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)

ANNUAL RESULTS ANNOUNCEMENT FOR THE YEAR ENDED 31 DECEMBER 2013

FINANCIAL HIGHLIGHTS
For the year ended 31 December 2013

	2013 HK$'000	2012 HK$'000	**Change %**
Turnover	**4,787,556**	3,213,793	+49.0
Gross profit	**2,300,391**	1,265,794	+81.7
Profit for the year attributable to owners of the Company	**1,215,211**	786,412	+54.5
EBITDA[Note 1]	**3,357,104**	2,053,253	+63.5
EPS			
- Basic	**9.32 HK cents**	6.10 HK cents	+52.8
- Diluted	**9.31 HK cents**	6.05 HK cents	+53.9

OPERATION HIGHLIGHTS
For the year ended 31 December 2013

	2013	2012	**Change %**
Average daily net production			
- Upstream oil and gas production in Pakistan	**33,809 boed**	24,681 boed	+37.0
- Liaohe EOR project in China	**1,634 bbld**	1,334 bbld	+22.5
Lifting costs [Note 2] (HK$/boe)			
- Upstream oil and gas production in Pakistan	**HK$41.0**	HK$44.5	-7.9
- Liaohe EOR project in China	**HK$291.0**	HK$280.3	+3.8
1P Reserve			
- Upstream oil and gas production in Pakistan	**70.0 mmboe**	33.8 mmboe	+107.1
- Liaohe EOR project in China	**28.3 mmbbl**	26.5 mmbbl	+6.8

Note:

1. EBITDA represents the profit before finance costs, income tax expense/(credit), depreciation and amortisation, gain on bargain purchase, impairment loss on intangible assets, reversal of impairment losses on intangible assets and loss on dissolution of a subsidiary.
2. Depreciation and amortisation, special petroleum revenue tax & other taxes and sales expenses are excluded in lifting costs.

The Board of Directors (the "Board") of United Energy Group Limited (the "Company") hereby present the audited consolidated results of the Company and its subsidiaries (collectively referred to as the "Group") for the year ended 31 December 2013 as follows:–

CONSOLIDATED STATEMENT OF PROFIT OR LOSS
For the year ended 31 December 2013

	Note	**2013** *HK$'000*	2012 *HK$'000*
Turnover	*4*	**4,787,556**	3,213,793
Cost of sales and services rendered		**(2,487,165)**	(1,947,999)
Gross profit		**2,300,391**	1,265,794
Other income	*5*	**143,310**	309,185
Exploration expenses		**(331,784)**	(217,111)
Administrative expenses		**(368,184)**	(355,723)
Other operating expenses		**(295,268)**	(64,006)
Profit from operations		**1,448,465**	938,139
Finance costs	*7*	**(248,147)**	(254,492)
Profit before tax		**1,200,318**	683,647
Income tax (expense)/credit	*9*	**(27,128)**	109,864
Profit for the year	*8*	**1,173,190**	793,511
Attributable to:			
Owners of the Company		**1,215,211**	786,412
Non-controlling interests		**(42,021)**	7,099
		1,173,190	793,511
Earnings per share			
Basic	*10*	**9.32 HK cents**	6.10 HK cents
Diluted	*10*	**9.31 HK cents**	6.05 HK cents

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME
For the year ended 31 December 2013

	2013	2012
	HK$'000	*HK$'000*
Profit for the year	**1,173,190**	793,511
Other comprehensive income, net of tax		
Items that may be reclassified to profit or loss:		
Exchange differences on translating foreign operations	**9,244**	(8,301)
Exchange differences reclassified to profit or loss on disposal of a subsidiary	**(3)**	-
Total other comprehensive income	**9,241**	(8,301)
Total comprehensive income for the year	**1,182,431**	785,210
Attributable to:		
Owners of the Company	**1,221,949**	778,580
Non-controlling interests	**(39,518)**	6,630
	1,182,431	785,210

CONSOLIDATED STATEMENT OF FINANCIAL POSITION
At 31 December 2013

	Note	At 31 December 2013 HK$'000	At 31 December 2012 HK$'000 (Restated)	At 1 January 2012 HK$'000 (Restated)
Non-current assets				
Property, plant and equipment		**4,943,857**	3,060,603	2,211,629
Intangible assets		**7,909,298**	8,596,597	8,762,996
Advances, deposits and prepayments		**21,770**	25,657	17,017
Deferred tax assets		**324,577**	177,391	63,383
		13,199,502	11,860,248	11,055,025
Current assets				
Inventories		**299,830**	254,168	160,810
Trade and other receivables	*11*	**1,530,776**	1,297,283	1,439,607
Held-to-maturity investments		**-**	-	30,850
Financial assets at fair value through profit or loss		**3,576**	3,455	2,508
Current tax assets		**8,790**	10,042	-
Pledged bank deposits		**4,430**	275,198	201,207
Bank and cash balances		**1,709,644**	1,111,466	482,323
		3,557,046	2,951,612	2,317,305
Current liabilities				
Trade and other payables	*12*	**2,109,696**	1,478,833	942,822
Due to directors		**7,857**	8,337	8,066
Bank loans		**664,587**	163,904	102,680
Current tax liabilities		**113,241**	21,476	11,067
		2,895,381	1,672,550	1,064,635
Net current assets		**661,665**	1,279,062	1,252,670
Total assets less current liabilities		**13,861,167**	13,139,310	12,307,695
Non-current liabilities				
Bank loans		**4,368,000**	4,836,000	4,914,000
Provisions		**281,596**	266,921	251,449
Deferred tax liabilities		**1,228,640**	1,259,576	1,058,759
		5,878,236	6,362,497	6,224,208
NET ASSETS		**7,982,931**	6,776,813	6,083,487
Capital and reserves				
Share capital		**130,532**	130,405	127,771
Reserves		**7,800,239**	6,554,730	5,558,576
Equity attributable to owners of the Company		**7,930,771**	6,685,135	5,686,347
Non-controlling interests		**52,160**	91,678	397,140
TOTAL EQUITY		**7,982,931**	6,776,813	6,083,487

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2013

1. GENERAL INFORMATION

The Company was incorporated in the Cayman Islands and redomiciled to Bermuda as an exempted company with limited liability under the Companies Act of Bermuda. The address of its registered office is Clarendon House, 2 Church Street, Hamilton HM11, Bermuda. The address of its principal place of business is Unit 2505, 25/F, Two Pacific Place, 88 Queensway, Hong Kong. The Company's shares are listed on the Main Board of The Stock Exchange of Hong Kong Limited ("Stock Exchange").

The Company was primarily involved in investment holding. The Group was mainly engaged 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 exploration, exploitation, development and production of crude oil and natural gas; and the provision of oilfield support services in China using patented technologies.

2. ADOPTION OF NEW AND REVISED HONG KONG FINANCIAL REPORTING STANDARDS

In the current year, the Group has adopted all the new and revised Hong Kong Financial Reporting Standards ("HKFRSs") issued by the Hong Kong Institute of Certified Public Accountants that are relevant to its operations and effective for its accounting year beginning on 1 January 2013. HKFRSs comprise Hong Kong Financial Reporting Standards ("HKFRS"), Hong Kong Accounting Standards ("HKAS"); and Interpretations. The adoption of these new and revised HKFRSs did not result in significant changes to the Group's accounting policies and amounts reported for the current year and prior years except as stated below:

a. Amendments to HKAS 1"Presentation of Financial Statements"

Amendments to HKAS 1 titled Presentation of Items of Other Comprehensive Income introduce new optional terminology for statement of comprehensive income and income statement that have been applied by the Group. Under the amendments to HKAS 1, a statement of comprehensive income is renamed as a statement of profit or loss and other comprehensive income and an income statement is renamed as a statement of profit or loss. The amendments to HKAS 1 retain the option to present profit or loss and other comprehensive income in either a single statement or in two separate but consecutive statements.

The amendments to HKAS 1 require additional disclosures to be made in the other comprehensive income section such that items of other comprehensive income are grouped into two categories: (a) items that will not be reclassified subsequently to profit or loss; and (b) items that may be reclassified subsequently to profit or loss when specific conditions are met. Income tax on items of other comprehensive income is required to be allocated on the same basis.

The amendments have been applied retrospectively, and hence the presentation of items of other comprehensive income has been modified to reflect the change. Other than the above mentioned presentation changes, the application of the amendments to HKAS 1 does not result in any impact on profit or loss, other comprehensive income and total comprehensive income.

2. ADOPTION OF NEW AND REVISED HONG KONG FINANCIAL REPORTING STANDARDS (CONTINUED)

b. Amendments to HKAS 16 "Property, Plant and Equipment"

The amendments clarify that items such as spare parts, stand-by equipment and servicing equipment are recognised as property, plant and equipment when they meet the definition of property, plant and equipment. Otherwise, such items are classified as inventories.

The amendments have been applied retrospectively. The adoption of amendments to HKAS 16 resulted in changes in the reclassification of certain spare parts previously classified under inventories to property, plant and equipment.

The application of the amendments to HKAS 16 resulted in changes in the consolidated amounts reported in the financial statements as follows:

Consolidated Statement of Financial Position

	At 31 December 2013 HK$'000	At 31 December 2012 HK$'000	At 1 January 2012 HK$'000
Increase in property, plant and equipment	695,629	427,671	334,375
Decrease in inventories	(695,629)	(427,671)	(334,375)

c. HKFRS 13 "Fair Value Measurement"

HKFRS 13 "Fair Value Measurement" establishes a single source of guidance for all fair value measurements required or permitted by HKFRSs. It clarifies the definition of fair value as an exit price, which is defined as a price at which an orderly transaction to sell the asset or transfer the liability would take place between market participants at the measurement date under market conditions, and enhances disclosures about fair value measurements.

The adoption of HKFRS 13 only affects disclosures on fair value measurements in the consolidated financial statements. HKFRS 13 has been applied prospectively.

The Group has not applied the new HKFRSs that have been issued but are not yet effective. The Group has already commenced an assessment of the impact of these new HKFRSs but is not yet in a position to state whether these new HKFRSs would have a material impact on its results of operations and financial position.

3. SIGNIFICANT ACCOUNTING POLICIES

These financial statements have been prepared in accordance with HKFRSs, accounting principles generally accepted in Hong Kong and the applicable disclosures required by the Rules Governing the Listing of Securities (the "Listing Rules") on The Stock Exchange of Hong Kong Limited and by the Hong Kong Companies Ordinance.

These financial statements have been prepared under the historical cost convention, as modified for investments which are carried at their fair values.

4. TURNOVER

The Group's turnover which represents sales and production of crude oil, condensate, gas and liquefied petroleum gas and provision of patented technology support services to oilfields are as follows:

	2013	2012
	HK$'000	*HK$'000*
Sales and production of crude oil, condensate, gas and liquefied petroleum gas	**4,663,694**	3,120,289
Provision of patented technology support services to oilfields	**123,862**	93,504
	4,787,556	3,213,793

The turnover from sales and production of crude oil, condensate, gas and liquefied petroleum gas are net of sales tax, royalty to government and sales discounts amounting to HK$264,720,000 (2012: HK$188,907,000), HK$582,542,000 (2012: HK$387,733,000) and HK$208,988,000 (2012: HK$217,452,000) respectively.

5. OTHER INCOME

	2013	2012
	HK$'000	*HK$'000*
Fair value gain on financial assets at fair value through profit or loss	**121**	947
Gain on bargain purchase	**-**	77,537
Gain on disposals of property, plant and equipment	**56,607**	-
Interest income	**8,973**	8,972
Liquefied petroleum gas processing fees charged to concessions, net	**4,941**	5,098
Management fees income	**5,431**	10,465
Net foreign exchange gains	**51,002**	2,071
Other payables written back	**-**	22,139
Rental income	**310**	312
Recovery of other receivables written off	**-**	648
Reversal of impairment losses on intangible assets	**-**	172,395
Others	**15,925**	8,601
	143,310	309,185

6. SEGMENT INFORMATION

The Group's reportable segments are as follows:

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

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

Segment profit or loss does not include the following items:

- other income (except for certain other income included in the exploration and production and oil exploitation segments)
- corporate expenses
- finance costs (except for unwinding of discount on provision for decommissioning costs included in the exploration and production segment)

Segment assets do not include the following items:

- deferred tax assets
- financial assets at fair value through profit or loss
- current tax assets
- pledged bank deposits
- bank and cash balances

Segment liabilities do not include the following items:

- due to directors
- bank loans
- current tax liabilities
- provisions (except for provision for decommissioning costs included in the exploration and production segment)

6. SEGMENT INFORMATION (CONTINUED)

Information about reportable segment profit or loss, assets and liabilities:

	Exploration and production	Oil exploitation	Oilfield support services	Total
	HK$'000	HK$'000	HK$'000	HK$'000
Year ended 31 December 2013				
Turnover from external customers	**4,236,556**	**427,138**	**123,862**	**4,787,556**
Segment profit/(loss)	**1,580,348**	**96,402**	**(139,226)**	**1,537,524**
Interest revenue	**-**	**3,893**	**255**	**4,148**
Interest expenses	**7,903**	**5,739**	**1,932**	**15,574**
Depreciation and amortisation	**1,599,489**	**80,553**	**54,878**	**1,734,920**
Income tax expense/(credit)	**29,755**	**(5,891)**	**(23,164)**	**700**
Other material non-cash item:				
Impairment losses on intangible assets	**-**	**-**	**171,706**	**171,706**
Additions to segment non-current assets	**2,893,149**	**170,529**	**37,988**	**3,101,666**
As at 31 December 2013				
Segment assets	**9,802,505**	**4,692,986**	**199,428**	**14,694,919**
Segment liabilities	**1,942,943**	**1,559,177**	**41,298**	**3,543,418**

6. SEGMENT INFORMATION (CONTINUED)

Information about reportable segment profit or loss, assets and liabilities (cont'd):

	Exploration and production	Oil exploitation	Oilfield support services	Total
	HK$'000	HK$'000	HK$'000	HK$'000
Year ended 31 December 2012				
Turnover from external customers	2,763,392	356,897	93,504	3,213,793
Segment profit	1,079,426	73,766	25,717	1,178,909
Interest revenue	-	1,792	32	1,824
Interest expenses	5,005	2,178	1,414	8,597
Depreciation and amortisation	1,250,000	63,421	46,665	1,360,086
Income tax credit	97,407	13,331	28,271	139,009
Other material non-cash items:				
Gain on bargain purchase	77,537	-	-	77,537
Reversal of impairment losses on intangible assets	172,395	-	-	172,395
Additions to segment non-current assets, as restated	1,640,417	224,492	34,058	1,898,967
As at 31 December 2012				
Segment assets	7,976,949	4,881,535	369,414	13,227,898
Segment liabilities	1,110,709	1,745,969	62,908	2,919,586

6. SEGMENT INFORMATION (CONTINUED)

Reconciliations of reportable segment profit or loss, assets and liabilities:

	2013	2012
	HK$'000	*HK$'000*
Profit or loss		
Total profit of reportable segments	**1,537,524**	1,178,909
Unallocated amounts:		
Other income (except for certain other income included in the exploration and production and oil exploitation segments)	**39,135**	35,259
Corporate expenses	**(163,225)**	(171,170)
Finance costs (except for unwinding of discount on provision for decommissioning costs included in the exploration and production segment)	**(240,244)**	(249,487)
Consolidated profit for the year	**1,173,190**	793,511
Assets		
Total assets of reportable segments	**14,694,919**	13,227,898
Unallocated amounts:		
Other receivables and other assets	**10,612**	6,410
Deferred tax assets	**324,577**	177,391
Financial assets at fair value through profit or loss	**3,576**	3,455
Current tax assets	**8,790**	10,042
Pledged bank deposits	**4,430**	275,198
Bank and cash balances	**1,709,644**	1,111,466
Consolidated total assets	**16,756,548**	14,811,860
Liabilities		
Total liabilities of reportable segments	**3,543,418**	2,919,586
Unallocated amounts:		
Other liabilities	**76,094**	85,324
Due to directors	**7,857**	8,337
Bank loans	**5,032,587**	4,999,904
Current tax liabilities	**113,241**	21,476
Provisions (except for provision for decommissioning costs included in the exploration and production segment)	**420**	420
Consolidated total liabilities	**8,773,617**	8,035,047

6. SEGMENT INFORMATION (CONTINUED)

Geographical information:

	Turnover		Non-current assets	
	2013	2012	**2013**	2012
	HK$'000	HK$'000	**HK$'000**	HK$'000 (Restated)
Hong Kong	**-**	-	**137**	569
PRC	**551,000**	450,401	**4,748,636**	4,829,612
Pakistan	**4,236,556**	2,763,392	**8,126,152**	6,852,676
Consolidated total	**4,787,556**	3,213,793	**12,874,925**	11,682,857

In presenting the geographical information, turnover is based on the locations of the customers. The Group's non-current assets exclude deferred tax assets.

Turnover from major customers:

Turnover derived from major customers who contributed 10% or more of total turnover of the Group is as follows:

	2013	2012
	HK$'000	*HK$'000*
Exploration and production segment		
Customer A	**1,439,894**	641,357
Customer B	**1,286,564**	964,097
Customer C	**974,622**	721,228

7. FINANCE COSTS

	2013	2012
	HK$'000	*HK'000*
Interest on bank loans	**240,244**	249,487
Unwinding of discount on provision for decommissioning costs	**7,903**	5,005
	248,147	254,492

8. PROFIT FOR THE YEAR

Profit for the year is arrived at after charging the following:

	2013 HK$'000	2012 HK$'000
Depreciation and amortisation (note a)	**1,736,930**	1,361,333
Allowance for other receivables	**-**	39
Acquisition-related costs (included in administrative expenses)	**-**	1,530
Auditors' remuneration		
- Current	**3,242**	3,638
- (Over)/under-provision in prior year	**(20)**	61
	3,222	3,699
Cost of inventories sold (note b)	**2,325,488**	1,799,710
Directors' emoluments	**9,998**	24,273
Loss on disposals of property, plant and equipment	**-**	468
Operating lease charges		
- Hire of office equipments and motor vehicles	**28,096**	9,876
- Land and buildings (note c)	**30,147**	28,591
	58,243	38,467
Research and development expenditures	**19**	241
Staff costs including directors' emoluments		
Salaries, bonuses and allowances (note c)	**265,397**	234,605
Retirement benefits scheme contributions	**38,894**	29,839
Equity-settled share-based payments	**7,761**	7,329
	312,052	271,773
Impairment losses on intangible assets (included in other operating expenses)	**171,706**	-

Note a: Depreciation and amortisation charges includes the amortisation charges on intangible assets of approximately HK$585,251,000 (2012: HK$762,922,000) which are included in costs of sales and services rendered.

Note b: Cost of inventories sold includes staff costs, depreciation and amortisation, operating lease charges and research and development expenditures of approximately HK$1,811,375,000 (2012: HK$1,399,177,000) which are included in the amounts disclosed separately above.

Note c: The amounts include the accommodation benefits provided to directors amounting to approximately Nil (2012: HK$80,000).

9. INCOME TAX EXPENSE/ (CREDIT)

	2013	2012
	HK$'000	*HK$'000*
Current tax - PRC enterprise income tax		
Provision for the year	**12,570**	6,623
Under/(over)-provision in prior years	**4,110**	(284)
	16,680	6,339
Current tax – Overseas		
Provision for the year	**150,787**	43,954
Under-provision in prior years	**37,836**	215
	188,623	44,169
	205,303	50,508
Deferred tax	**(178,175)**	(160,372)
	27,128	(109,864)

No provision for profits tax in the Bermuda, Bahamas, British Virgin Islands, Singapore, Republic of Panama, Mauritius or Hong Kong is required as the Group has no assessable profit arising in or derived from these jurisdictions for the years ended 31 December 2013 and 2012.

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

During the year ended 31 December 2013, the Group's subsidiaries in the PRC were approved as a high technology enterprise pursuant to which the PRC subsidiaries can enjoy a preferential income tax rate of 15% for the coming two (2012: three) financial years.

Tax charge on profits assessable elsewhere has been calculated at the rates of tax prevailing in the countries in which the Group operates, based on existing legislation, interpretation and practices in respect thereof.

10. EARNINGS PER SHARE

Basic earnings per share

The calculation of basic earnings per share attributable to owners of the Company is based on the profit for the year attributable to owners of the Company of approximately HK$1,215,211,000 (2012: HK$786,412,000) and the weighted average number of ordinary shares of 13,045,128,096 (2012: 12,890,604,909) in issue during the year.

Diluted earnings per share

The calculation of diluted earnings per share attributable to owners of the Company is based on the profit for the year attributable to owners of the Company of approximately HK$ 1,215,211,000 (2012: HK$786,412,000) and the weighted average number of ordinary shares of 13,046,030,452 (2012: 13,001,202,818), being the weighted average number of ordinary shares of 13,045,128,096 (2012: 12,890,604,909) in issue during the year used in the basic earnings per share calculation plus the weighted average number of ordinary shares of 902,356 (2012: 110,597,909) assumed to have been issued at no consideration on the deemed exercise of the share options (2012: share options and unlisted warrants) outstanding during the year.

11. TRADE AND OTHER RECEIVABLES

	2013	2012
	HK$'000	*HK$'000*
Trade receivables (note a)	**1,195,729**	1,185,994
Other receivables (note b)	**335,047**	111,289
Total trade and other receivables	**1,530,776**	1,297,283

(a) Trade receivables

The Group's trading terms with customers are mainly on credit. The credit term generally ranges from 30 to 45 days (2012: ranges from 30 to 45 days). In 2012, oilfield support services contract was entered with a credit term of 300 days. The contract value of that particular services into contract is approximately HK$83,575,000 (equivalent to RMB66,780,000) (2012: HK$16,509,000 (equivalent to RMB13,450,000)). The Group seeks to maintain strict control over its outstanding receivables. Overdue balances are reviewed regularly by the directors.

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

	2013	2012
	HK$'000	*HK$'000*
0 to 30 days	**1,052,881**	1,145,941
31 to 60 days	**142,488**	40,053
91 to 180 days	**360**	-
	1,195,729	1,185,994

(b) Other receivables

	2013	2012
	HK$'000	*HK$'000*
Amounts due from joint venturers	**117,696**	23,857
Advances to staff	**11,041**	8,086
Central excise duty receivables	**6,387**	5,713
Deposits and prepayments	**121,418**	26,310
Sales tax receivables	**54,375**	41,764
Others	**24,130**	5,559
	335,047	111,289

12. TRADE AND OTHER PAYABLES

	2013	2012
	HK$'000	*HK$'000*
Trade payables (note a)	**823,494**	280,020
Other payables (note b)	**1,286,202**	1,198,813
Total trade and other payables	**2,109,696**	1,478,833

(a) Trade payables

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

	2013	2012
	HK$'000	*HK$'000*
0 to 30 days	**267,236**	267,798
31 to 45 days	**42,322**	6,805
Over 45 days	**513,936**	5,417
	823,494	280,020

(b) Other payables

	2013	2012
	HK$'000	*HK$'000*
Amount due to joint venturers	**202,694**	169,534
Accrual for operating expenses	**416,498**	639,431
Bills payables	**4,430**	116,832
Deposits received	**11,446**	9,374
Salaries and welfare payables	**7,704**	3,222
Other tax payables	**640,609**	250,782
Others	**2,821**	9,638
	1,286,202	1,198,813

13. DIVIDEND

No dividend has been paid or declared by the Company during the years ended 31 December 2013 and 2012.

MANAGEMENT DISCUSSION AND ANALYSIS

Financial Review

For the year ended 31 December 2013 (the "year under review"), the Group's turnover increased to approximately HK$4,787,556,000, which represented a significant increase of approximately 49.0% as compared to the turnover of approximately HK$3,213,793,000 for the year ended 31 December 2012. The turnover was from the sale and production of crude oil, condensate, gas and liquefied petroleum gas (2013: approximately HK$4,663,694,000, 2012: approximately HK$3,120,289,000) and services fees income derived from provision of oilfield support services utilizing patented technology (2013: approximately HK$123,862,000, 2012: approximately HK$93,504,000). For the year ended 31 December 2013, the Group's gross profit was approximately HK$2,300,391,000 (gross profit ratio approximately 48.0%) which represented a substantial increase of 81.7% as compared to gross profit for 2012 of HK$1,265,794,000 (gross profit ratio approximately 39.4%). The Company reported an EBITDA of approximately HK$3,357,104,000 for the year under review (2012: HK$2,053,253,000).

For the year ended 31 December 2013, the Group reported a total other income of approximately HK$143,310,000 (For year ended 31 December 2012: approximately HK$309,185,000). The main contributors of other income in the year under review were net foreign exchange gains and gain on disposals of property, plant and equipment.

Administrative expenses increased from approximately HK$355,723,000 for the year ended 31 December 2012 to approximately HK$368,184,000 for the year ended 31 December 2013. The increase in administrative expenses reflected an enlarged overhead of operating the Pakistan business for the year. These expenses for the year ended 31 December 2013 included non-cash expenses of approximately HK$7,761,000 (2012: HK$7,329,000) due to equity settled share-based payment transactions from share options granted to the employees per the share option scheme and depreciation of approximately HK$50,461,000 (2012: approximately HK$46,481,000).

Exploration expenses of HK$331,784,000 (2012: HK$217,111,000) were incurred during the year mainly for the 3D seismic studies performed in Pakistan.

In summary, profit attributable to owners of the Company was approximately HK$1,215,211,000 for the year ended 31 December 2013, representing a 54.5% increase over the profit attributable to owners of the Company of approximately HK$786,412,000 for the year ended 31 December 2012. This result is reflected in the basic earnings per share which was 9.32 HK cents for the year ended 31 December 2013 as compared with the basic earnings per share of 6.10 HK cents for the year ended 31 December 2012.

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

The Group's Audit Committee has reviewed the audited consolidated financial statements for the year ended 31 December 2013. The Audit Committee has reviewed with management the accounting principles and practices adopted by the Group, as well as internal control and financial reporting matters, and found them to be satisfactory.

Business Review
United Energy is one of the largest listed upstream oil and gas corporations in Hong Kong, with business now extended to South Asia. For the year ended 31 December 2013, The Group's Pakistan assets and Liaohe Enhanced Oil Recovery ("EOR") Projects in China ("Liaohe EOR Project") recorded satisfactory production growth. Notably, during the year under review, the Group reached an average daily net production of approximately 35,443 barrel oil equivalent ("boe"), 36.2% increase from the Financial Year 2012 (the "Corresponding Period"). The Pakistan assets delivered an average daily net production of approximately 33,809 boe, of which 34.7% was oil and liquids, and recorded 37.0% increase from the Corresponding Period. The Liaohe EOR Projects delivered an average daily net production of approximately 1,634 barrels, of which 100% was oil and liquids, and recorded 22.5% increase from the Corresponding Period. Based on the production level, the Group is ranked as the largest non-stated owned upstream oil and gas producer listed in the Hong Kong Stock Exchange.

During the year under review, lifting costs and direct costs incurred and recognized in cost of sales and services rendered by the Group is approximately HK$761,980,000 (Pakistan: approximately HK$509,220,000, Liaohe, China: approximately HK$180,084,000, Oilfield Support Services: approximately HK$72,676,000), and the Group invested approximately HK$3,069,193,000 of capital expenditure in oil exploration, development and production activities (Pakistan: approximately HK$2,901,442,000; Liaohe, China: approximately HK$167,751,000). 65 new wells have been drilled (Pakistan: 57 wells, Liaohe, China: 8 wells). The Group has also acquired 3,236km^2 and 843km^2 of 3D seismic data in onshore and offshore area respectively. Follow on data processing and interpretation work was in progress.

Under the implementation of "reliable operation + rapid expansion" business strategy, the performance and operations of the Group's assets in Pakistan and Liaohe asset have both shown significant growth enhancement. In the year under review, the Group has recorded another year of significant growth in both the turnover and profit. The significant increase is a proof that the Group thereby is fulfilling its promises to deliver to the shareholders and investors on sustainable returns and growth.

Pakistan Assets:
For the full year of financial year 2013, the Pakistan Assets achieved an average daily net production of approximately 33,809 boed (Badin: 26,072 boed, MKK: 7,737 boed), of which 34.7% is oil and liquids, representing an approximately 37.0% (Badin: +17.6%, MKK: +207.8%) increase compared to the Corresponding Period. Unaudited Composite Average Sales Price Before Government Take amounted to US$ 49.7 per boe, representing an approximately 10.9% increase compared to the Corresponding Period, which was mainly due to an increase in oil and liquids ratio in its production mix and partially off-set by the decrease in international crude oil price.

During the financial year 2013, the Company remains as the most-active oil and gas upstream operator with 7 rigs in operation in Pakistan, of which completed 28 exploration wells and 29 development wells in Badin and MKK area, 3,236km^2 and 843km^2 of 3D seismic data has been acquired in onshore area and Offshore Block U area respectively. Follow on data processing and interpretation work is in progress.

During the year under review, the Government of Pakistan agreed to grant approximately 900 km^2 of exploration areas to the Group at no cost, of which located Mirpur Khas East and Digri North Area, and included in the Mirpur Khas concession of the Group. After that, the coverage area of the Group's working interests in MKK Concession was extended from 3,132 km^2 to 4,032 km^2.

In addition, the Company has made 17 new oil and gas discoveries in Badin and MKK area, of which Naimat West is a significant gas discovery located in MKK area. The estimated development area is up to 18.21 km^2. The audited first appraised net proved reserves report of Naimat West gas field, which based on SPE-PRMS standard prepared by third party reserve evaluation consultant, reported at approximately 26 million boe as at 31 December 2013. The success at the Naimat West gas field is again reconfirming the exceptional exploration potential of our MKK concession acreage. The Company will increase our pace of exploration in MKK area aiming for further production growth and reserves addition. Notably, average daily net production in MKK area ramping up significantly in the financial year of 2013, representing an approximately 207.8% increase compared to the financial year of 2012. Benefit from the successful exploration and development in 2013, the proved reserve as at 31 December 2013 of the Pakistan Assets recorded approximately 70.0 million boe, total proved reserve adds during the year was about 48.5 million boe (exploration and development activities: 46.0 million boe, acquisition: 2.5 million boe) representing proved reserves replacement ratio of 394%, and its Assets' Reserve to Production Ratio extended to 5.7 years (2012: 3.7 years).

During the year under review, the Group continued its strategy of international expansion. After the Group completed the acquisition of 3.95% working interest in the lease in the areas under the MKK Concessions in September 2013 and together with 71.05% working interest previously acquired, the Group holds totally 75% working interest in the lease in the areas under the MKK Concessions. The remaining 25% working interest in the lease in the areas under MKK Concession is owned by the Pakistan Government. It would facilitate the implementation of the Group's business plan in respect of the MKK Concessions which will be beneficial to the business of the Group. The acquisitions enabled the Group to expedite the exploration and development of the MKK Concessions and benefit from the significant discovery therein.

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

Since Liaohe EOR Project entered into development and production stage and recorded satisfactory production growth. The average daily net production has reached 1,634 barrels marking 22.5% increase compared with the Corresponding Period. In addition, the Company installs the first air injector in Gao-246 block. This represents another milestone of the Company's adoption of the fireflood technology in the projects. As at 31 December 2013, a total of 257 fireflood producers (representing ~41.0% of production wells) has been converted into fireflood producers.

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

The Group's provision of patented technology oilfield support services has made excellent progress. In 2013, it has expanded the fireflood service coverage at Block Du 66 and Du 48 located in Jilin, increasing the number of fireflood units from 27 units in 2012 to 106 units in 2013. Turnover increased 32.5% from HK$93,504,000 in 2012 to HK$123,862,000 in 2013. The Group places significant emphasis on investment in research and development, as this will form a solid basis for future development in the technology. The Group's successful application of fireflood technology can help promoting the technology to elsewhere in the region implying a great business potential. Since the Chinese oilfields are aging gradually, the Group has the patented fireflood technology to explore the opportunity of "secondary development" which will enhance the production volume and life of the maturing oilfields. The Group is currently in negotiations with a number of corporations and actively exploring business opportunities that will significantly increase revenue generated from oilfield support services.

Business and market outlook

Oil prices maintains strong as it is being affected by geopolitical instabilities. Strong oil prices were positive for the Group's revenue. On the other hand, the volatile global economy drives the value of certain oil companies and oil and gas projects attractive hence creates greater opportunities for merger and acquisitions.

To deliver our strategy at "Win-win cooperation to achieve quantum leap growth", our Group actively explores opportunities for acquiring quality projects together with aggressive exploration and development of existing assets to enhance the scale of the Group's upstream operation. The Group signed a project cooperation agreement with China Development Bank at US$5 billion for five years on 26 October 2012, signifying the Company's continued ability to enjoy the preferential financial support in acquisitions. This enhances the Group's financial power in bidding for quality assets. The Group can make use of this strong support to search for quality assets or co-operation opportunities thereby expanding the scale of assets and operations. This creates the best environment to achieve shareholding value maximization.

Pakistan Assets:

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

Following the major discovery at Naimat West, the Company carried out a major maintenance and upgrade of its oil & gas processing facility and optimizing the gas gathering system located in the MKK area. The work was completed in September 2013 as planned. Following the recommencement of processing with the upgraded capacity, the Pakistan Asset's production levels are gradually ramping up to new heights.

The Ministry of Petroleum and Natural Resources in Pakistan issued 2012 Petroleum Policy in January 2012. It is currently in the legislative process before the formal implementation. The most favourable effect of the 2012 Petroleum Policy is a significant increase in the wellhead price of natural gas. Gas prices in Pakistan are regulated and determined by a prescribed formula based on the international crude oil price. The implementation of the 2012 Petroleum Policy will result in increased gas sales prices for future discoveries and for fields not already on production. The estimated gas sales price (based on US$100 Brent crude oil price) will potentially increase from US$2.5/MMBtu under the former policy to US$5.5/MMBtu.

On 21 January 2014, the Company received the provisional 2012 Petroleum Policy price notification for some of our fields in MKK area. Since the production in MKK area are highly gas-weighted, the Company is expecting the implementation of the 2012 Petroleum Policy will have a positive financial impact on our assets.

Liaohe EOR Project, China:

Since the Liaohe EOR Project entered into development and production stage, the project has recorded double-digit growth on net production for three consecutive years. In five years' time, the Group plans to increase the net average daily production volume to above 3,000 barrels to increase coverage of fireflood application to over 80% and to maintain the lifting cost at or below US$35 per barrel.

Conclusion
As one of the largest listed upstream oil companies in Hong Kong, United Energy will keep looking for opportunities to expand its business in China and other regions to maximize the returns for shareholders. The Group is implementing the development strategy of "Win-win cooperation to achieve quantum leap growth". The Group will work closely with Chinese oil companies and other oil companies in search for the values creation. The Group targets at achieving enhancing oil and gas production in Pakistan, lowering the lifting cost and improvement in profit margins and it will also enhance the exploration scale, increasing the reserves ratio to build a solid base as a large-scale oil and gas operator. At the same time, the Group will continue to increase investment in Liaohe EOR fireflood technology, exploration and production to achieve higher profitability under a new corporate development model.

Material Acquisition and Disposal
During the year under review, the Group continued its strategy of international expansion. On 5 March 2013, BowEnergy Resources (Pakistan) SRL, a wholly-owned subsidiary of the Company, entered into a purchase and sale agreement with Zaver Petroleum Corporation Limited to acquire 3.95% working interest in the lease in the areas under the MKK Concessions in Pakistan. The base consideration for the acquisition was US$4,000,000 (equivalent to approximately HK$31,200,000) subject to the adjustments as provided in the agreements. After the acquisition of 3.95% working interest was completed in September 2013 and together with 71.05% working interest previously acquired, the Group holds totally 75% working interest in the lease in the areas under the MKK Concessions. The remaining 25% working interest in the lease in the areas under MKK Concessions is owned by the Pakistan Government. It would facilitate the implementation of the Group's business plan in respect of the MKK Concessions which will be beneficial to the business of the Group. The acquisitions enabled the Group to expedite the exploration and development of the MKK Concessions and benefit from the significant discovery therein.

In order to simplify the Group structure, the Company disposed or liquidated some dormant subsidiaries during the year under review. On 30 August 2013, the Company entered into a share purchase agreement with an independent third party to dispose 100% issued share capital of United Energy International Holdings Limited, a wholly-owned subsidiary of the Company. The mainly business of United Energy International Holdings Limited was investment holding. It held 100% issued share capital of PC (NAD) International Limited and had no other business. The main business of PC (NAD) International Limited was also investment holding. It held a 10% participating interest in a production sharing contract of an oil exploitation project in Madura in Indonesia and had no other business. Due to the uncertainty in the future interest in oil exploitation project in Indonesia, the participating interest in this oil exploitation project was fully impaired in 2011. On 13 September 2013, the disposal of United Energy International Holdings Limited and its subsidiary was completed.

United Energy Group Service Pte Limited, a wholly-owned subsidiary of the Company, was incorporated in Singapore in 2011 to provide services including corporate development and technical support to the Group. Due to change in operation needs of the Group, the Group decided to liquidate United Energy Group Service Pte Limited in order to centralize the supporting services from subsidiaries to the Group and to save administration cost. On 1 October 2013, liquidation of United Energy Group Service Pte Limited was completed.

Segment Information
Particulars of the Group's segment information are set out in note 6 to this announcement.

Liquidity and Financial Resources
The Group maintained its strong financial position for the year under review with cash and cash equivalents amounting to approximately HK$1,709,644,000 as at 31 December 2013 (as at 31 December 2012: approximately HK$1,111,466,000).

The Group has banking facilities of approximately HK$468,000,000 (equivalent to approximately US$60,000,000) commenced on 26 January 2010 in respect of issuance of performance bond for guarantee of performance of United Petroleum & Natural Gas Investments Limited ("United Petroleum"), a wholly-owned subsidiary of the Company, of its obligation in the development period of the EOR Contract in Liaohe Oilfields project dated 15 September 2006. In February 2013, as United Petroleum has completed fully its obligation, China National Petroleum Corporation ("CNPC") confirmed and agreed to fully release the performance bond and corresponding bank deposit which were pledged for the banking facilities. The pledge of bank deposit was released by bank on 26 March 2013.

United Energy Pakistan Limited ("UEPL") issued various bank guarantees on 20 March 2012 in an aggregate sum of approximately HK$105,066,000 (equivalent to US$13,470,000) in favour of the President of the Islamic Republic of Pakistan, for guarantee UEPL's performance of its financial and works obligations as stipulated in the concession and production sharing agreements. Corresponding Group's cash at bank were pledged to a bank for the issuance of these bank guarantees. On 1 December 2013, these bank guarantees was expired and corresponding pledge of bank deposit was released.

On 27 June 2012, United Petroleum & Natural Gas (Panjin) Limited, an indirectly wholly-owned subsidiary of the Company ("United Petroleum (Panjin)"), entered into a facility agreement with Citic Bank (Shenyang Branch) for a credit line of RMB100,000,000 for the bank loan with expiry on 13 December 2013. The Orient Group Industrial Holdings Company Limited, a related party of the Group due to Mr. Zhang Hong Wei as ultimate controlling party, ("Orient Group Industrial"), has provided a guarantee in favour of United Petroleum (Panjin) to Citic Bank (Shenyang Branch) against the credit line to the extent in the amount of RMB110,000,000. On the same day, United Petroleum (Panjin) entered into a loan agreement with Citic Bank (Shenyang Branch) in order to draw down RMB50,000,000 (equivalent to HK$63,415,000) from the credit line at floating interest rate (basic lending rate of People's Bank of China under same period and same grade + 20 bps) with expiry on 27 June 2013 for purchase of raw materials. On 29 November 2012, United Petroleum (Panjin) entered into another facility agreement with Citic Bank (Shenyang Branch) to extend the credit line to RMB160,000,000 for both bank loans and bills payables with expiry on 27 May 2014. As at 31 December 2013, the outstanding balance of the bank loans was RMB135,000,000 (equivalent to HK$171,221,000). As at 31 December 2012, the outstanding balance of the bank loans and the bills payables were RMB50,000,000 (equivalent to HK$61,360,000) and RMB94,501,000 (equivalent to approximately HK$115,972,000) respectively.

As at 31 December 2013, the outstanding balance of the bank loan from China Development Bank Corporation Hong Kong Branch for acquisition of the Pakistan upstream oilfield assets from British Petroleum in September 2011 was US$620,000,000, approximately equivalent to HK$4.836 billion (as at 31 December 2012: US$630,000,000, approximately equivalent to HK$4.914 billion).

As at 31 December 2013, the gearing ratio was approximately 30.0% (as at 31 December 2012: 33.8%), based on bank loan under current liabilities and non-current liabilities of approximately HK$664,587,000 (as at 31 December 2012: HK$163,904,000) and HK$4,368,000,000 (as at 31 December 2012: HK$4,836,000,000) respectively and total assets of approximately HK$16,756,548,000 (as at 31 December 2012: HK$14,811,860,000). As at 31 December 2013, the current ratio was approximately 1.23 times (as at 31 December 2012: approximately 1.76 times (restated)), based on current assets of approximately HK$3,557,046,000 (as at 31 December 2012: approximately HK$2,951,612,000 (restated)) and current liabilities of approximately HK$2,895,381,000 (as at 31 December 2012: approximately HK$1,672,550,000).

Capital Structure
During the year under review, the changes of the share capital structure of the Company were as follows:

On 7 February 2013, 3,179,282 ordinary shares were issued and allotted after the Company resolved to award new shares to Pakistan employees under the Deferred Annual Bonus Scheme, the Executive Performance Share Scheme and the Performance Share Scheme adopted by the Company on 31 January 2013.

On 26 April 2013, 620,576 ordinary shares were repurchased at HK$1.2 per share by private arrangement (the "Repurchased Shares") in accordance to the repurchase mandate granted to the Directors in the Annual General Meeting of the Company held on 29 May 2012. On 8 May 2013, the Repurchased Shares were cancelled. There were shares issued to departed Pakistan employees who acquired those Repurchased Shares under the employee Share Match Scheme.

On 12 September 2013, 4,072,827 ordinary shares were issued and allotted after the Company resolved to award new shares to Pakistan employees under the Deferred Annual Bonus Scheme, the Executive Performance Share Scheme and the Performance Share Scheme adopted by the Company on 31 January 2013.

On 24 October 2013, the Company resolved to award 5,091,156 new shares as the scheme shares to 595 Pakistan employees under the Share Match Scheme approved and adopted by the Company for Pakistan employees on 16 September 2011. The objectives of the Share Match Scheme were to provide Pakistan employees with incentives in order to retain them for the continual operation and development of the newly acquired Pakistan business and to attract suitable personnel for the growth and further development of the Group. The allotment of the 5,091,156 scheme shares was completed on 31 October 2013.

On 4 December 2013, 1,000,000 units of share options granted and vested under the Company's Share Option Schemes adopted on 11 May 2006 were exercised by management personnel and allotments of the 1,000,000 shares were completed.

After completion of the above allotments and repurchase of shares during the year, the total number of issued shares of the Company was increased from 13,040,495,650 shares as at 1 January 2013 to 13,053,218,339 shares as at 31 December 2013.

Employees
As at 31 December 2013, the Group employed a total of 1,116 full time employees, located in Hong Kong, the PRC and Pakistan. 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 bonuses, medical benefits and a contributory provident fund.

Contingent Liabilities
On 22 February 2012, the Company issued various unlimited corporate guarantees in favour of the President of the Islamic Republic of Pakistan and certain joint venturers of the Group, for guarantee to provide United Energy Pakistan Limited ("UEPL"), an indirect wholly-owned subsidiary of the Company, with all necessary financial and other means to enable UEPL to fully perform its obligations as stipulated in the concession agreements.

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

Major Customers and Suppliers

In 2013, the Group's five largest customers represented 95.0% of total turnover (2012: 94.0%) and the Group's five largest suppliers represented 41.1% of total cost of sales and services rendered (2012: 43.8%).

PURCHASE, SALE OR REDEMPTION OF SHARES

On 26 April 2013, 620,576 ordinary shares were repurchased at HK$1.2 per share by private arrangement in accordance to the repurchase mandate granted to the Directors in the Annual General Meeting of the Company held on 29 May 2012. On 8 May 2013, the Repurchased Shares were cancelled.

Save as disclosed in this announcement, as at 31 December 2013, the Company has not redeemed any of its shares nor any or its subsidiaries has purchased or sold any of the Company's shares during this period.

AUDIT COMMITTEE

The Audit Committee has reviewed the audited consolidated financial statements for the year ended 31 December 2013 and discussed with management the accounting principles and practices adopted by the Group as well as internal control and financial reporting matters.

OTHER COMMITTEE

Besides the Audit Committee, the Board has also established Remuneration Committee and Nomination Committee. Each Committee has its defined scope of duties and written terms of reference.

CLOSURE OF REGISTER OF MEMBERS

The register of members of the Company will be closed from 22 May 2014 to 27 May 2014, both days inclusive, in order to determine the identity of the Shareholders who are entitled to attend the forthcoming annual general meeting to be held on 27 May 2014 (the "AGM"). In order to be eligible to attend and vote at the forthcoming AGM, all transfer accompanied by the relevant share certificates and transfer forms must be lodged with the Company's share registrar in Hong Kong, Tricor Secretaries Limited, at Level 22, Hopewell Centre, 183 Queen's Road East, Hong Kong before 4:30 p.m. on 21 May 2014.

MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS

The Group has adopted the code of conduct with respect to the dealings in securities of the Company by the Directors as set out in Appendix 10 of the Listing Rules (the "Model Code"). Having made specific enquiry with all Directors, each of whom has confirmed compliance with the required standard set out in the Model Code during the year ended 31 December 2013.

CODE OF CORPORATE GOVERNANCE PRACTICES

The Company has applied the principles and complied with the code provisions as set out in the Code on Corporate Governance Practices (the "Code") contained in Appendix 14 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules") for the year ended 31 December 2013 except that:

1. The Code A.2.1 — the company have the post of chief executive officer but it was still vacant; and

2. The Code A.4.1 — the independent non-executive Directors have not been appointed for any specific terms as they are subject to retirement by rotation at least once every three years in accordance with the Company's Bye-laws.

Although the Company has separated the duties between the chairman and chief executive officer, the post of the chief executive officer is still vacant. In this connection, the executive function of the Company is performed by the executive directors and management of the Company. Thus, significant decision of the Company is made by the Board. The Board considers that such structure will not affect the balance of power and authority between the chairman and the executive directors.

Code provision A.4.1 of the Code provides that non-executive Directors should be appointed for a specific term, subject to re-election. None of the independent non-executive Directors and non-executive Director has entered into any service contracts with the Company or its subsidiaries. In view of the fact that the independent non-executive Directors are subject to retirement by rotation at least once every three years though they have no set term of office, the Board considers that the quality of good corporate governance will not be impaired.

SCOPE OF WORK OF AUDITOR

The figures in respect of the preliminary announcement of the Group's consolidated statement of financial position, consolidated statement of profit or loss and other comprehensive income and the related notes thereto for the year ended 31 December 2013 as set out in the preliminary announcement have been agreed by the Group's auditor, RSM Nelson Wheeler ("RSM"), to the amounts set out in the Group's draft audited consolidated financial statements for the year. The work performed by RSM in this respect did not constitute an assurance engagement in accordance with Hong Kong Standards on Auditing, Hong Kong Standards on Review Engagements or Hong Kong Standards on Assurance Engagements issued by the Hong Kong Institute of Certified Public Accountants and consequently no assurance has been expressed by RSM on the preliminary announcement.

PUBLICATION OF ANNUAL REPORT

The 2013 annual report will be despatched to the shareholders and available on the Company's website at www.uegl.com.hk and HKEx news website at www.hkexnews.hk in due course.

By Order of the Board
United Energy Group Limited
Zhang Hong Wei
Chairman

Hong Kong, 19 March 2014

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