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 2015

FINANCIAL HIGHLIGHTS
For the year ended 31 December 2015

	2015	2014	**Change**
	HK$'000	HK$'000	**%**
Turnover	**5,417,885**	6,120,229	-11.5%
Gross profit	**2,792,827**	3,290,782	-15.1%
(Loss)/profit for the year attributable to owners of the Company	**(2,943,674)**	1,827,887	-261.0%
EBITDA Note 1	**4,044,047**	4,294,174	-5.8%
(LPS) / EPS			
- Basic	**(22.51) HK cents**	14.00 HK cents	-260.8%
- Diluted	**(22.51) HK cents**	14.00 HK cents	-260.8%

OPERATION HIGHLIGHTS
For the year ended 31 December 2015

	2015	2014	**Change %**
Average daily net production			
- Upstream oil and gas production in Pakistan	**64,464 boed**	47,091 boed	+36.9%
- Liaohe EOR project in China	**1,434 bbld**	1,820 bbld	-21.2%
Lifting costs Note 2 (HK$/boe)			
- Upstream oil and gas production in Pakistan	**HK$28.3**	HK$39.4	-28.2%
- Liaohe EOR project in China	**HK$294.2**	HK$284.7	+3.3%
1P Reserve			
- Upstream oil and gas production in Pakistan	**95.0 mmboe**	84.1 mmboe	+13.0%
- Liaohe EOR project in China	**11.9 mmbbl**	27.1 mmbbl	-56.1%

Note:

1. EBITDA represents the loss/profit before finance costs, income tax credit/expense, depreciation and amortisation, impairment and written off losses on intangible assets and property, plant and equipment, allowances for inventories and trade and other receivables, gain on disposals of property, plant and equipment and gain on disposal of subsidiaries.
2. Depreciation and amortisation, special petroleum revenue tax and other taxes and sales expenses are excluded in lifting costs.

The board of directors ("Directors") of the Company (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 2015 as follows:–

CONSOLIDATED STATEMENT OF PROFIT OR LOSS
For the year ended 31 December 2015

	Note	**2015**	2014
		HK$'000	HK$'000
Turnover	4	**5,417,885**	6,120,229
Cost of sales and services rendered		**(2,625,058)**	(2,829,447)
Gross profit		**2,792,827**	3,290,782
Investment and other income	5	**40,498**	34,890
Other gains and losses	6	**(4,899,808)**	(54,560)
Exploration expenses		**(946,712)**	(272,085)
Administrative expenses		**(402,514)**	(481,109)
Other operating expenses		**(104,999)**	(160,955)
(Loss)/profit from operations		**(3,520,708)**	2,356,963
Finance costs	8	**(253,815)**	(238,506)
(Loss)/profit before tax		**(3,774,523)**	2,118,457
Income tax credit/(expense)	10	**823,903**	(304,011)
(Loss)/profit for the year	9	**(2,950,620)**	1,814,446
Attributable to:			
Owners of the Company		**(2,943,674)**	1,827,887
Non-controlling interests		**(6,946)**	(13,441)
		(2,950,620)	1,814,446
(Loss)/earnings per share	11		
Basic (cents per share)		**(22.51)**	14.00
Diluted (cents per share)		**(22.51)**	14.00

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME
For the year ended 31 December 2015

	2015 HK$'000	2014 HK$'000
(Loss)/profit for the year	**(2,950,620)**	1,814,446
Other comprehensive income after tax:		
Items that may be reclassified to profit or loss:		
Exchange differences on translating foreign operations	**8,993**	(635)
Exchange gains reclassified to profit or loss on disposal of subsidiaries	**(54,158)**	-
Other comprehensive income for the year, net of tax	**(45,165)**	(635)
Total comprehensive income for the year	**(2,995,785)**	1,813,811
Attributable to:		
Owners of the Company	**(2,987,086)**	1,827,557
Non-controlling interests	**(8,699)**	(13,746)
	(2,995,785)	1,813,811

CONSOLIDATED STATEMENT OF FINANCIAL POSITION
At 31 December 2015

	Note	2015 HK$'000	2014 HK$'000
Non-current assets			
Property, plant and equipment		**5,479,120**	6,165,932
Intangible assets		**2,781,833**	7,330,911
Advances, deposits and prepayments		**98,213**	79,516
Pledged bank deposits		**146,038**	-
Deferred tax assets		**168,621**	212,060
		8,673,825	13,788,419
Current assets			
Restricted deposits		**412,001**	-
Inventories		**223,703**	305,605
Trade and other receivables	12	**1,704,047**	1,539,017
Held-to-maturity investments		**-**	151,284
Financial assets at fair value through profit or loss		**201,831**	3,145
Current tax assets		**305,215**	251,403
Pledged bank deposits		**31,558**	7,044
Bank and cash balances		**2,161,630**	2,494,348
		5,039,985	4,751,846
Current liabilities			
Trade and other payables	13	**1,495,940**	1,996,362
Due to directors		**8,324**	7,593
Borrowings		**1,460,224**	768,310
Current tax liabilities		**12,139**	12,716
		2,976,627	2,784,981
Net current assets		**2,063,358**	1,966,865
Total assets less current liabilities		**10,737,183**	15,755,284
Non-current liabilities			
Trade and other payables	13	**89,859**	-
Borrowings		**3,120,000**	4,317,593
Provisions		**287,696**	306,073
Deferred tax liabilities		**398,019**	1,314,246
		3,895,574	5,937,912
NET ASSETS		**6,841,609**	9,817,372
Capital and reserves			
Share capital		**130,857**	130,681
Reserves		**6,681,037**	9,648,277
Equity attributable to owners of the Company		**6,811,894**	9,778,958
Non-controlling interests		**29,715**	38,414
TOTAL EQUITY		**6,841,609**	9,817,372

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
For the year ended 31 December 2015

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 (the "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. BASIS OF PREPARATION

These consolidated financial statements have been prepared in accordance with all applicable Hong Kong Financial Reporting Standards ("HKFRSs") issued by the Hong Kong Institute of Certified Public Accountants (the "HKICPA"). HKFRSs comprise Hong Kong Financial Reporting Standards ("HKFRS"); Hong Kong Accounting Standards ("HKAS"); and Interpretations. These consolidated financial statements also comply with the applicable disclosure provisions of the Rules Governing the Listing of Securities on the Stock Exchange and with the disclosure requirements of the Hong Kong Companies Ordinance (Cap. 622).

The consolidated financial statements have been prepared under the historical cost convention, unless mentioned otherwise in the accounting policies in the 2015 annual financial statements (e.g. certain financial instruments that are measured at fair value).

3. ADOPTION OF NEW AND REVISED HONG KONG FINANCIAL REPORTING STANDARDS AND REQUIREMENTS

(a) Application of new and revised HKFRSs

In the current year, the Group has adopted all the new and revised HKFRSs issued by the HKICPA that are relevant to its operations and effective for its accounting year beginning on 1 January 2015:

Amendment to HKAS 16 and HKAS 38 (Annual Improvements to HKFRSs 2010-2012 Cycle)
The amendment clarifies how the gross carrying amount and the accumulated depreciation / amortisation are treated where an entity uses the revaluation model. As the Group does not use the revaluation model, there was no effect on its consolidated financial statements.

Amendment to HKAS 24 (Annual Improvements to HKFRSs 2010-2012 Cycle)
The amendment clarifies how payments to entities providing key management personnel services are to be disclosed. This amendment had no effect on the Group's consolidated financial statements.

Amendment to HKFRS 3 (Annual Improvements to HKFRSs 2011-2013 Cycle)
The amendment clarifies that HKFRS 3 excludes from its scope the accounting for the formation of any joint arrangement in the financial statements of the joint arrangement itself. This had no effect on the Group's consolidated financial statements.

3. **ADOPTION OF NEW AND REVISED HONG KONG FINANCIAL REPORTING STANDARDS AND REQUIREMENTS (CONTINUED)**

(a) **Application of new and revised HKFRSs (CONTINUED)**

Amendment to HKFRS 8 (Annual Improvements to HKFRSs 2010-2012 Cycle)
The amendment requires disclosure of the judgements made by management in applying the aggregation criteria to operating segments, and clarifies that reconciliations of the total of the reportable segments' assets to the entity's assets are required only if the segment assets are reported regularly. These clarifications had no effect on the Group's consolidated financial statements.

Amendment to HKFRS 13 (Annual Improvements to HKFRSs 2011-2013 Cycle)
The amendment clarifies that the portfolio exception in HKFRS 13 - allowing an entity to measure the fair value of a group of financial assets and financial liabilities on a net basis - applies to all contracts (including non-financial) within the scope of HKAS 39 / HKFRS 9. This had no effect on the Group's consolidated financial statements.

(b) **New and revised HKFRSs in issue but not yet effective**

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

List of New and revised HKFRSs in issue but not yet effective

HKFRS 9	Financial Instruments[1]
HKFRS 15	Revenue from Contracts with Customers[1]
Amendments to HKFRS 11	Accounting for Acquisitions of Interests in Joint Operations[2]
Amendments to HKAS 1	Disclosure Initiative[2]
Amendments to HKAS 16 and HKAS 38	Clarification of Acceptable Methods of Depreciation and Amortisation[2]
Amendments to HKAS 27	Equity Method in Separate Financial Statements[2]
Amendments to HKFRS 10 and HKAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture[3]
Amendments to HKFRS 10, HKFRS 12 and HKAS 28	Investment Entities: Applying the Consolidation Exception[2]
Amendments to HKFRSs	Annual Improvements to HKFRSs 2012-2014 Cycle[2]

[1] Effective for annual periods beginning on or after 1 January 2018, with earlier application permitted.
[2] Effective for annual periods beginning on or after 1 January 2016, with earlier application permitted.
[3] Effective for annual periods beginning on or after a date to be determined. Early adoption is permitted.

(c) **New Hong Kong Companies Ordinance (Cap. 622)**

The requirements of Part 9 "Accounts and Audit" of the new Hong Kong Companies Ordinance (Cap. 622) came into operation during the financial year. As a result, there are changes to presentation and disclosures of certain information in the consolidated financial statements.

3. **ADOPTION OF NEW AND REVISED HONG KONG FINANCIAL REPORTING STANDARDS AND REQUIREMENTS (CONTINUED)**

(d) **Amendments to the Rules Governing the Listing of Securities on the Stock Exchange**

The Stock Exchange in April 2015 released revised Appendix 16 of the Rules Governing the Listing of Securities in relation to disclosure of financial information in annual reports that are applicable for accounting periods ending on or after 31 December 2015, with earlier application permitted. The Company has adopted the amendments resulting in changes to the presentation and disclosures of certain information in the consolidated financial statements.

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:

	2015	2014
	HK$'000	HK$'000
Sales and production of crude oil, condensate, gas and liquefied petroleum gas	**5,380,232**	6,017,204
Provision of patented technology support services to oilfields	**37,653**	103,025
	5,417,885	6,120,229

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 approximately HK$725,414,000 (2014: HK$473,450,000), HK$698,315,000 (2014: HK$757,459,000) and HK$16,106,000 (2014: HK$110,683,000) respectively.

5. **INVESTMENT AND OTHER INCOME**

	2015	2014
	HK$'000	HK$'000
Dividends income from listed equity investments	**164**	161
Interest income on bank deposits	**20,117**	17,567
Investment income from held-to-maturity investments	**5,667**	-
Liquefied petroleum gas processing fees charged to concessions, net	**5,122**	4,659
Management fees income	**6,065**	6,477
Others	**3,363**	6,026
	40,498	34,890

6. **OTHER GAINS AND LOSSES**

	2015	2014
	HK$'000	HK$'000
Allowance for trade and other receivables	**(19,326)**	-
Fair value losses on financial assets at fair value through profit or loss	**(515)**	(431)
Gain on disposals of property, plant and equipment	**31,816**	13,428
Gain on disposal of subsidiaries	**54,158**	-
Impairment losses on advances, deposits and prepayments	**(271)**	-
Impairment losses on intangible assets	**(3,864,048)**	(41,689)
Impairment losses on property, plant and equipment	**(693,323)**	-
Net foreign exchange losses	**(11,175)**	(25,868)
Written off of intangible assets	**(134,567)**	-
Written off of property, plant and equipment	**(262,557)**	-
	(4,899,808)	(54,560)

7. **SEGMENT INFORMATION**

The Group has three operating segments 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 operating 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:

- unallocated investment and other income
- unallocated other gains and losses
- unallocated corporate expenses
- finance costs (except for provisions - unwinding of discounts included in the exploration and production segment)

Segment assets do not include the following items:

- deferred tax assets
- restricted deposits
- financial assets at fair value through profit or loss
- held-to-maturity investments
- current tax assets
- pledged bank deposits
- bank and cash balances
- other unallocated assets

7. **SEGMENT INFORMATION (CONTINUED)**

Segment liabilities do not include the following items:

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

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

	Exploration and production HK$'000	Oil exploitation HK$'000	Oilfield support services HK$'000	Total HK$'000
Year ended 31 December 2015				
Turnover from external customers	**5,193,370**	**186,862**	**37,653**	**5,417,885**
Segment profit/(loss)	**906,245**	**(3,474,893)**	**(18,720)**	**(2,587,368)**
Interest revenue	**5,873**	**4,753**	**477**	**11,103**
Interest expenses	**8,792**	**-**	**-**	**8,792**
Depreciation and amortisation	**1,606,002**	**166,175**	**31,089**	**1,803,266**
Income tax expense/(credit)	**88,475**	**(941,332)**	**(2)**	**(852,859)**
Other material non-cash items:				
Allowance for inventories	**-**	**4,872**	**-**	**4,872**
Allowance for trade and other receivables	**16,610**	**-**	**2,716**	**19,326**
Impairment losses on advances, deposits and prepayments	**-**	**271**	**-**	**271**
Impairment losses on intangible assets	**239,456**	**3,624,592**	**-**	**3,864,048**
Impairment losses on property, plant and equipment	**102,112**	**591,211**	**-**	**693,323**
Written off of intangible assets	**134,567**	**-**	**-**	**134,567**
Written off of property, plant and equipment	**1,129,075**	**-**	**-**	**1,129,075**
Additions to segment non-current assets	**2,606,673**	**45,952**	**22,089**	**2,674,714**
As at 31 December 2015				
Segment assets	**10,125,530**	**63,193**	**68,489**	**10,257,212**
Segment liabilities	**2,014,310**	**162,522**	**17,948**	**2,194,780**

7. SEGMENT INFORMATION (CONTINUED)

Information about operating segment profit or loss, assets and liabilities (CONTINUED):

	Exploration and production HK$'000	Oil exploitation HK$'000	Oilfield support services HK$'000	Total HK$'000
Year ended 31 December 2014				
Turnover from external customers	5,603,586	413,618	103,025	6,120,229
Segment profit/(loss)	2,242,308	73,620	(38,332)	2,277,596
Interest revenue	2,379	6,529	392	9,300
Interest expenses	8,928	711	479	10,118
Depreciation and amortisation	1,769,622	92,913	45,866	1,908,401
Income tax expense/(credit)	293,362	(8,734)	(5,907)	278,721
Other material non-cash item:				
Impairment losses on intangible assets	-	-	41,689	41,689
Additions to segment non-current assets	2,474,329	117,362	21,554	2,613,245
As at 31 December 2014				
Segment assets	10,632,297	4,648,695	127,168	15,408,160
Segment liabilities	2,091,484	1,409,196	31,810	3,532,490

7. SEGMENT INFORMATION (CONTINUED)

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

	2015	2014
	HK$'000	HK$'000
Profit or loss		
Total (loss)/profit of operating segments	**(2,587,368)**	2,277,596
Unallocated amounts:		
Investment and other income	**14,931**	11,151
Other gains and losses	**81,017**	(1,052)
Corporate expenses	**(214,177)**	(243,672)
Finance costs (except for provisions - unwinding of discounts included in the exploration and production segment)	**(245,023)**	(229,577)
Consolidated (loss)/profit for the year	**(2,950,620)**	1,814,446
Assets		
Total assets of operating segments	**10,257,212**	15,408,160
Unallocated amounts:		
Other receivables and other assets	**29,704**	12,821
Deferred tax assets	**168,621**	212,060
Restricted deposits	**412,001**	-
Financial assets at fair value through profit or loss	**201,831**	3,145
Held-to-maturity investments	**-**	151,284
Current tax assets	**305,215**	251,403
Pledged bank deposits	**177,596**	7,044
Bank and cash balances	**2,161,630**	2,494,348
Consolidated total assets	**13,713,810**	18,540,265
Liabilities		
Total liabilities of operating segments	**2,194,780**	3,532,490
Unallocated amounts:		
Other liabilities	**76,314**	83,771
Due to directors	**8,324**	7,593
Borrowings	**4,580,224**	5,085,903
Current tax liabilities	**12,139**	12,716
Provisions (except for provision for decommissioning costs included in the exploration and production segment)	**420**	420
Consolidated total liabilities	**6,872,201**	8,722,893

7. **SEGMENT INFORMATION (CONTINUED)**

Geographical information:

The Group's turnover from external customers by location of operations and information about its non-current assets (excluding deferred tax assets) by location of assets are detailed below:

	Turnover		**Non-current assets**	
	2015	2014	**2015**	2014
	HK$'000	HK$'000	**HK$'000**	HK$'000
Hong Kong	**-**	-	**12,059**	82
PRC except Hong Kong	**224,515**	516,643	**217,279**	4,695,202
Pakistan	**5,193,370**	5,603,586	**8,275,866**	8,881,075
Consolidated total	**5,417,885**	6,120,229	**8,505,204**	13,576,359

Turnover from major customers:

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

	2015	2014
	HK$'000	HK$'000
Exploration and production segment		
Customer A	**3,397,200**	2,290,355
Customer B (note i)	**N/A**	1,358,846
Customer C (note ii)	**933,636**	N/A
Customer D (note i)	**N/A**	651,318

Note i: Customers B and D did not contribute over 10% of the total turnover of the Group for the year ended 31 December 2015.
Note ii: Customer C is a new customer of the Group for the year ended 31 December 2015.

8. **FINANCE COSTS**

	2015	2014
	HK$'000	HK$'000
Interest on bank loans	**198,979**	219,827
Interest on medium term notes	**46,044**	9,751
Interest on other borrowings	**29,101**	-
Provisions - unwinding of discounts	**8,792**	8,928
	282,916	238,506
Amount capitalised	**(29,101)**	-
	253,815	238,506

9. (LOSS)/PROFIT FOR THE YEAR

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

	2015 **HK$'000**	2014 HK$'000
Depreciation and amortisation (note a)	**1,805,246**	1,908,950
Auditors' remuneration		
- Current	**3,983**	3,561
- Over-provision in prior year	**(10)**	(20)
	3,973	3,541
Cost of inventories sold (note b)	**2,553,231**	2,689,129
Operating lease charges		
- Hire of office equipment, machineries and motor vehicles	**36,643**	31,335
- Land and buildings	**29,631**	39,149
	66,274	70,484
Research and development expenditures	**-**	441
Staff costs excluding directors' emoluments		
- Salaries, bonuses and allowances	**312,100**	315,314
- Retirement benefits scheme contributions	**37,784**	42,233
- Share-based payments	**13,573**	13,466
	363,457	371,013
Allowance for inventories	**4,872**	-
Allowance for trade and other receivables	**19,326**	-
Impairment losses on advances, deposits and prepayments	**271**	-
Impairment losses on intangible assets	**3,864,048**	41,689
Impairment losses on property, plant and equipment (note c)	**693,323**	-
Written off of intangible assets	**134,567**	-
Written off of property, plant and equipment (included in other gains and losses of approximately HK$262,557,000 and exploration expenses of approximately HK$866,518,000)	**1,129,075**	-

Note a: Depreciation and amortisation charges include the amortisation charges on intangible assets of approximately HK$550,422,000 (2014: HK$535,633,000) which are included in the costs of sales and services rendered.

Note b: Cost of inventories sold includes staff costs, depreciation and amortisation, operating lease charges, allowance for inventories and research and development expenditures of approximately HK$1,983,146,000 (2014: HK$2,037,143,000) which are included in the amounts disclosed separately above.

Note c: Impairment losses on property, plant and equipment are presented net of reimbursements of HK$231,546,000 from the joint operator under the joint venture agreement.

10. INCOME TAX (CREDIT)/EXPENSE

Income tax has been recognised in profit or loss as following:

	2015 **HK$'000**	2014 HK$'000
Current tax - PRC Enterprise Income Tax		
Provision for the year	**878**	13,107
(Over)/under-provision in prior years	**(287)**	112
	591	13,219
Current tax - Overseas		
Provision for the year	**28,752**	133,811
Under/(over)-provision in prior years	**10,543**	(39,158)
	39,295	94,653
	39,886	107,872
Deferred tax	**(863,789)**	196,139
	(823,903)	304,011

10. **INCOME TAX (CREDIT)/EXPENSE (CONTINUED)**

No provision for profits tax in Bermuda, British Virgin Islands, Republic of Panama, Mauritius, Singapore or Hong Kong is required as the Group has no assessable profit for the year arising in or derived from these jurisdictions for the years ended 31 December 2015 and 2014.

PRC Enterprise Income Tax and Pakistan Income Tax are calculated at 25% and 50% respectively on the estimated taxable income earned by the companies with certain tax preference, based on existing legislation, interpretation and practices in respect thereof.

During the year ended 31 December 2015, the Group's subsidiaries in the PRC were approved as a high technology enterprise pursuant to which the PRC subsidiaries can enjoy a preferential income tax rate of 15% for the coming financial year (2014: two financial years).

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

11. **(LOSS)/ EARNINGS PER SHARE**

Basic (loss)/earnings per share

The calculation of basic (loss)/earnings per share attributable to owners of the Company is based on the loss for the year attributable to owners of the Company of approximately HK$2,943,674,000 (2014: profit of HK$1,827,887,000) and the weighted average number of ordinary shares of 13,074,493,149 (2014: 13,058,801,694) in issue during the year.

Diluted (loss)/earnings per share

The Company did not have any dilutive potential ordinary share for the year ended 31 December 2015. Diluted loss per share for the year ended 31 December 2015 is the same as the basic loss per share for the year.

The calculation of diluted earnings per share attributable to owners of the Company for the year ended 31 December 2014 is based on the profit for the year attributable to owners of the Company of approximately HK$1,827,887,000 and the weighted average number of ordinary shares of 13,059,740,801, being the weighted average number of ordinary shares of 13,058,801,694 in issue during the year used in the basic earnings per share calculation plus the weighted average number of ordinary shares of 939,107 assumed to have been issued at no consideration on the deemed exercise of the share options outstanding during the year ended 31 December 2014.

12. **TRADE AND OTHER RECEIVABLES**

	2015	2014
	HK$'000	HK$'000
Trade receivables (note a)	**1,743,325**	1,238,235
Allowance for trade receivables	**(2,165)**	-
Allowance for price adjustments (note b)	**(526,584)**	(54,600)
	1,214,576	1,183,635
Other receivables (note c)	**506,553**	355,382
Allowance for other receivables	**(17,082)**	-
	489,471	355,382
Total trade and other receivables	**1,704,047**	1,539,017

12. **TRADE AND OTHER RECEIVABLES (CONTINUED)**

(a) **Trade receivables**

The Group's trading terms with customers are mainly on credit. The credit term generally ranges from 30 to 45 days (2014: 30 to 45 days). The Group seeks to maintain strict control over its outstanding receivables. Overdue balances are reviewed regularly by the directors.

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

	2015	2014
	HK$'000	HK$'000
0 to 30 days	**1,142,224**	1,091,600
31 to 60 days	**342,927**	96,109
61 to 90 days	**22,586**	50,526
Over 90 days	**235,588**	-
	1,743,325	1,238,235

(b) **Allowance for price adjustments**

It represents the provision for the possible price adjustment in gas prices as per the draft gas price notifications submitted to the relevant regulatory authorities in Pakistan in respect of certain gas sales agreements. Since the final price notification has not yet been received from the regulatory authorities, the management had estimated the potential price differential based on the draft notifications and a possible price reduction (excluding royalty expenses) of approximately HK$526,584,000 (2014: HK$54,600,000) was provided.

(c) **Other receivables**

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

	2015	2014
	HK$'000	HK$'000
Due from joint operators	**276,706**	137,952
Advances to staff	**9,958**	13,150
Central excise duty receivables	**12,052**	9,522
Deposits and prepayments	**18,538**	46,610
Sales tax receivables	**166,986**	118,115
Others	**5,231**	30,033
	489,471	355,382

13. **TRADE AND OTHER PAYABLES**

	2015	2014
	HK$'000	HK$'000
Trade payables (note a)	**271,363**	545,457
Other payables (note b)	**1,314,436**	1,450,905
Total trade and other payables	**1,585,799**	1,996,362
Analysed as		
- Current	**1,495,940**	1,996,362
- Non-current	**89,859**	-
	1,585,799	1,996,362

13. TRADE AND OTHER PAYABLES (CONTINUED)

(a) Trade payables

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

	2015	2014
	HK$'000	HK$'000
0 to 30 days	**223,457**	345,331
31 to 45 days	**39,205**	61,451
Over 45 days	**8,701**	138,675
	271,363	545,457

(b) Other payables

	2015	2014
	HK$'000	HK$'000
Due to joint operators	**-**	242,205
Accrual for operating expenses (note i)	**599,446**	483,146
Bills payables	**31,558**	7,044
Deposits received	**9,697**	10,672
Salaries and welfare payables	**106,381**	85,056
Other tax payables	**553,162**	619,901
Others	**14,192**	2,881
	1,314,436	1,450,905

(i) Included in accrual for operating expenses were amounts due to independent gas processing plant contractors of approximately HK$89,859,000 (2014: Nil). The amounts due are unsecured, interest bearing at 2% per annum and repayable on 31 May 2017.

14. DIVIDEND

No dividend has been paid or declared by the Company during the years ended 31 December 2015 and 2014.

15. EVENTS AFTER THE REPORTING PERIOD

Proposed abandonment of Enhancing Oil Recovery ("EOR") contract

Having considered the significant decline of international oil price in 2015 and expectation of pertaining low oil price in coming several years, the management had considered it is not economical and sustainable to continue investing in the oil exploitation business in PRC. Therefore, the Board of Directors has procured United Petroleum & Natural Gas Investments Limited ("United Petroleum") to notify China National Petroleum Corporation ("CNPC") for the proposal of the abandonment of EOR contract (the "Abandonment"). The Group has issued the abandonment notification to CNPC on 23 February 2016. Upon the service of such notice to CNPC, it may take months or even longer time for United Petroleum and CNPC to agree and implement a plan of subsequent arrangement.

As the Abandonment has not yet been completed as at the date of issuance of this announcement, it is impracticable to disclose further information on the Abandonment. Details of the Abandonment are set out in the Company's announcement dated 23 February 2016.

MANAGEMENT DISCUSSION AND ANALYSIS

Financial Review

The Group reported a net loss attributable to the owners of the Company of approximately HK$2,943,674,000 for the year ended 31 December 2015 (the "reporting period") as compared to a profit of approximately HK$1,827,887,000 for the year ended 31 December 2014 ("Last Year"). The net loss was primarily attributable to the recognition of several non-cash impairment and written off losses in aggregate of approximately HK$5,821,284,000 in respect of the following items:

- Assets impairment in relation to the Liaohe Enhancing Oil Recovery Project ("Liaohe EOR Project") in China amounted to approximately HK$4,216,074,000. The impairment occurred as a result of the Group's decision to abandon the Liaohe EOR Project in view of the losses suffered in the oil exploitation segment due to the sharp fall of international oil prices. The Group has arrived at such decision after careful consideration of the macro-economic environment, ongoing capital expenditure and the economic benefit that can be brought to the Group in this project. The Board is of the view that the abandonment is in the interest of the shareholders of the Company ("Shareholders") and enables the Group to have better utilisation of its resources in other core and potential businesses.

- Impairment and written off losses of the Pakistan Assets amounted to approximately HK$1,605,210,000 principally due to dry wells and non-productive fields.

Under the impact of weak international oil prices, financial performance of the Group were also affected by lower realized selling prices of oil and gas commodities but partially offset by the increase in overall production and sales volume. On the other hand, the Group's EBITDA, which does not take into account of the impairment and written off losses, was approximately HK$4,044,047,000, only decreased slightly by 5.8% from Last Year. The Pakistan Assets continued to achieve an encouraging growth in production during the reporting period with average daily net production grown by 36.9% to 64,464 barrels of oil equivalent ("boe") per day ("boed") from Last Year contributed by new discoveries and increased production capacity in our Pakistan Assets. As at 31 December 2015, 1P reserve of the Pakistan Assets increased to 95.0 million barrels of oil equivalent ("mmboe"), representing a reserves replacement ratio of approximately 147% for the reporting period. The Group believes that potential of the Pakistan Assets can be further unlocked should the market environment allow it to employ more capital investment in exploration.

Turnover

The Group's turnover for the reporting period was approximately HK$5,417,885,000, representing a decrease of 11.5% as compared with the turnover of approximately HK$6,120,229,000 for Last Year. The decline in turnover was mainly attributable to lower realised selling prices while the increase in sales volume of our Pakistan Assets has offset part of that effect.

Cost of sales and services rendered

Despite the increase in sales volume, the Group's cost of sales and services rendered went down from approximately HK$2,829,447,000 for Last Year to approximately HK$2,625,058,000 for the reporting period. This was attributable to effective cost saving measures as well as the decline in depreciation and amortisation expenses due to higher oil and gas reserve balances contributed by the new discoveries in Pakistan Assets during the year. The cost of sales and services rendered included depreciation and amortisation of approximately HK$1,753,213,000 (2014: approximately HK$1,855,078,000).

Gross profit

The Group's gross profit for the reporting period was approximately HK$2,792,827,000 (gross profit margin 51.5%) which represented a decrease of 15.1% as compared with gross profit for 2014 of approximately HK$3,290,782,000 (gross profit margin 53.8%). The decline in gross profit margin was mainly due to lower realised selling prices of oil and gas commodities.

Exploration expenses
The Group's exploration expenses for the reporting period was approximately HK$946,712,000 (2014: HK$272,085,000) which was primarily spent on 3D seismic, geological and geophysical studies in Pakistan Assets. The increase in exploration expenses was mainly due to the written off loss of approximately HK$866,518,000 (2014: Nil) arising from dry exploration wells in the Pakistan Assets.

Administrative expenses
The Group's administrative expenses for the reporting period was approximately HK$402,514,000 (2014: HK$481,109,000), representing 7.4% (2014: 7.9%) of turnover.

Finance costs
The Group's finance costs for the reporting period was approximately HK$253,815,000, representing a 6.4% increase as compared with the finance costs of approximately HK$238,506,000 for Last Year. The increase in finance costs was mainly attributable to higher interest expenses as a result of the issuance of S$100,000,000 medium term notes on 17 October 2014. The average interest rate of borrowings for the year was 5.07% (2014: 4.54%).

Income tax credit/expense
The Group's income tax credit for the reporting period was approximately HK$823,903,000 (2014: income tax expense of approximately HK$304,011,000). The income tax credit was mainly due to the reversal of deferred tax liabilities arising from the impairment losses on intangible assets of Liaohe EOR Project and the increase in allowance for price adjustments in Pakistan.

EBITDA
EBITDA represents the loss/profit before finance costs, income tax credit/expense, depreciation and amortisation, impairment and written off losses on intangible assets and property, plant and equipment, allowances for inventories and trade and other receivables, gain on disposals of property, plant and equipment and gain on disposal of subsidiaries. It shall be noted that EBITDA is not a measure of operating performance or liquidity defined by generally accepted accounting principles and may not be comparable to similarly titled measures presented by other companies. The EBITDA for the year was approximately HK$4,044,047,000, decreased by 5.8% from Last Year of approximately HK$4,294,174,000.

The Group's Audit Committee has reviewed the audited consolidated financial statements for the year ended 31 December 2015. The Audit Committee has reviewed with management the accounting principles and practices adopted by the Group, as well as risk management, internal control and financial reporting matters, and found them to be satisfactory.

Business Review
The Group is one of the largest listed upstream oil and gas corporations in Hong Kong, with business presence in South Asia. The Group is principally engaged in the investment and operation of upstream oil, natural gas and other energy related businesses. Leveraging on management's extensive experience in the oil and gas exploration, the Group has successfully grown its business into one of the major players in the upstream oil and gas industry. In terms of net production volume, the Group is ranked as one of the largest independent upstream oil and gas operators listed on the Hong Kong Stock Exchange. The Board is pleased to announce that the Group has achieved its milestone that was set in 2012 to increase the average daily net production in Pakistan to above 60,000 boed, well ahead of its target of year 2017. The Group will continue to uphold its primary objective to deliver growth and sustainable returns to Shareholders and investors.

During 2015, international oil prices exacerbated its prior year loss with Brent Oil diving below US$ 40 per barrel, bringing significant challenges to upstream oil and gas operators. Weak oil price was impinged by the imbalance of global supply and demand, according to data published by the Organization of the Petroleum Exporting Countries in December 2015. Despite continuous improvement in overall production, the Group reported a net loss attributable to the owners of the

Company of approximately HK$2,943,674,000 mainly caused by non-cash impairment and written off losses of approximately HK$5,821,284,000 recorded during the year. On the other hand, the Group's EBITDA that does not take into account of the impairment and written off losses was approximately HK$4,044,047,000 for the reporting period, only declined slightly by 5.8% from Last Year. The drop in EBITDA was in line with the sharp fall of international oil prices in 2015 which translated into lower realised selling prices but partially alleviated by the improvement in productivity from the Pakistan Assets and significant effort spent on cost control. The Group reported net cash generated from operating activities of approximately HK$3,434,776,000 during the reporting period and continued to maintain healthy financial position as at the end of 2015.

For the financial year ended 31 December 2015, Pakistan Assets recorded satisfactory production growth while production of the Liaohe EOR Project was strategically scaled down to narrow losses from the impact of weak oil prices. The Group delivered an average daily net production of approximately 65,898 boed during the reporting period, representing 34.7% increase from Last Year.

Cost of sales and services rendered by the Group for the reporting period was approximately HK$2,625,058,000 (Pakistan Assets: approximately HK$2,262,128,000, Liaohe EOR Project: approximately HK$331,692,000, Oilfield Support Services: approximately HK$31,238,000), and the Group invested approximately HK$2,623,841,000 of capital expenditure in oil exploration, development and production activities (Pakistan Assets: approximately HK$2,592,910,000, Liaohe EOR Project: approximately HK$30,931,000). The Group has drilled 31 new wells in Pakistan Assets and 6 side-track wells in Liaohe EOR Project.

Pakistan Assets:
For the year ended 31 December 2015, the Pakistan Assets achieved an average daily net production of approximately 64,464 boed, grew by 36.9% compared to Last Year. The Pakistan Assets has an oil and liquids ratio of 22.4%. Composite Average Sales Price Before Government Take amounted to US$ 32.2 per boe, dropped by 33.6% compared to Last Year.

During the reporting period, the Group remains as one of the most-active oil and gas upstream operators in Pakistan and completed 24 exploration wells and 7 development wells. The Group has made 18 new oil and gas discoveries in Badin and MKK Blocks, representing a success rate of 75%. Net 1P reserve added during the year amounted to 34.1 mmboe, representing a net 1P reserve replacement ratio of 147%. In light of dropping oil prices, the Group implemented cost optimisation measures during the reporting period and effectively resulted in improvement in both capital and operating efficiency. Since June 2014, United Energy Pakistan Limited ("UEPL"), the operator of the Pakistan Asset of the Company and a wholly owned subsidiary of the Company, delivered its first export shipment of oil and condensate to the international oil market. For the reporting period, total exported oil and condensate was approximately 2,770,000 boe, representing a 77.6% increase from Last Year.

Construction of the Naimat Phase 5 gas processing plant which consisted of two phases was duly completed in mid-2015, additional 160 mmcfd production capacity was added to the MKK Blocks and thus contributed to the remarkable increase in production in the second half of 2015. Construction speed of Naimat Phase 5 also marked an industrial record in Pakistan as the plant only took 13 months to complete which was significantly shorter than similar projects in the industry. For the reporting period, the average daily net production for MKK Blocks has risen by 74.3% to 42,770 boed from Last Year and accounted for approximately 66.3% (2014: 52.1%) of the Pakistan Asset's annual production.

In 2015, the Group has undertaken a number of initiatives to maintain its rapid expansion and remained efficient despite the lower oil price environment. In order to minimise drilling costs, a number of exploration and development wells were successfully drilled using slimhole and monobore well completion. In addition, the Group has carried out a number of studies and tests to improve bit design, wellbore stability and pore pressure prediction which have significantly reduced drilling time and costs.

Liaohe EOR Project, China:
The Group's Liaohe EOR Project was approved by National Development and Reform Commission to commence development stage in July 2010 and later entered production stage in February 2011. This operation encountered significant challenges during 2015 as international oil price plummeted to historical low. It reported a segmental loss for the reporting period even after excluding the impairment and written off losses. During 2015, average daily net production for the Liaohe EOR Project was 1,434 boe, declined by 21.2% compared with Last Year which was in line with our strategic reduction in capital investment. Average Sales Price Before Government Take amounted to US$46.4 per boe, representing a 45.3% decrease compared with Last Year. As at 31 December 2015, a total of 177 out of the 381 producing wells (representing ~46.5% of total producing wells) have been converted into fireflood producers.

Impacted by the dramatic decline of international oil prices in 2015, the Group has strategically scaled down its capital investment for production and re-assessed the corresponding economic benefits under low oil prices. Taking into consideration of the current state of macro environment, the capital investment required and the economic return brought by the Liaohe EOR Project, the Board resolved that it is in the interest of the Group and its Shareholders to abandon the Liaohe EOR Project and direct resources to other core and potential businesses which can produce better returns. Therefore, on 23 February 2016, the Board has procured United Petroleum & Natural Gas Investments Limited ("United Petroleum"), a wholly-owned subsidiary of the Company, to issue a notice to China National Petroleum Corporation ("CNPC"), joint venture partner of the Liaohe EOR Project, to propose the abandonment of the Liaohe EOR Project. Accordingly, all of the non-current assets of Liaohe EOR Project were impaired in accordance with terms of the EOR contract and relevant financial reporting standards. The impairment represents accounting entries in the financial statements only and they do not have material impact on the cash flow position of the Company.

As at the date of this announcement, the Group is still pending the reply from CNPC. United Petroleum will engage in further discussion with CNPC to agree on and implement a plan of subsequent arrangement. The Company will keep Shareholders and potential investors updated should there be any material development in connection with the Liaohe EOR Project.

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

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

Business and market outlook
As of early 2016, international oil prices dived further with Brent oil breaking its 10-year low towards the 20s-level as market was clouded by supply glut concern. According to the US Energy Information Administration, the short-term outlook of crude oil prices would remain weak through 2016 as supply still outpaces demand and global oil inventory continues to build up. Under this environment, the Group will adopt a stable output strategy and shift our focus towards building up oil reserve to cater for recovery of international oil market. For 2016, the Pakistan Assets' average daily net production is projected to be in the range of 62,000 to 66,000 boed, which is about the same level as 2015. 1P reserve replacement ratio of the Pakistan Assets is expected to be between 110% to 130%.

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

Benefited from production ramp-up, the Group continued to generate strong cash flow from operation for the financial year of 2015. As at 31 December 2015, total bank and cash balances of the Group stood at approximately HK$2,162 million. This provided certain liquidity buffer for the Group to support future capital investment and meet short-term debt obligations. Of course, the ability for us to remain financially liquid and sound would also rely on the past and ongoing support from our relationship with banks and investors, where we would like to take this occasion to express our sincere gratitude to them.

Riding on our strong financial strength, the Group is actively screening acquisition targets to replenish its reserve and fast track its expansion plan. New acquisition can also diversify the geographical concentration of our assets and revenue bases. Apart from acquisition, the Group is also evaluating the establishment of an oil commodity trading arm which should synergize with our existing upstream oil exploration and production business.

Pakistan Assets:
Demand for oil and gas energy in Pakistan remains strong as domestic supply shortage prevails. According to the Pakistan Energy Outlook 2015 report issued by Petroleum Institute of Pakistan, primary energy supply deficit in Pakistan is unlikely to be eradicated by 2020. The Group, being one of the largest foreign energy companies with solid and reputable brand in Pakistan, is in an advantageous position to capture the growing domestic demand.

As part of the 2016 strategies, we would place special focus on building up reserve to prepare for recovery of the international oil market. The Group plans to drill 19 exploration wells and 7 development wells in 2016 with aggregate capital expenditure of approximately US$ 150 million (equivalent to approximately HK$1,170 million). To further enhance our competitiveness, cost optimisation measures will be carried out through 2016 to reduce drilling cost and increase capital efficiency. As a result, Pakistan Assets' lifting cost and 1P reserve finding and development cost per boe is expected to be in the range of US$ 3.0 to 3.5 and US$ 5.2 to 7.2 respectively.

In terms of exploration efforts, the Group has made multiple breakthroughs in Badin and MKK during 2015. Advance reservoir characterisation studies have led to new oil and gas discoveries in Badin, specifically in Middle Sands of Cretaceous age. On the back of this success, a number of additional wells are planned in 2016 to target similar attribute plays. In MKK, detailed seismic sequence stratigraphic studies combined with seismic inversion work for Basal and Sembar Sands were completed and in the first phase three prospects were high graded for drilling. One of these prospects was drilled in late 2015 (namely Ali-2) and the drilling results are very promising. We believe that the success in stratigraphic plays will significantly increase exploration potential in MKK. Drilling of the remaining two prospects is planned for 2016 along with other play tests.

Liaohe EOR Project, China:
The Board expects that upon completion of abandoning the Liaohe EOR Project, the Group would be able to free up resources which can then be re-applied to existing or future projects to generate better returns for our Shareholders.

Conclusion
2015 has been a challenging year for all upstream oil and gas operators. The Group has undergone an uphill fight to deliver satisfactory results to our stakeholders, but inevitably encountered a year of retreat in financial performance as hindered by weak oil prices in the international market. Nevertheless, the Group continued to achieve strong production output, made several important discoveries in the Pakistan Assets and maintained a strong financial position. Despite the challenges ahead, we still hold a cautiously optimistic view on the outlook of the upstream oil and gas industry. The Group will adopt a stable output strategy for 2016 and cautiously monitor its cost structure to stay competitive. We also focus on building up reserve to cater for recovery of the international oil market while look for acquisition opportunities to fast-track our target and enrich our portfolios. In the meantime, we continue to uphold our promise to deliver growth and sustainable return to our stakeholders.

Material Acquisition and Disposal
On 28 August 2015, United Energy International Trading Limited ("UEIT"), a wholly-owned subsidiary of the Company, entered into the consortium agreement (the "Consortium Agreement") with CMBC International Holdings Limited ("CMBCI") and other co-investors in relation to the proposed subscription of 2,908,584,000 new ordinary share of Quam Limited ("the Subscription") and the mandatory cash offer for the 190,587,055 Quam shares, 5,597,575 Quam warrants and 504,051 Quam share options (the "Offer") with an aggregate investment sum of approximately HK$1,913,052,000. The share of Quam is listed on the Main Board of Stock Exchange. Details of the Subscription and the Offer are set out in the Company's circular dated 9 October 2015 (the "Circular").

As disclosed in the Circular, CMBCI Completion shall be conditional upon fulfillment and/or waiver of various conditions on or before the day falling on the sixth month after the date of the Subscription Agreement, i.e. on or before 28 February 2016 (the "Long Stop Date"), or such other date as the parties may agree in writing and the Co-investors Completion (including completion of the Subscription and the Offer by UEIT) is only conditional upon CMBCI Completion.

On 29 February 2016, as some conditions to CMBCI Completion cannot be fulfilled and UEIT has no intention to extend the Long Stop Date, UEIT shall not be bound to proceed with the Co-investors Subscription and UEIT shall have no liability to other parties whatsoever.

Segment Information
Particulars of the Group's segment information are set out in note 7 to this announcement.

Liquidity and Financial Resources
The Group maintained its strong financial position for the reporting period, with bank and cash balances amounting to approximately HK$2,161,630,000 as at 31 December 2015 (2014: approximately HK$2,494,348,000).

As at 31 December 2015, the outstanding balance of the bank loan from China Development Bank Corporation Hong Kong Branch for acquisition of the Pakistan upstream oilfield assets from British Petroleum in September 2011 was US$480,000,000, equivalent to approximately HK$3,744,000,000 (2014: US$560,000,000, equivalent to approximately HK$4,368,000,000).

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

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

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

As at 31 December 2015, the gearing ratio was approximately 33.4% (2014: approximately 27.4%), based on borrowings under current liabilities and non-current liabilities of approximately HK$1,460,224,000 (2014: approximately HK$768,310,000) and HK$3,120,000,000 (2014: approximately HK$4,317,593,000) respectively and total assets of approximately HK$13,713,810,000 (2014: approximately HK$18,540,265,000). As at 31 December 2015, the current ratio was approximately 1.69 times (2014: approximately 1.71 times), based on current assets of approximately HK$5,039,985,000 (2014: approximately HK$4,751,846,000) and current liabilities of approximately HK$2,976,627,000 (2014: approximately HK$2,784,981,000).

As at 31 December 2015, the Group's total borrowings amounted to approximately HK$4,580,224,000 (2014: approximately HK$5,085,903,000), including secured bank loans of approximately HK$3,888,300,000 (2014: approximately HK$4,512,310,000), medium term notes of approximately HK$542,656,000 (2014: approximately HK$573,593,000) and other secured loans of approximately HK$149,268,000 (2014: Nil). The carrying value of the secured bank loans is denominated in United States dollars and the carrying value of the medium term notes is denominated in Singapore dollars. The secured bank loans are arranged at floating interest rates as at 31 December 2015 and the average effective interest rate as at 31 December 2015 was 4.74% (2014: 4.61%). The medium term notes are at fixed interest rate of 6.85% per annum.

Capital Structure

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

On 2 July 2015, the Company issued and allotted 10,363,845 ordinary 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 23 October 2015, the Company resolved to award 7,229,030 new shares as the scheme shares to 638 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 7,229,030 scheme shares was completed on 3 November 2015.

During the reporting period, 2,000,000 units of share options granted and vested under the Company's Share Option Schemes adopted on 11 May 2006 were lapsed. As at 31 December 2015, the outstanding balance of the outstanding share options granted and vested under the Company's Share Option Schemes adopted on 11 May 2006 was 18,000,000 units of share options.

After completion of the above allotment of shares during the reporting period, the total number of issued shares of the Company was increased from 13,068,128,502 shares as at 1 January 2015 to 13,085,721,377 shares as at 31 December 2015.

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

Employees

As at 31 December 2015, the Group employed a total of 1,117 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

For the years ended 31 December 2015 and 31 December 2014, the Company issued various unlimited corporate guarantees in favour of the President of the Islamic Republic of Pakistan and certain joint operators of the Group, as guarantee to provide UEPL with all necessary financial and other means to enable UEPL to fully perform its obligations as stipulated in the concession agreements.

At the end of the reporting period, the Company has issued an unlimited cross guarantee to a bank in respect of a banking facility granted to a subsidiary of the Company, United Energy Group (Hong Kong) Limited. At the end of the reporting period, the Directors do not consider it probable that a claim will be made against the Company under the above guarantee. The maximum liability of the Company at the end of the reporting period is the amount of bank loans drawn under the cross guarantee at that date of approximately HK$3,744,000,000 (2014: HK$4,368,000,000).

At the end of the reporting period, the Company has issued a corporate guarantee in respect of the First Drawdown Notes issued by UEFBL under the Programme. At the end of the reporting period, the Directors do not consider it probable that a claim will be made against the Company under the above guarantee. The maximum liability of the Company at the end of the reporting period is the amount of First Drawdown Note drawn under the corporate guarantee at that date of approximately HK$542,656,000 (2014: HK$573,593,000).

For the years ended 31 December 2015 and 2014, the Group had issued corporate guarantees granted to the collector of customs of Pakistan in case of any dispute arising on claim of exemptions of levies including custom duties and sales tax on import of machinery, equipment, materials, specialized vehicles, spares, chemicals and consumables under the petroleum concession agreement amounting to approximately HK$243,000 (2014: HK$15,215,000).

Exposure to Fluctuations in Exchange Rates and Related Hedges

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

Major Customers and Suppliers

In 2015, the Group's five largest customers represented 96.5% of total turnover (2014: 85.6%) and the Group's five largest suppliers represented 47.8% of total cost of sales and services rendered (2014: 34.3%).

EVENTS AFTER THE REPORTING PERIOD

Particulars of the Group's events after the reporting period are set out in note 15 to this announcement.

PURCHASE, SALE OR REDEMPTION OF SHARES

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 the year ended 31 December 2015.

SUFFICIENCY OF PUBLIC FLOAT

The Company has maintained a sufficient public float throughout the year ended 31 December 2015.

AUDIT COMMITTEE

The Audit Committee has reviewed the audited consolidated financial statements for the year ended 31 December 2015. The Audit Committee has also discussed with management and reviewed the accounting principles and practices adopted by the Group, as well as risk management, internal control and financial reporting matters, and found them to be satisfactory.

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 23 May 2016 to 27 May 2016, 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 2016 (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 20 May 2016.

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 2015.

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 2015 except that:

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

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

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

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

With effective from 30 March 2012, a nomination committee, comprising Mr. San Fung, independent non-executive Director of the Company, as its Chairman with Mr. Chau Siu Wai, independent non-executive Director of the Company, and Ms Zhang Meiying, executive Director of the Company, as its members, has been set up with written terms of reference in accordance with the requirements of the Listing Rules. The Nomination Committee is responsible for nomination of Directors, structure of the Board, number of Directors, the composition of the Board and review of the Board Diversity Policy the Company. The nominations of Directors were made in accordance with the Nomination Policy and the objective criteria (including without limitation, gender, age, cultural and educational background, ethnicity, professional experience, skills, knowledge and length of service), with due regard for the benefits of diversity under the Board Diversity Policy of the Company. According to the Board Diversity Policy of the Company, selection of candidates will be based on a range of diversity perspectives, including but not limited to gender, age, cultural and educational background, ethnicity, professional experience, skills, knowledge and length of service. The ultimate decision will be based on merit and contribution that the selected candidates will bring to the Board.

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 2015 as set out in the preliminary announcement have been agreed by the Group's auditor, RSM Hong Kong (formerly known as 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 2015 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, 8 March 2016

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.