are the result of negotiations between the transacting parties. Our valuation only forms part of the information for the Company to consider and the responsibility for determining the acquisition price of the BPP Properties rests solely with the Company. The results of our analysis should not be construed to be a fairness opinion, a solvency opinion, or an investment recommendation. It is inappropriate to use our valuation report for purpose other than its intended use or by third parties. These third parties should conduct their own investigation and independent assessment of the financial projections and underlying assumptions.

INFORMATION SOURCES AND VALUATION ASSUMPTIONS

In the preparation of this report we have relied upon information furnished by the Sellers' information in its data room with respect to the property interests to be evaluated, production from such properties, current costs of operation and development, current prices for production, agreements relating to current and future operations and sales of production, terms of special permits, and various other information and data that were accepted as represented. Although we have not had independent verification, the information used in this report appears reasonable. We have no reasons to suspect that any material facts have been omitted, nor are we aware of any facts or circumstances, which would render the information, opinion and representations made to us to be untrue, inaccurate or misleading.

The valuation was conducted within the context of DeGolyer and MacNaughton's understanding of the effects of petroleum legislation, taxation and other regulations that currently pertain to the various properties.

A number of assumptions had to be established in order to sufficiently support our FMV of the assets. The major assumptions adopted in the valuation are:

Oil and Natural Gas Liquids Prices

Light/Medium oil price factor were calculated using a benchmark Arab Medium 31 degree API reference price based on 12 months first week average differential to Brent first day of each month price for 12 months of 2010 (SEC standard). This factor was then applied to the DeGoyler and MacNaughton's Brent Blend Oil price forecast. The price differentials were applied to each field based on actual price received as compared with Arab Medium API 31. An annual escalation of 2 percent per year was applied after the first 12 years of the schedule found in Table A. The weighted average oil price for the proved reserves over the lives of the properties was US$84.97/bbl. The natural gas liquids prices were derived from revenue statements for 11 months of 2010. No escalation was applied to the natural gas liquids. The weighted average natural gas liquids price for the proved reserves over the lives of the properties was US$84.52/bbl.

Natural Gas Prices

The Pakistan posted natural gas price for the first 6 months of 2010 was used for Badin Concessions at US$2.20 per thousand cubic feet found in Table A. An annual escalation of 2 percent was applied after the first year. For the MKK Concessions, the natural gas price was held constant at US$2.60 or US $2.70 per thousand cubic feet for various fields as per contractual agreements. Then the price differentials were applied to each field based on actual price received. The weighted average price for the proved reserves over the lives of the fields was US$3.17 per thousand cubic feet.

Taxes

All of the Pakistani properties evaluated herein are subject to Pakistani corporation tax. At the request of the Company, Pakistani federal and provincial corporation taxes were assessed on a consolidated basis taking into account the tax basis of the properties as provided by the Company and its tax consultant, Ernst and Young, of Houston. The Workers Profit Participation Fund (WPPF) of 5 percent applied before depletion allowance and Workers Welfare Fund (WWF) of 2 percent applied after depletion allowance have been included in the tax analysis.

During the preparation of the evaluation, DeGolyer and MacNaughton was provided the appropriate remaining tax pool as of December 31, 2010 and the rates of depreciation for such pool. This data was processed with the forecast of the before-tax cash flow to provide an after-tax cash flow. As the Business generates a moderate before-tax cash flow and as the purchase price is a deduction against future taxable income and as expenditures for exploratory activities are not included we find that cash flow from the developed assets becomes taxable in a few years after the Proposed Transaction. The result is that the after-tax cash flow analysis is a 10.8% reduction on the overall pre-tax value of the corporation.

The FMV, contained in this report, includes the low estimate based on these levels of taxation but should be considered only in the event that the assets continue to experience a moderate to low level of tax burden.

Abandonment Costs

The Company will be responsible for plugging and abandoning and decommissioning costs when wells cease to be capable of commercial production. We understand that the Sellers have undertaken a comprehensive decommissioning study. As of December 31, 2010, the accounts of the assets carried a deferred liability of US$31.7 million (HK$246,646,000) for costs of abandonment and decommissioning that will be incurred in the future in respect of the assets comprised in the Proposed Transaction.

Given the long-life aspect of these assets and the unknown impact of future exploration and development resulting in even further useful and extended life of the facilities, combined with the unknown implementation terms of abandonment and decommissioning (timing, extent, potential transfer of properties, salvage value, future wellbore utility, community and infrastructure growth), the Company has therefore assumed that the present value of the forecast abandonment costs to be minimal compared to the current value of the assets. Therefore, abandonment costs are not included in this report.

We understand that the anticipated costs of abandonment and decommissioning were taken into account by the Company in determining the purchase price.

BASIS OF VALUATION

As required by the VALMIN Code, the basis of value for the valuation of the BPP Properties is FMV. The VALMIN Code defines FMV as the amount of money (or the cash equivalent of some other consideration) for which the mineral or petroleum asset of security should change hands on the valuation date in an open and unrestricted market between a willing buyer and a willing seller in an "arm's length" transaction, with each party acting knowledgeably, prudently and without compulsion.

In arriving at our opinion, we have prepared an assessment of the FMV of the Company's interest in the crude oil, natural gas and natural gas liquids reserves located in the BPP Properties. The FMV determination assumes that a potential buyer and the seller are each knowledgeable representatives of petroleum operating companies, having specific knowledge of the subject areas of interest noted herein. The FMV determination gives consideration to the potential risk, the value of money or cost of capital, the future estimated trends in product pricing and industry factors relative to the competitiveness of the marketplace and the level of development activity in the specific areas. In particular consideration is given to each of following:

— risk is considered in the evaluation by adjusting the discounted cash flow rate – % per year to a higher level for areas of lower industry interest. The rates used elsewhere may be from 8% (high desire) to 20% (low desire). The country risk of Pakistan has been considered in arriving at a discount rate used in the discounted cash flow analysis. A discount rate of 10% is generally applied in the oil and gas industry to determine the fair market value of proved plus probable reserves before any country risk adjustments. After taking into account the geotechnical risks and country risks (see section headed "Risks" below), a discount rate of 15% has been used in the evaluation of the fair market value of the Business to address the marketability of the assets;

— balance between developed properties versus undeveloped or exploratory lands. Note that all of the evaluated properties in this study are developed and that no value has been assigned to upside exploratory potential as insufficient data was available to assess the exploratory potential of the undeveloped land;

— the hydrocarbon production forecast life;

— the specific nature of the production performance;

— the prices received for all marketable commodities being produced or forecast to be produced from these lands;

— the revenues;

— the royalty burdens;

— the operating costs;

— the future capital expenditures;

— the net cash flows;

— taxes that may become payable if not deferred through ongoing development expenditures; and

— the risk of long life cases being realized when expiry and renewal of lease/license agreements.

Additional factors may also include the current market demand in the region for oil, gas and natural gas liquids interests and the political risk or certainty of the retention of rights and interests in the area under terms and conditions that are historically consistent or predictable. We believe that market demand is currently low for Pakistan oil, gas and natural gas liquids interests and that political risk related to most of the forecast developments are low.

The FMV for all properties has been assessed and is contained in Table B of this report. Note, however, that the FMV for individual properties cannot be summed to determine the FMV of the BPP Properties.

FAIR MARKET VALUE DETERMINATION

Among the Badin Concessions and the MKK Concessions, a total of 77 properties have been evaluated. 17 properties have been evaluated as having no remaining oil or gas reserves and are therefore evaluated at no value. 59 properties have proved reserves (P90) that have been evaluated based on performance analysis of the historical production characteristics. One property has been evaluated as having only probable reserves while 51 properties have been evaluated as having incremental probable reserves that have been assigned based on additional development work and, in some cases, an assigned fraction of additional productivity that has a moderate likelihood (P50) of being achieved.

At the time of preparation of the Competent Person's Report there were no discoveries, production nor data available that would be useful in the preparation of a reserves determination on the exploration assets of the MKK Concessions, the DSS Concessions and on the Offshore Blocks S, U, V and W. DeGolyer and MacNaughton's evaluation of the exploration assets of the MKK Concessions, the DSS Concessions and the Offshore Blocks S, U, V and W confirms that there is no proved plus probable petroleum reserve in these properties. Therefore, no economic values are attached in this report to the exploration assets of the MKK Concessions, the DSS Concessions and the Offshore Blocks S, U, V and W in accordance with the requirement of Chapter 18 of the Listing Rules.

Valuation Methodology

Three general accepted valuation approaches have been considered in the valuation. They are the cost approach, the market approach and the income approach.

Cost Approach

The cost approach provides an indication of value based on the principle that an informed buyer will pay no more than the cost of producing substitute assets with equal utility as the subject assets. Under the cost approach, the historic cost method measures the cost incurred through the development of the subject assets at the time they were developed; the replication cost method measures the amount of investment that would be required to develop assets that are similar to the subject assets; and the replacement cost method measures the amount of investment that would be required to develop the subject assets as they currently stand. We are of the view that the cost approach may not adequately represent the value of the BPP Properties.

Market Approach

The market approach provides an indication of value by comparing the subject to similar businesses, business ownership interests or securities that have been sold in the market, with appropriate adjustments for differences between the comparable assets and subject assets. We believe that there is a lack of explicitly comparable companies or market transactions available in Pakistan to derive an indicative value of the assets with sufficient level of accuracy. However, as part of our reasonable checks on the value of the assets, a series of comparative values for marketable assets has been prepared for each property. These checks include reasonableness of the following:

— Value of a barrel of oil equivalent (boe) in the ground where the US$/boe value includes the purchase price and future capital requirements divided by the reserves assigned is in a range of US$4.00 – 20.00/boe for proven reserves and between US$1.50 – 10.00/boe for incremental probable reserves. This valuation places the proved–plus-probable reserves at a value of US$10.58/boe;

— The FMV should be in the range of US$6,000 – 50,000/daily boe for proven reserves and US$4,000 – 40,000/daily boe for incremental probable reserves based on the Business' share of current production rates. In this group of assets all but one properties is currently productive, but if they were not, consideration is given to lower value estimates for properties that are not productive for several years and/or may have a short expected life. Higher estimates of value are assigned to properties that are currently on production and have an expectation of many years of future production. Properties that generally derive their value through production of crude oil versus natural generally will have a higher assigned value as natural gas has a greatly depressed value per heating value equivalence than crude oil. This evaluation places the proved-plus-probable reserves at a value of US$31,487/daily boe;

— A ratio of undiscounted cash flow divided by price should be greater than 1.25 for proven reserves and/or greater than 1.50 for proved-plus-probable reserves. There are several exceptions to this as the FMV is sometimes more heavily weighted to probable reserves or that the project has some deferred start date thus increasing the undiscounted cash flow. This evaluation places the proved-plus-probable reserves at a ratio of 2.48;

— The higher than expected cash flow to FMV ratio is due to the reduction of FMV for country risk and for transaction of a few long life forecasts; and

— At no time should a buyer expect to pay more than the reserve-half-life undiscounted cash flow – the cumulative undiscounted cash flow at the point in time when the forecast remaining reserves is equal to the reserves forecast to have been produced from the effective date to the half life date. In this way a reduced FMV has been assigned to eleven properties that have long life reserves that may be at risk of not being realized. A maximum time to payout of the purchase price has been set at approximately 6 years. The aggregate time to payout based on the forecast proved plus probable reserves is 4.01 years.

Therefore, we conclude that the reasonable checks confirm that the value of the assets that we have derived is in the range of the series of comparative values.

Income Approach

The income approach provides an indication of value based on the principle that an informed buyer would pay no more than the present value of anticipated future economic benefits generated by the subject assets. Amongst the three approaches, the income approach was ultimately considered to be the most appropriate approach in this valuation, as it involves a more detailed analysis of expected cash flows and cost of capital for such cash flows.

Reserves and Production Profile

According to the Competent Person's Report, the working interest share of the proved and probable reserves attributed to the Business is approximately 73.9 MMboe.

As provided in the Competent Person's Report, the table below presents the aggregation of these forecasts for the first five years in thousands of barrels (Mbbl) and millions of cubic feet (MMcf) for the proved and proved plus probable reserves.

	Company Share Forecast Prices and Costs Case Net Production Forecast through 2015			
	Proved		**Proved plus Probable**	
Year	**Oil, Condensate, and LPG** *(Mbbl)*	**Sales Gas** *(MMcf)*	**Oil, Condensate, and LPG** *(Mbbl)*	**Sales Gas** *(MMcf)*
2011	2,212	33,410	2,416	38,046
2012	1,966	23,853	2,634	33,713
2013	1,461	18,223	2,304	29,029
2014	1,037	12,587	1,854	23,183
2015	796	9,360	1,542	19,099

Note: Probable reserves have not been adjusted for risk.

Selling Price

The selling price of oil and gas used in the analysis is set out under "Information Sources and Valuation Assumptions" above.

Future development expenses and operating expenses

Development expenses includes the costs to the end of life of the developed reserves. With reference to the Competent Person's Report, estimated company share future development expense attributable to BPP Properties in the total proved and proved plus probable reserves as of January 1, 2011 are summarized as follows expressed in thousands of U.S. dollars (M U.S.$):

	FUTURE DEVELOPMENT EXPENSE(1)			
	Forecast Prices & Costs		Constant Prices & Costs	
	For Proved Reserves *(M U.S.$)*	For Proved + Probable Reserves *(M U.S.$)*	For Proved Reserves *(M U.S.$)*	For Proved + Probable Reserves *(M U.S.$)*
YEAR				
2011	10,842	15,988	10,842	15,988
2012	10,398	16,458	10,194	16,135
2013	1,837	22,034	1,766	21,178
2014	–	–	–	–
2015	–	–	–	–
REMAINING	–	–	–	–
TOTAL	23,077	54,480	22,802	53,301

(1) Future Development Expenses shown are associated with booked reserves in the Competent Person's Report and do not necessarily represent the Company's full exploration and development budget.

Operating expenses include general and adminstrative expenses, depreciation and authorization as well as overhead. With reference to the Competent Person's Report estimated the Company's share future operating expenses attributable to BPP Properties in the total proved and proved-plus-probable reserves as of January 1, 2011 are summarized as follows expressed in thousands of U.S. dollars (M U.S.$):

	FUTURE OPERATING EXPENSES[1]			
	Forecast Prices & Costs		Constant Prices & Costs	
	For Proved Reserves *(M U.S.$)*	For Proved + Probable Reserves *(M U.S.$)*	For Proved Reserves *(M U.S.$)*	For Proved + Probable Reserves *(M U.S.$)*
YEAR				
2011	39,773	42,528	39,773	42,528
2012	36,630	43,692	35,912	42,835
2013	32,896	41,026	31,619	39,433
2014	28,003	38,129	26,388	35,929
2015	24,868	35,184	22,236	32,504
2016	22,753	33,182	19,028	30,521
2017	15,734	30,940	13,817	26,662
2018	14,051	29,267	12,232	24,697
2019	11,041	25,543	9,341	21,719
2020	9,992	21,869	7,972	17,852
REMAINING	36,000	261,863	26,165	179,286
TOTAL	271,741	603,223	244,483	493,966

(1) Future Operating Expenses shown are associated with booked reserves in the Competent Person's Report and do not necessarily represent the Company's full exploration and development budget.

SENSITIVITY ANALYSIS AND RESULTING FAIR MARKET VALUE – US$ Million

The results of the sensitivity analysis with changes incorporating a range of values described as HIGH, MEDIUM, LOW and FMV are as follows:

GROUP	HIGH *(M U.S.$)*	MEDIUM *(M U.S.$)*	LOW *(M U.S.$)*	FMV *(M U.S.$)*
Badin I concession	789.15	535.73	371.64	505.94
Badin II concession	100.85	84.87	72.49	66.80
Badin IIR concession	65.88	49.51	38.99	44.43
Badin III concession	3.19	2.25	1.49	1.92
Buzdar Unit	61.12	48.02	38.17	41.91
Mehran concession	0.18	0.17	0.15	0.10
Mirpur Khas concession(1)	30.54	21.48	15.36	17.79
Khipro concession(1)	135.90	100.00	76.99	102.56
Digri concession(1)	0	0	0	0
Sanghar South concession(1)	0	0	0	0
Offshore Block U(1)	0	0	0	0
Offshore Block V(1)	0	0	0	0
Offshore Block W(1)	0	0	0	0
Offshore Block S(1)	0	0	0	0
TOTAL	**1,186.82**	**842.03**	**615.27**	**781.46**

(1) DeGolyer and MacNaughton's evaluation of the exploration assets of the MKK Concessions, the DSS Concessions and the Offshore Blocks S, U, V and W confirms that there is no proved plus probable petroleum reserve in these properties. Therefore, no economic values are attached to the exploration assets of the MKK Concessions, the DSS Concessions and the Offshore Blocks S, U, V and W in accordance with the requirement of Chapter 18 of the Listing Rules.

HIGH – is the discounted cash flow value using a discount rate of 10% per year on proved–plus-probable reserves before tax

MEDIUM – is the value of the discounted cash flow using a discount rate of 15% per year on proved-plus–½ probable reserves before tax

LOW – is the most conservative interpretation of value where only the discounted cash flow using a discount rate of 15% per year for proved reserves only

FMV – is a combination of the above values but incorporating adjusted for each property where reductions from the MEDIUM case are made for:

– Possible tax payable (as taxes can be deferred through future expenditures on development and exploration) The tax payable assumes that the purchase price for the assets is a declining credit against future taxable income along with forecast capital expenditures as identified by DeGolyer and MacNaughton in preparation of the detailed evaluation;

– Reduction of assigned value for properties with long life reserves where the ½ life of the reserves exceeds 6 years.

A detailed tabulation of all properties sorted by FMV is included in Table B.

The value of assets is known to fluctuate with positive and negative changes in commodity prices and negatively with political strife. In much of the history of Pakistan there have been stable dictatorships or democratically elected governments that, while sometimes troubled, there has generally been a level of policy stability for the petroleum industry. Such policies are not always strongly encouraging in price for the commodities (particularly gas) but they have been clear and predictable for long periods of time. The gas price in Pakistan is somewhat depressed relative to other markets in the world which lowers the present value of gas weighted assets. Oil and petroleum liquids have been slightly discounted against the world markets but are fair and are forecast to remain so. The tax burdens in Pakistan are fair and predictable. All these factors are accounted for in the technical evaluation (as part of the preparation for the Competent Person's Report) and are reflected in the FMV determination. When weighting proved and probable reserves, we have discounted the fraction cash flow attributed to probable reserves at 50%. We have included the full tax burden net of purchase price deductability. We have reduced the value of the assets for a few properties that have been forecast as having extended life that may have more uncertainty than the shorter life properties. Commodity prices are forecast to increase moderately over time. The current bump in oil price has not been included in the evaluation. Gas price, where free to move as a function of petroleum pricing, is included in the evaluation and where gas prices are fixed by contract no escalation is applied. On the latter point it should be noted that some contracts in Pakistan have been in effect for over 50 years and the pricing has remained fixed with only an allowance for increased operating expenses. This is one of the strongest reasons to hold gas values at the contracted level even though some contracts entered into in the last 15 years have seen revisions from time to time.

Future Variances from the stated FMV

As the cost of equity financing, cost of borrowing, and the cost of general and administrative expenses is unique to each corporation it is not possible to determine the value appropriate to each potential buyer. The FMV determination represents a value that is reasonable and appropriate for the assets as defined in the evaluation. Variations of values may result from time to time due to:

— Changes in commodity price

— Changes in reserve quantities resulting from depletion, performance adjustments and risk in the development of reserves

— Changes in the timing of development

— Changes in operating costs

— Changes in capital costs

— Changes in regulatory factors and royalty burdens

No comparison to adjusted book value of the assets of the Sellers have been undertaken at this time as data was not available to do so.

THE ESTIMATED FAIR MARKET VALUE FOR THESE ASSETS IS US$781 Million.

RISKS

Petroleum property valuation has inherent risk associated with them that principally pertain to the subsurface indirect measurement of the quantities and qualities of the resources.

a. Geological uncertainty is the primary variable in the assessment of the recoverable quantities of hydrocarbons from the formations located several thousand meters below the surface. Well-bore measurements are made to help quantify the resource and reservoir rock properties. Properties of each are measured and mapped to the extent of the control available within each accumulation.

b. Production characteristics of oil and gas reservoirs may provide evidence of the long term behaviour expected in each reservoir. The degree to which accurate reporting of reservoir pressure and production relationships and the inherent uncertainty of naturally occurring influences on such measurements make determination of the long term production performance of a reservoir somewhat problematic. The longer the historical analysis has been undertaken the better the interpretation of future performance of wells.

c. The production and processing of hydrocarbon products is a well defined activity which does not have a great deal of uncertainty. Once the commodity type is defined processing facilities and production equipment are readily obtained to effect production. The economic burden of certain complex processes, however, may lead to the economic viability of the reserves or resource being at risk. The presence of unwanted by-products such as water, sour or poisonous gases and deleterious compounds may have to be recovered and safely disposed of at an expense.

d. The Pakistan climate is well suited to low cost operations as annual fluctuation in conditions are predictable and not generally too severe. Occasional flooding may occur in low lying areas that may interrupt production for at most a few weeks per year.

e. All hydrocarbon commodities are in great demand in Pakistan and hence market access and increases in contract sales quantities is not believed to be of concern.

f. Country risk for Pakistan has not been too significant. However, in this evaluation we have selected a higher discount factor for the initial technical valuation as has been the case for 15 years or more. Occasional labour strikes and civil unrest have interrupted hydrocarbon production activities in some parts of the country. But it is our understanding that in Sindh province this has been minimal.

g. Oil in place and potential recovery as noted above in the geological discussion may be significantly uncertain. All modern methods of analysing seismic, geological, petrophysical and operational conditions including rates of production, reservoir pressure depletion and other measurable parameters have been incorporated in the interpretation prepared by DeGolyer and MacNaughton and evidenced in the data provided by the Company. There is no certainty that the interpretation will not change as more information becomes available.

h. The resulting FMV is equivalent to a discount rate of 23.1% on cash flow forecast to be realized from the proved-plus-probable reserves.

The extent and character of ownership and all information related to revenues and expenses, budgeted expenditures and other data were accepted as obtained through the Company's data room. Only direct field expenditure and income have been evaluated in this report. General and Administrative expenses and other incomes (if any) are not evaluated herein. No field inspection was conducted by DeGolyer and MacNaughton nor was one considered necessary. This report has been prepared for the exclusive use of the Company and no part of this report shall be reproduced distributed or made available to any other person, company, regulatory body or organization without the knowledge and consent of the author.

INDEMNIFICATION OF THE COMPETENT EVALUATOR

DeGolyer and MacNaughton has entered into an agreement with United Energy Group Limited which indemnifies DeGolyer and MacNaughton for mis-statements arising from the reliance upon data or interpretation provided by the Company or access to information as provided by the Company. DeGolyer and MacNaughton is not indemnified for acts of fraud performed by its management or staff.

Professional Qualifications

DeGolyer and MacNaughton Canada Limited is an Alberta Corporation with offices at 311 – 6th Avenue S.W., Suite 1430, Calgary, Alberta T2P 3H2, Canada. The firm is a subsidiary of DeGolyer and MacNaughton which has been providing petroleum consulting services throughout the world since 1936. The firm's professional engineers, geologists, geophysicists, petrophysicists, and economists are engaged in the independent appraisal of oil and gas properties, evaluation of hydrocarbon and other mineral prospects, basin evaluations, comprehensive field studies, equity studies, and studies of supply and economics related to the energy industry. Except for the provision of professional services on a fee basis, DeGolyer and MacNaughton has no commercial arrangement with the Company. We operate under the Permit to Practice #05568 issued by the Association of Professional Engineers, Geologists and Geophysicists of Alberta (APEGGA) in the province of Alberta, which is a Recognised Professional Organisation (as defined in Chapter 18 of the Listing Rules), and we hold all necessary licences for being the Competent Evaluator.

We are independent of the Company, the Sellers, their respective directors, senior management, and advisers, in compliance with Rule 18.22 of the Rules Governing the Listing of Securities on the Stock Exchange of Hong Kong Limited.

The evaluation has been supervised by Mr. Colin P. Outtrim. Mr. Outtrim, President, with DeGolyer and MacNaughton Canada Limited, a Registered Professional Engineer in the Provinces of Alberta and British Columbia, Canada, has 38 years of oil and gas industry experience and 34 years of applicable evaluation experience.

Submitted,

SIGNED: May 12, 2011

DeGOLYER and MacNAUGHTON
CANADA LIMITED

Colin P. Outtrim, P.Eng.

CERTIFICATE OF QUALIFICATION

I, Colin P. Outtrim, Professional Engineer, of 1430, 311 Sixth Avenue S.W., Calgary, Alberta, Canada hereby certify:

1. I am an employee of DeGolyer and MacNaughton Canada Limited, which prepared an appraisal report of certain Pakistani oil, gas and natural gas liquids properties of United Energy Group Limited. The effective date of this evaluation is January 1, 2011.

2. I am independent of United Energy Group Limited, BP Pakistan, their respective directors, senior management, and advisers, in compliance with Rule 18.22 of the Rules Governing the Listing of Securities on the Stock Exchange of Hong Kong Limited.

3. I attended the University of British Columbia and I graduated with a Bachelor of Applied Science Degree in Geological Engineering in 1973; I am a Registered Professional Engineer in the Provinces of Alberta and British Columbia and that I have in excess of thirty-eight years experience in the Petroleum Industry of which thirty-four years experience are in the conduct of evaluation and engineering studies relating to worldwide oil and gas fields. Mr. Outtrim is a member of the Society of Petroleum Engineers and a member of the United Nations Framework Classification Committee for Petroleum Reserves and Resources.

4. A personal field inspection of the properties was not made; however, such an inspection was not considered necessary in view of the information available from public information and records, the files of United Energy Group Limited, and the appropriate provincial regulatory authorities.

SIGNED: May 12, 2011

President
Colin P. Outtrim, P.Eng.
DeGOLYER and MacNAUGHTON
CANADA LIMITED

Table A – DeGolyer and MacNaughton Canada Limited Price Forecast

YEAR	**Brent Blend** *U.S.$/BBL*	**Arab Medium 31 Degree API** *U.S.$/BBL*	**Pakistan Posted Gas Price** *U.S.$/Mcf*
2011	$91.00	$86.85	$2.20
2012	$91.78	$87.59	$2.24
2013	$92.64	$88.41	$2.29
2014	$94.57	$90.25	$2.33
2015	$97.58	$93.13	$2.38
2016	$99.58	$95.03	$2.43
2017	$101.61	$96.97	$2.48
2018	$103.68	$98.95	$2.53
2019	$105.79	$100.96	$2.58
2020	$107.95	$103.02	$2.63
2021	$110.15	$105.12	$2.68
2022	$112.39	$107.26	$2.74
2023	+2.0% Thereafter	+2.0% Thereafter	+2.0% Thereafter

Table B – Detailed Tabulation of All Properties Sorted by FMV

Company Share Fair Market Value Summary

Country **Field**	**Fair Market Value** *(MM$)*
Pakistan	
Jogwani	53.95
Khorewah	36.96
Turk Deep	16.77
Kamal North	90.45
Budzar South Deep	41.08
Duphri	21.54
Sonro	53.48
Missri	58.64
Turk	6.15
South Mazari Deep	51.07
Halipota	80.58
Tangri	19.62
Bhatti	5.25
Kauser-Usman	7.17
Golarghi	3.15
Jagir	34.93
Baqar Deep	11.89
Naimat Basal	10.67
Meyun Ismail Deep	7.53
Bukhari Deep	7.19
Tando Ghulam Ali	9.79
South Mazari	20.56
Zaur	20.82
Laghari	10.86
Umar	7.48
Subtotal	**687.59**
Other	93.87
Total	**781.46**

Country Field	Fair Market Value *(MM$)*
Block Subtotals	
Badin I	505.94
Badin II	66.80
Badin IIR	44.43
Badin III	1.92
Buzdar Unit	41.91
Mehran	0.10
Mirpur Khas*(Note)*	17.79
Khipro*(Note)*	102.56
Digri*(Note)*	0
Sanghar South*(Note)*	0
Offshore Block U*(Note)*	0
Offshore Block V*(Note)*	0
Offshore Block W*(Note)*	0
Offshore Block S*(Note)*	0
Total	**781.46**

Note: DeGolyer and MacNaughton's evaluation of the exploration assets of MKK Concessions, the DSS Concessions and the Offshore Blocks S, U, V and W confirms that there is no proved plus probable petroleum reserve in these properties. Therefore, no economic values are attached to the exploration assets of MKK Concessions, the DSS Concessions and the Offshore Blocks S, U, V and W in accordance with the requirement of Chapter 18 of the Listing Rules.

1. RESPONSIBILITY STATEMENT

This circular, for which the Directors collectively and individually accept full responsibility, includes particulars given in compliance with the Listing Rules for the purpose of giving information with regard to the Company. The Directors, having made all reasonable enquiries, confirm that to the best of their knowledge and belief the information contained in this circular is accurate and complete in all material respects and not misleading or deceptive, and there are no other matters the omission of which would make any statement herein or this document misleading.

2. DISCLOSURE OF DIRECTORS' INTERESTS

As at the Latest Practicable Date, the following Directors and chief executive of the Company were interested, or were deemed to be interested in the following long and short positions in the shares, underlying shares and debentures of the Company and any of its associated corporations (within the meaning of Part XV of the SFO) which (a) were required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO; or (b) were required, pursuant to Section 352 of the SFO to be entered in the register referred to therein (the "Register"); or (c) were required, pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers adopted by the Company, to be notified to the Company and the Stock Exchange:

Name of Director	Interests in Company or Associated Corporations	Nature of interest	Number of Shares Long Position	Number of Shares Short Position	Approximate% shareholding
Zhang Hong Wei	The Company	Attributable interest of controlled corporation	8,701,240,115	–	68.1 (Note 1)
Zhang Meiying	The Company	Beneficial owner	10,000,000	–	0.078 (Note 2)
Zhu Jun	The Company	Beneficial owner	1,443,000	–	0.01
Andrew Leo Kirby	The Company	Beneficial owner	10,000,000	–	0.078 (Note 3)

Note:

1. Out of the 8,701,240,115 shares, 5,128,169,125 shares were beneficially held by He Fu International Limited, 2,223,726,708 shares were beneficially held by United Petroleum & Natural Gas Holdings Limited, and 1,349,344,282 shares were beneficially held by United Energy Holdings Limited. He Fu International Limited, United Petroleum & Natural Gas Holdings Limited and United Energy Holdings Limited are companies wholly-owned by Mr. Zhang Hong Wei. Therefore, Mr. Zhang Hong Wei is deemed to be interested in those 8,701,240,115 shares.

2. Share options which entitle Ms. Zhang Meiying to subscribe for an aggregate 100,000,000 ordinary shares of the Company at an exercise price of HK$1.56 per share were granted to Ms. Zhang Meiying on 4 December 2007 under the share option scheme adopted by the Company on 11 May 2006. On 30 September 2010, 90,000,000 of these options granted to Ms. Zhang Meiying were cancelled.

3. Share options which entitle Mr. Andrew Leo Kirby to subscribe for an aggregate 10,000,000 ordinary shares of the Company at an exercise price of HK$1.15 per share were granted to Mr. Andrew Leo Kirby on 17 May 2011 under the share option scheme adopted by the Company on 11 May 2006.

Save as disclosed above, as at the Latest Practicable Date, none of the Directors nor chief executive of the Company was interested, or was deemed to be interested in the long and short positions in the shares, the underlying shares and debentures of the Company or any associated corporations, which were required to be notified to the Company and the Stock Exchange or were required to be entered in the Register as aforesaid.

3. DIRECTORS' SERVICE CONTRACTS

As at the Latest Practicable Date, none of the Directors had entered, or proposed to enter, into a service contract with any member of the Enlarged Group which is not determinable by the relevant member of the Enlarged Group within one year without payment of compensation, other than statutory compensation.

4. DIRECTORS' INTERESTS IN ASSETS

As at the Latest Practicable Date, none of the Directors had any direct or indirect interests in any assets which had been acquired or disposed of by, or leased to, or which were proposed to be acquired or disposed of by, or leased to, any member of the Enlarged Group since 31 December 2010, being the date to which the latest published audited accounts of the Group were made up.

5. DIRECTORS' INTERESTS IN CONTRACTS

As at the Latest Practicable Date, none of the Directors is materially interested in any contract or arrangement entered into by any member of the Enlarged Group subsisting as at such date and which is significant in relation to the business of the Enlarged Group.

6. DIRECTORS' INTEREST IN COMPETING BUSINESS

As at the Latest Practicable Date, none of the Directors or their respective associates was considered to have interests in businesses apart from the business of the Group which compete or are likely to compete, either directly or indirectly, with the businesses of the Group pursuant to the Listing Rules.

7. EXPERTS

(a) The following is the qualifications of the experts who have given opinions or advice in this circular:

Name	Qualification
RSM Nelson Wheeler (Reporting Accountants of the unaudited pro forma financial information)	Certified Public Accountants, Hong Kong
A.F. Ferguson & Co. (a member firm of PricewaterhouseCoopers International, Reporting Accountants of the Business)	Chartered Accountants, Pakistan
DeGolyer and MacNaughton	Independent Competent Person and Competent Evaluator as defined in the Listing Rules

(b) As at the Latest Practicable Date, none of the experts listed in paragraph (a) above have any shareholding in any member of the Group or any right (whether legally enforceable or not) to subscribe for or to nominate persons to subscribe for any securities in any member of the Group.

(c) None of the experts listed in paragraph (a) above have any direct or indirect interest in any assets which had been acquired or disposed of by, or leased to, or which are proposed to be acquired or disposed of by, or leased to, any member of the Enlarged Group since 31 December 2010, the date to which the latest published audited financial statements of the Enlarged Group were made up.

(d) All of the experts listed in paragraph (a) above have given and have not withdrawn their written consents to the issue of this circular with inclusion of their respective letter or reports and references to their names in the form and context in which they appear.

8. MATERIAL CONTRACTS

The following contracts (not being contracts entered into in the ordinary course of business) have been entered into by the members of the Enlarged Group within two years immediately preceding the Latest Practicable Date and are or may be material:

(a) The Group

(i) the divestment agreement dated 20 August 2009 and entered into between the Company, Glimmer Stone Investments Limited and Wong Sik Kam pursuant to which the Glimmer Stone Investments Limited agreed to redeem all the redemption shares held by the Company for the consideration of HK$116,257,000 and the Company agreed to sell 26,300 ordinary shares in the capital of Glimmer Stone Investments Limited to Wong Sik Kam for the consideration of HK$20,514.

(ii) the service agreements dated 19 July 2010 and entered into between the Company, Tung Tai Asset Management Limited ("Tung Tai") and Joy Wealth International Limited ("Joy Wealth") pursuant to which the Company engaged Tung Tai and Joy Wealth as consultants for provision of business development strategies and advisory services and agreed to issue to each of them unlisted warrants in the amount of HK$400,000,000.

(iii) the disposal agreement dated 13 September 2010 and entered into between the Company and 瀋陽通泰投資管理有限公司 (Shenyang Tongtai Investment Management Co., Ltd.) pursuant to which the Company agreed to dispose 71% of the registered capital of 瀋陽盛泰誠置業有限公司 (Shenyang Shengtaicheng Property Development Co., Ltd.) for the consideration of RMB32,750,000 (equivalent to approximately HK$37,640,000);

(iv) the Acquisition Agreement and the novation agreement dated 28 February 2011 by and among the Sellers, Gold Trade Group Limited and United Energy Pakistan Limited, whereby the rights and obligations of Gold Trade Group Limited under the Acquisition Agreement were novated to United Energy Pakistan Limited (the "Novation Agreement"); and

(v) the deed of guarantee dated 28 February 2011 made by the Company in favour of the Sellers whereby the Company guarantees to the Sellers the performance of all obligations of the Buyer under the Acquisition Agreement and the Novation Agreement.

(b) The Business

Other than the Acquisition Agreement and the Novation Agreement, there are no contracts (not being contracts entered into in the ordinary course of business) entered into by the Sellers in connection with the Business within two years immediately preceding the Latest Practicable Date.

9. LITIGATION

(a) The Group

As at the Latest Practicable Date, so far as the Directors are aware, no member of the Group was engaged in any litigation or claims of material importance and no litigation or claim of material importance was pending or threatened against any member of the Group.

(b) The Business

As at the Latest Practicable Date, the Sellers are involved in the following proceedings with respect to the Business which is or may be of material importance to the Business:

(a) appeal proceedings against the tax authorities of Pakistan in the High Court of Pakistan in respect of whether taxation of the Badin and MKK Concessions at the higher rate of 55% of profits or gains derived from the operations should be calculated before or after deduction of royalty. The Sellers have successfully defended its position in various appellate forums that the specified rate of taxation should be calculated after deduction of royalty, and the tax authorities of Pakistan have appealed to the High Court against these decisions. This is an industry wide issue encountered by other exploration and production companies in Pakistan and it is understood that other industry players have not been successful in their litigation. The matter has been adjourned multiple times and it is not clear when the matter will be resolved;

(b) appeal proceedings against the tax authorities of Pakistan relating to the calculation of depletion allowances, which is calculated at the lower of 15% of wellhead value or 50% of profits and gains of the Business. This is also an industry wide issue. The tax authorities of Pakistan have contended that royalty paid should be deducted from the wellhead value for the purposes of calculating the depletion allowance. To date, the orders passed have been in favour of the authorities. Depletion allowances claimed in respect of the Business in the past have been limited to 50% of profits and gains of the Business (which is lower than 15% of wellhead value); and

(c) proceedings against the tax authorities of Pakistan relating to the treatment of decommissioning costs as a business expense that should be allowed as a deduction as well as the unwinding of discount on the provision as an allowable deduction. This is also an industry wide issue. Prior to 2010, the tax law did not treat a provision for decommissioning cost as an admissible expenditure and as such, the tax authorities of Pakistan have disallowed prior provisions for decommissioning cost. However, the position on deducting decommissioning costs has since been resolved by changes to the tax law in June 2010 which allows deduction for decommissioning cost for projects that commenced production prior to 1 July 2010 over a period of 10 years or the remaining life of the development and production, whichever is less.

The Sellers have agreed under the Acquisition Agreement to indemnify the Buyer against any claims relating to taxation attributable to the ownership or operation of the Business prior to the Effective Date. Save as disclosed above, as at the Latest Practicable Date, so far as the Directors are aware, the Sellers were not engaged in any litigation or claims of material importance with respect to the Business and no litigation or claim of material importance was pending or threatened against the Sellers with respect to the Business.

10. VOTING AT THE SGM

Pursuant to Rule 13.39 of the Listing Rules, all votes of the Shareholders at a general meeting must be taken by poll. The chairman of the meeting will therefore demand a poll for every resolution put to the vote of the SGM pursuant to Bye-law 66 (a) of the Bye-laws.

The results of the poll will be published after the conclusion of the SGM on the websites of the Stock Exchange and of the Company.

11. GENERAL

(a) The registered office of the Company is situate at Clarendon House, Church Street, Hamilton HM11, Bermuda. The principal place of business of the Company in Hong Kong is situate at Unit 2505, 25/F., Two Pacific Place, 88 Queensway, Hong Kong.

(b) The share registrar of the Company is Tricor Secretaries Limited at 26th Floor, Tesbury Centre, 28 Queen's Road East, Wanchai, Hong Kong.

(c) The secretary of the Company is Hung Lap Kay. Mr. Hung is an associate member of HKICPA and fellow member of ACCA.

(d) In the event of any inconsistency, the English language text of this circular shall prevail over the Chinese language text.

12. DOCUMENTS AVAILABLE FOR INSPECTION

Copies of the following documents will be available for inspection at the principal place of business of the Company in Hong Kong at Unit 2505, 25/F., Two Pacific Place, 88 Queensway, Hong Kong during normal business hours on any Business Day from the date of this circular until the date of the SGM:

(a) this circular;

(b) the Acquisition Agreement;

(c) the memorandum and bye-laws of the Company;

(d) the Accountants' Report issued by A.F. Ferguson & Co., the text of which is set out in Appendix II of this circular;

(e) the accountant's report on the unaudited pro forma financial information on the Enlarged Group from RSM Nelson Wheeler, the text of the which is set out in Appendix III to this circular;

(f) the Competent Person's Report prepared by DeGolyer and MacNaughton, the text of which is set out in Appendix V to this circular;

(g) the Valuation Report prepared by DeGolyer and MacNaughton, the text of which is set out in Appendix VI to this circular;

(h) the annual reports of the Company for the two years ended 31 December 2010;

(i) the written consents referred to in the section headed "Experts" in this Appendix; and

(j) the material contracts referred to in the section headed "Material Contracts" in this Appendix.

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)

NOTICE OF SPECIAL GENERAL MEETING

NOTICE IS HEREBY GIVEN that the Special General Meeting of the Members of the Company will be held at Aberdeen (Level 3), JW Marriott Hotel Hong Kong, Pacific Place, 88 Queensway, Hong Kong on 15 July 2011 at 10:00 a.m. for the purposes of considering and, if thought fit, passing, with or without modifications, the following resolution as an ordinary resolution:

ORDINARY RESOLUTION

"**THAT** the acquisition and the performance by the Company and its subsidiaries of the transactions contemplated under the acquisition agreement dated 14 December 2010 by and among the purchaser, being Gold Trade Group Limited, and the vendors, being BP Pakistan Exploration and Production, Inc., BP Pakistan (Badin) Inc., and BP Exploration (Alpha) Limited (the "**Acquisition Agreement**"), and the novation agreement dated 28 February 2011 by and among the same parties and United Energy Pakistan Limited whereby the rights and obligations of Gold Trade Group Limited under the Acquisition Agreement were novated to United Energy Pakistan Limited (the "**Novation Agreement**"), be and are hereby confirmed and approved, and that the directors of the Company be and are hereby authorised to do all such acts and things, and to take such steps as they may consider necessary, desirable or expedient to give effect to or in connection with the Acquisition Agreement, Novation Agreement or any of the transactions contemplated thereunder."

By Order of the Board
Zhang Hong Wei
Chairman

Hong Kong, 24 June 2011

Notes:

(1) Any member entitled to attend and vote at the Special General Meeting is entitled to appoint another person as his proxy to attend and vote instead of him. A member who is the holder of two or more shares of the Company may appoint one or more proxies to attend and vote instead of him/her. A proxy need not be a member of the Company.

(2) A form of proxy for use at the meeting is enclosed.

(3) The form of proxy must be signed by you or your attorney duly authorised in writing or, in the case of a corporation, must be under its seal or the hand of an officer, attorney or other person duly authorised.

(4) The form of proxy and the power of attorney or other authority, if any, under which it is signed or a certified copy thereof must be lodged at the office of the Company's branch share registrar and transfer office in Hong Kong, Tricor Secretaries Limited, at 26th Floor, Tesbury Centre, 28 Queen's Road East, Wanchai, Hong Kong, not later than 48 hours before the time appointed for holding the Special General Meeting or any adjourned meeting (as the case may be) and in default the proxy shall not be treated as valid. Completion and return of the form of proxy shall not preclude members from attending and voting in person at the Special General Meeting or at any adjourned meeting (as the case may be) should they so wish.

(5) Where there are joint registered holders of any share, any one of such persons may vote at any meeting, either in personal or by proxy, in respect of such share as if he/she was solely entitled thereto, but if more than one of such joint holders be present at the meeting personally or by proxy, the vote of that one of the said persons so present whose name stands first on the register of members in respect of such shall be accepted to the exclusion of the votes of the other joint holders.

As at the date hereof, the Board of Directors comprises 4 executive directors, namely Messrs. Zhang Hong Wei, Zhu Jun, Zhang Meiying and Andrew Leo Kirby, 1 non-executive director, namely Messr. Ho King Fung, Eric, 3 independent non-executive directors, namely Messrs. Chau Siu Wai, San Fung and Zhu Chengwu.