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 2019

FINANCIAL HIGHLIGHTS
For the year ended 31 December 2019

	2019 HK$'000	2018 HK$'000	**Change %**
Results			
Turnover	**7,103,644**	5,279,204	+34.6%
Gross profit	**3,477,805**	2,957,209	+17.6%
EBITDA (Note 1)	**5,477,288**	4,063,743	+34.8%
Profit for the year	**1,905,947**	1,637,332	+16.4%
Profit for the year attributable to owners of the Company	**1,905,957**	1,637,991	+16.4%
Basic earnings per share from continuing and discontinued operations (HK cents)	**7.26**	6.23	+16.5%
Key items in Consolidated Statement of Financial Position			
Equity attributable to owners of the Company	**12,036,507**	11,263,144	+6.9%
Total assets	**25,743,105**	16,147,438	+59.4%
Net assets	**12,054,089**	11,263,144	+7.0%

OPERATION HIGHLIGHTS
For the year ended 31 December 2019

	2019	2018	**Change %**
Pakistan Assets			
Operation			
Average Daily Working Interest Production (boed)	**66,560**	66,453	+0.2%
Reserve (Note 2)			
Net Entitlement 1P Reserve at the year end (mmboe)	**83.6**	95.3	-12.3%
Working Interest 2P Reserve at the year end (mmboe)	**130.9**	149.5	-12.4%
MENA Assets (Note 3)			
Operation			
Average Daily Working Interest Production (boed)	**27,782**	N/A	N/A
Reserve (Note 2)			
Net Entitlement 1P Reserve at the year end (mmboe)	**169.7**	N/A	N/A
- Egypt Assets	**5.5**	N/A	N/A
- Iraq Assets	**164.2**	N/A	N/A
Working Interest 2P Reserve at the year end (mmboe)	**800.4**	N/A	N/A
- Egypt Assets	**26.2**	N/A	N/A
- Iraq Assets	**774.2**	N/A	N/A

Note:

1. EBITDA represents the profit before finance costs, income tax expense, depreciation and amortisation, property, plant and equipment written off, impairment losses on goodwill, share of profits/losses of associates, gain/loss on disposals of property, plant and equipment, gain on bargain purchase, impairment losses for trade and other receivables and profit/loss for the year from discontinued operations.
2. Working interest reserve represents Group's proportion prior to application of the state share under the concession agreements governing the assets, while net entitlement reserve represents Group's proportion after application of the state share under the concession agreements governing the assets.
3. From 21 March 2019 to 31 December 2019.

** For identification purposes only*

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 2019 as follows:–

CONSOLIDATED STATEMENT OF PROFIT OR LOSS
For the year ended 31 December 2019

	Note	**2019** HK$'000	2018 HK$'000
Continuing operations			
Turnover	4	**7,103,644**	5,279,204
Cost of sales and services rendered		**(3,625,839)**	(2,321,995)
Gross profit		**3,477,805**	2,957,209
Investment and other income	5	**145,968**	59,928
Other gains and losses	6	**328,088**	41,287
Impairment losses for trade and other receivables		**(67,810)**	-
Exploration expenses		**(350,286)**	(103,068)
Administrative expenses		**(505,215)**	(459,768)
Other operating expenses		**(295,383)**	(158,062)
Profit from operations		**2,733,167**	2,337,526
Finance costs	8	**(440,960)**	(54,337)
Share of losses of associates		**(34,136)**	(333)
Profit before tax		**2,258,071**	2,282,856
Income tax expense	10	**(352,124)**	(680,145)
Profit for the year from continuing operations	9	**1,905,947**	1,602,711
Discontinued operations			
Profit for the year from discontinued operations	11	**-**	34,621
Profit for the year		**1,905,947**	1,637,332
Attributable to:			
Owners of the Company			
Profit for the year from continuing operations		**1,905,957**	1,602,711
Profit for the year from discontinued operations		**-**	35,280
		1,905,957	1,637,991
Non-controlling interests			
Loss for the year from continuing operations		**(10)**	-
Loss for the year from discontinued operations		**-**	(659)
		(10)	(659)
		1,905,947	1,637,332
Earnings per share	12		
From continuing and discontinued operations			
Basic (cents per share)		**7.26**	6.23
Diluted (cents per share)		**7.26**	6.23
From continuing operations			
Basic (cents per share)		**7.26**	6.10
Diluted (cents per share)		**7.26**	6.10

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME
For the year ended 31 December 2019

	2019 HK$'000	2018 HK$'000
Profit for the year	**1,905,947**	1,637,332
Other comprehensive income after tax:		
Items that will not be reclassified to profit or loss:		
Remeasurement gains on defined benefit pension plans, net of tax expenses of approximately HK$2,274,000 (2018: HK$491,000)	**18,980**	737
Items that may be reclassified to profit or loss:		
Exchange differences on translating foreign operations	**1,011**	26,910
Exchange differences reclassified to profit or loss on disposal of a subsidiary	**-**	(21,109)
	1,011	5,801
Other comprehensive income for the year, net of tax	**19,991**	6,538
Total comprehensive income for the year	**1,925,938**	1,643,870
Attributable to:		
Owners of the Company		
Profit for the year from continuing operations	**1,925,948**	1,608,443
Profit for the year from discontinued operations	**-**	35,280
	1,925,948	1,643,723
Non-controlling interests		
Loss for the year from continuing operations	**(10)**	-
Profit for the year from discontinued operations	**-**	147
	(10)	147
	1,925,938	1,643,870

CONSOLIDATED STATEMENT OF FINANCIAL POSITION
At 31 December 2019

	Note	**2019**	2018
		HK$'000	HK$'000
Non-current assets			
Property, plant and equipment		**11,677,868**	7,853,560
Right-of-use assets		**123,824**	-
Intangible assets		**6,099,093**	2,383,040
Investment in associates		**420,787**	450,423
Advances, deposits and prepayments		**210,612**	143,025
		18,532,184	10,830,048
Current assets			
Inventories		**324,918**	337,998
Trade and other receivables	14	**3,368,908**	2,190,160
Financial assets at fair value through profit or loss ("FVTPL")		**2,586**	2,754
Employee retirement benefits assets		**8,412**	2,826
Current tax assets		**147,470**	267,120
Bank and cash balances		**3,358,627**	2,516,532
		7,210,921	5,317,390
Current liabilities			
Trade and other payables	15	**6,024,212**	2,647,003
Due to a director		**2,459**	9,433
Borrowings		**352,150**	181,123
Lease liabilities		**32,461**	-
Provisions		**1,053**	5,276
Financial guarantee contracts		**9,330**	-
Current tax liabilities		**208,180**	47,726
		6,629,845	2,890,561
Net current assets		**581,076**	2,426,829
Total assets less current liabilities		**19,113,260**	13,256,877
Non-current liabilities			
Borrowings		**4,343,636**	460,613
Lease liabilities		**98,585**	-
Provisions		**505,481**	381,109
Derivative financial liabilities		**3,410**	1,165
Employee retirement benefits obligations		**34,112**	-
Deferred tax liabilities		**2,073,947**	1,150,846
		7,059,171	1,993,733
NET ASSETS		**12,054,089**	11,263,144
Capital and reserves			
Share capital		**262,779**	262,941
Reserves		**11,773,728**	11,000,203
Equity attributable to owners of the Company		**12,036,507**	11,263,144
Non-controlling interests		**17,582**	-
TOTAL EQUITY		**12,054,089**	11,263,144

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, Admiralty, 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 is an investment holding company.

In the opinion of the Company's directors, He Fu International Limited, a company incorporated in British Virgin Islands, is the immediate parent; Mingze Orient Investment Limited#, a company incorporated in People's Republic of China, is the ultimate parent and Mr. Zhang Hong Wei is the ultimate controlling party of the Company.

The English translation of the ultimate parent company is for reference only. The official name - 名澤東方投資有限公司 is in Chinese.

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 HKICPA has issued certain new and revised HKFRSs that are first effective or available for early adoption for the current accounting period of the Group. Note 3 provides information on any changes in accounting policies resulting from initial application of these developments to the extent that they are relevant to the Group for the current and prior accounting periods reflected in these consolidated financial statements.

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

(a) Application of new and revised HKFRSs

The HKICPA has issued a new HKFRS, HKFRS 16 Leases, and a number of amendments to HKFRSs that are first effective for the current accounting period of the Group.

Except for HKFRS 16, none of the developments have had a material effect on how the Group's results and financial position for the current or prior periods have been prepared or presented. The Group has not applied any new standard or interpretation that is not yet effective for the current accounting period.

3. **ADOPTION OF NEW AND REVISED HONG KONG FINANCIAL REPORTING STANDARDS (CONT'D)**

(a) **Application of new and revised HKFRSs (cont'd)**

HKFRS 16 Leases

HKFRS 16 supersedes HKAS 17 Leases, and the related interpretations, HK(IFRIC) 4 Determining whether an Arrangement contains a Lease, HK(SIC) 15 Operating Leases-Incentives and HK(SIC) 27 Evaluating the Substance of Transactions Involving the Legal Form of a Lease. HKFRS 16 introduced a single accounting model for lessees, which requires a lessee to recognise a right-of-use asset and a lease liability for all leases, except for leases that have a lease term of 12 months or less and leases of low-value assets.

Lessor accounting under HKFRS 16 is substantially unchanged from HKAS 17. Lessors will continue to classify leases as either operating or finance leases using similar principles as in HKAS 17. Therefore, HKFRS 16 did not have an impact on leases where the Group is the lessor. The lessor accounting requirements are brought forward from HKAS 17 substantially unchanged.

HKFRS 16 also introduces additional qualitative and quantitative disclosure requirements which aim to enable users of the financial statements to assess the effect that leases have on the financial position, financial performance and cash flows of an entity.

The Group has initially applied HKFRS 16 as from 1 January 2019. The Group has elected to use the modified retrospective approach and has therefore recognised the cumulative effect of initial application as an adjustment to the opening balance of equity at 1 January 2019. Comparative information has not been restated and continues to be reported under HKAS 17.

Further details of the nature and effect of the changes to previous accounting policies and the transition options applied are set out below:

(a) New definition of a lease

The change in the definition of a lease mainly relates to the concept of control. HKFRS 16 defines a lease on the basis of whether a customer controls the use of an identified asset for a period of time, which may be determined by a defined amount of use. Control is conveyed where the customer has both the right to direct the use of the identified asset and to obtain substantially all of the economic benefits from that use.

The Group applies the new definition of a lease in HKFRS 16 only to contracts that were entered into or changed on or after 1 January 2019. For contracts entered into before 1 January 2019, the Group has used the transitional practical expedient to grandfather the previous assessment of which existing arrangements are or contain leases. Accordingly, contracts that were previously assessed as leases under HKAS 17 continue to be accounted for as leases under HKFRS 16 and contracts previously assessed as non-lease service arrangements continue to be accounted for as executory contracts.

3. **ADOPTION OF NEW AND REVISED HONG KONG FINANCIAL REPORTING STANDARDS (CONT'D)**

(a) **Application of new and revised HKFRSs (cont'd)**

HKFRS 16 Leases (cont'd)

(b) Lessee accounting and transitional impact

HKFRS 16 eliminates the requirement for a lessee to classify leases as either operating leases or finance leases, as was previously required by HKAS 17. Instead, the Group is required to capitalise all leases when it is the lessee, including leases previously classified as operating leases under HKAS 17, other than those short-term leases and leases of low-value assets which are exempt.

When recognising the lease liabilities for leases previously classified as operating leases, the Group has applied the incremental borrowing rates of the relevant group entities at the date of initial application. The weighted average incremental borrowing rate applied is 13.66%.

To ease the transition to HKFRS 16, the Group applied the following recognition exemption and practical expedients at the date of initial application of HKFRS 16:

(i) elected not to apply the requirements of HKFRS 16 in respect of the recognition of lease liabilities and right-of-use assets to leases for which the remaining lease term ends within 12 months from the date of initial application of HKFRS 16, i.e. where the lease term ends on or before 31 December 2019;

(ii) used hindsight based on facts and circumstances as at date of initial application in determining the lease term for the Group's leases with extension options; and

(iii) excluded initial direct costs from measuring the right-of-use assets at the date of initial application.

For the purposes of measuring deferred tax for leasing transactions in which the Group recognises the right-of-use assets and the related lease liabilities, the Group first determines whether the tax deductions are attributable to the right-of-use assets or the lease liabilities.

3. **ADOPTION OF NEW AND REVISED HONG KONG FINANCIAL REPORTING STANDARDS (CONT'D)**

(a) **Application of new and revised HKFRSs (cont'd)**

HKFRS 16 Leases (cont'd)

(b) Lessee accounting and transitional impact (cont'd)

For leasing transactions in which the tax deductions are attributable to the lease liabilities, the Group applies HKAS 12 Income Taxes requirements to right-of-use assets and lease liabilities separately. Temporary differences relating to right-of-use assets and lease liabilities are not recognised at initial recognition and over the lease terms due to application of the initial recognition exemption.

The following table reconciles the operating lease commitments as at 31 December 2018 to the opening balance for lease liabilities recognised as at 1 January 2019:

	HK$'000
Operating lease commitment at 31 December 2018 as disclosed in the Group's consolidated financial statements	17,316
Less: Recognition exemption for leases with less than 12 months of lease term at transition	(4,763)
Gross operating lease obligations at 1 January 2019	12,553
Less: Discounting	(1,775)
Lease liabilities, discounted using the incremental borrowing rate, recognised as at 1 January 2019	10,778
Of which are:	
Current lease liabilities	2,830
Non-current lease liabilities	7,948
	10,778

The right-of-use assets in relation to leases previously classified as operating leases have been recognised at an amount equal to the amount recognised for the remaining lease liabilities, adjusted by the amount of any prepaid or accrued lease payments relating to that lease recognised in the consolidated statement of financial position at 31 December 2018.

3. **ADOPTION OF NEW AND REVISED HONG KONG FINANCIAL REPORTING STANDARDS (CONT'D)**

(a) **Application of new and revised HKFRSs (cont'd)**

HKFRS 16 Leases (cont'd)

(b) Lessee accounting and transitional impact (cont'd)

The following table summarises the impacts of the adoption of HKFRS 16 on the Group's consolidated statement of financial position:

	Effects of adoption of HKFRS 16		
Line items in the consolidated statement of financial position impacted by the adoption of HKFRS 16	Carrying amount as at 31 December 2018	Recognition of leases	Carrying amount as at 1 January 2019
	HK$'000	HK$'000	HK$'000
Assets			
Right-of-use assets	-	8,327	8,327
Liabilities			
Lease liabilities	-	10,778	10,778
Equity			
Accumulated losses	489,830	2,451	492,281

(c) Impact of the financial results and cash flows of the Group

After the initial recognition of right-of-use assets and lease liabilities as at 1 January 2019, the Group as a lessee is required to recognise interest expense accrued on the outstanding balance of the lease liability, and the depreciation of the right-of-use asset, instead of the previous policy of recognising rental expenses incurred under operating leases on a straight-line basis over the lease term. This results in a positive impact on the reported profit from operations in the Group's consolidated statement of profit or loss, as compared to the results if HKAS 17 had been applied during the year.

In the cash flow statement, the Group as a lessee is required to split rentals paid under capitalised leases into their principal element and interest element. These elements are classified as financing cash outflows and operating cash outflows respectively. Although total cash flows are unaffected, the adoption of HKFRS 16 therefore results in a significant change in presentation of cash flows within the cash flow statement.

The following tables give an indication of the estimated impact of the adoption of HKFRS 16 on the Group's financial result and cash flows for the year ended 31 December 2019, by adjusting the amounts reported under HKFRS 16 in these consolidated financial statements to compute estimates of the hypothetical amounts that would have been recognised under HKAS 17 if this superseded standard had continued to apply in 2019 instead of HKFRS 16, and by comparing these hypothetical amounts for 2019 with the actual 2018 corresponding amounts which were prepared under HKAS 17.

3. **ADOPTION OF NEW AND REVISED HONG KONG FINANCIAL REPORTING STANDARDS (CONT'D)**

(a) **Application of new and revised HKFRSs (cont'd)**

HKFRS 16 Leases (cont'd)

(c) Impact of the financial results and cash flows of the Group (cont'd)

	2019				2018
	Amounts reported under HKFRS 16	Add back: HKFRS 16 depreciation and interest expense	Deduct: Estimated amounts related to operating lease as if under HKAS 17 (Note 1)	Hypothetical amounts for 2019 as if under HKAS 17	Compared to amounts reported for 2018 under HKAS 17
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Financial result for year ended 31 December 2019 impacted by the adoption of HKFRS 16:					
Profit from operation	2,733,167	10,668	(12,922)	2,730,913	2,337,526
Finance costs	(440,960)	3,181	-	(437,779)	(54,337)
Profit before tax	2,258,071	13,849	(12,922)	2,258,998	2,282,856
Profit for the year	1,905,947	13,849	(12,922)	1,906,874	1,637,332

	2019			2018
	Amounts reported under HKFRS 16	Estimated amounts related to operating leases as if under HKAS 17 (Notes 1 & 2)	Hypothetical amounts for 2019 as if under HKAS 17	Compared to amounts reported for 2018 under HKAS 17
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Line items in the consolidated cash flow statement for year ended 31 December 2019 impacted by the adoption of HKFRS 16:				
Cash generated from operations	4,591,288	(12,922)	4,578,366	4,114,802
Interest element of lease rentals paid	(3,521)	3,181	(340)	-
Net cash generated from operating activities	4,011,814	(9,741)	4,002,073	3,893,436
Capital element of lease rentals paid	(16,372)	9,741	(6,631)	-
Net cash generated from/(used in) financing activities	3,589,276	9,741	3,599,017	(408,774)

3. **ADOPTION OF NEW AND REVISED HONG KONG FINANCIAL REPORTING STANDARDS (CONT'D)**

(a) **Application of new and revised HKFRSs (cont'd)**

HKFRS 16 Leases (cont'd)

(c) Impact of the financial results and cash flows of the Group (cont'd)

Note 1: The "estimated amounts related to operating leases" is an estimate of the amounts of the cash flows in 2019 that relate to leases which would have been classified as operating leases, if HKAS 17 had still applied in 2019. This estimate assumes that there were no difference between rentals and cash flows and that all of the new leases entered into in 2019 would have been classified as operating leases under HKAS 17, if HKAS 17 had still applied in 2019. Any potential net tax effect is ignored.

Note 2: In this impact table these cash outflows are reclassified from financing to operating in order to compute hypothetical amounts of net cash generated from operating activities and net cash used in financing activities as if HKAS 17 still applied.

(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 2019. These new and revised HKFRSs include the following which may be relevant to the Group.

	Effective for accounting periods beginning on or after
Amendments to HKFRS 3 Definition of a Business	1 January 2020
Amendments to HKAS 1 and HKAS 8 Definition of Material	1 January 2020
Amendments to HKFRS 9, HKAS 39 and HKFRS 7 Interest Rate Benchmark Reform	1 January 2020

The Group is in the process of making an assessment of what the impact of these amendments and new standards is expected to be in the period of initial application. So far it has concluded that the adoption of them is unlikely to have a significant impact on the consolidated financial statements.

4. **TURNOVER**

Turnover from contracts with customers for the year from continuing operations is as follows:

	2019	2018
	HK$'000	HK$'000
Continuing operations		
Sales and production of crude oil, condensate, gas and liquefied petroleum gas	**7,103,644**	5,279,204

The Group derives revenue from the transfer of goods at a point in time in the following geographical regions:

For the year ended 31 December	Crude oil, condensate, gas and liquefied petroleum gas	
	2019	2018
	HK$'000	HK$'000
Primary geographical markets		
- Pakistan	**4,048,829**	3,919,412
- Singapore	**1,200,411**	1,359,792
- Egypt	**830,542**	-
- Iraq	**1,023,862**	-
Revenue from external customers	**7,103,644**	5,279,204

The turnover from sales and production of crude oil, condensate, gas and liquefied petroleum gas are net of sales tax, royalty to government, sales discounts and windfall levy amounting to approximately HK$735,253,000 (2018: HK$729,940,000), HK$717,593,000 (2018: HK$725,683,000), HK$4,317,000 (2018: HK$19,043,000), and HK$59,151,000 (2018: HK$59,227,000) respectively.

5. INVESTMENT AND OTHER INCOME

	2019	2018
	HK$'000	HK$'000
Continuing operations		
Dividends income from listed equity investments	**169**	169
Interest income on:		
Bank deposits	**26,159**	33,282
Loan receivables	**259**	12,193
Total interest income	**26,418**	45,475
Investment income from financial assets at FVTPL	**218**	467
Liquefied petroleum gas processing fees charged to concessions, net	**4,292**	4,821
Income from software costs charged to concessions	**6,002**	-
Management fees income	**1,970**	3,022
Imputed interest income on deferred sales consideration	**16,763**	-
Recovery of bad debts from joint venture partner	**4,772**	-
Rental income	**5,979**	-
Scrap sales of materials	**12,073**	-
Compensation for disputes	**58,500**	-
Others	**8,812**	5,974
	145,968	59,928

6. OTHER GAINS AND LOSSES

	2019	2018
	HK$'000	HK$'000
Continuing operations		
Fair value losses on financial assets at FVTPL	**(168)**	(644)
Fair value losses on derivative financial instruments	**(2,245)**	(1,165)
Gain on bargain purchase	**206,926**	29,111
Gain on disposals of property, plant and equipment	**6,786**	4,522
Impairment losses on goodwill	**-**	(38,003)
Net foreign exchange gains	**28,851**	47,466
Property, plant and equipment written off	**(16)**	-
Release of provision for decommissioning costs	**1,442**	-
Provision for government rental written back	**86,512**	-
	328,088	41,287

7. SEGMENT INFORMATION

Operating segment information

Operating segments are identified on the basis of internal reports about components of the Group that are regularly reviewed by the chief operating decision maker in order to allocate resources to the segment and to assess its performance.

The Group's reportable segments are as follows:

Continuing operations:

1. Exploration and production - activities relating to the exploration and production of crude oil and natural gas in Pakistan, Middle East and North Africa (2018: Pakistan).

Discontinued operations:

2. Oilfield support services - activities relating to the provision of oilfield support services using patented technology.

Operating segment relating to the oilfield support services in PRC was discontinued in the year ended 31 December 2018. The segment information for this discontinued operations have been described in note 11.

The above discontinued operations have resulted in a change in the Group's structure and its composition of reporting segment. As the Group is principally engaged in the activities relating to the exploration and production of crude oil and natural gas in Pakistan, Middle East and North Africa (2018: Pakistan), which are subject to similar business risk, and resources are allocated based on what is beneficial to the Group in enhancing the value of the Group as a whole, the Group's chief operating decision maker considers the performance assessment of the Group should be based on the profit before tax of the Group as a whole. Therefore, management considers there to be only one operating segment under the requirements of Hong Kong Financial Reporting Standard 8 "Operating Segments".

Geographical information:

The Group's turnover from continuing operations from external customers by location of operations and information about its non-current assets (excluding financial assets at amortised costs) by location of assets are detailed below:

	Turnover		**Non-current assets**	
	2019	2018	**2019**	2018
	HK$'000	HK$'000	**HK$'000**	HK$'000
Hong Kong	-	-	**237,638**	238,283
PRC except Hong Kong	-	-	**103,440**	4,510
Pakistan	**4,048,829**	3,919,412	**10,073,315**	10,565,263
Singapore	**1,200,411**	1,359,792	-	-
Egypt	**830,542**	-	**1,743,963**	-
Iraq	**1,023,862**	-	**6,310,316**	-
Others	-	-	**51,393**	-
Consolidated total	**7,103,644**	5,279,204	**18,520,065**	10,808,056

7. SEGMENT INFORMATION (CONT'D)

Turnover from major customers:

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

	2019	2018
	HK$'000	HK$'000
Exploration and production segment		
Customer A	**3,656,355**	3,566,146
Customer B	**1,200,411**	1,359,792
Customer C	**830,542**	-
Customer D	**1,023,862**	-

8. FINANCE COSTS

	2019	2018
	HK$'000	HK$'000
Continuing operations		
Interest on bank loans	**244,481**	33,341
Interest expense on lease liabilities	**3,521**	-
Interest on senior guaranteed unsecured notes	**75,671**	-
Interest on advance from customers	**136,868**	9,905
Provisions - unwinding of discounts	**10,586**	11,091
Total borrowings costs	**471,127**	54,337
Amount capitalised	**(30,167)**	-
	440,960	54,337

The weighted average capitalisation rate on funds borrowed generally is at a rate of 9.2% per annum (2018: Nil).

9. PROFIT FOR THE YEAR FROM CONTINUING OPERATIONS

The Group's profit for the year from continuing operations is stated after charging the following:

	2019 **HK$'000**	2018 HK$'000
Continuing operations		
Auditors' remuneration	**9,219**	4,633
Acquisition related costs (included in administrative expenses)	**1,090**	92,085
Depreciation and amortisation (Note a)	**2,556,747**	1,643,732
Depreciation on right-of-use assets	**11,121**	-
Cost of inventories sold (Note b)	**3,539,941**	2,210,951
Operating lease charges		
- Hire of office equipment, machineries and motor vehicles	-	11,842
- Land and buildings	-	48,451
	-	60,293
Property, plant and equipment written off (included in other gains and losses of approximately HK$16,000 (2018: HK$Nil) and exploration expenses of approximately HK$322,140,000 (2018: K$78,114,000))	**322,156**	78,114
Allowance for trade receivables	**66,514**	-
Allowance for other receivables	**1,296**	-
Staff costs excluding directors' emoluments		
- Salaries, bonuses and allowances	**445,472**	251,297
- Retirement benefits scheme contributions	**36,807**	32,577
- Share-based payments	**9,772**	13,195
	492,051	297,069

Note a: Amortisation charges on intangible assets of approximately HK$416,625,000 (2018: HK$222,801,000) which are included in the costs of sales and services rendered.

Note b: Cost of inventories sold includes staff costs, depreciation and amortisation and operating lease charges of approximately HK$2,833,040,000 (2018: HK$1,811,798,000) which are included in the amounts disclosed separately above.

10. **INCOME TAX EXPENSE**

Income tax relating to continuing operations has been recognised in profit or loss as following:

	2019	2018
	HK$'000	HK$'000
Continuing operations		
Current tax - Overseas		
Provision for the year	**389,133**	227,693
Over-provision in prior years	**-**	(4,288)
	389,133	223,405
Deferred tax	**(37,009)**	456,740
	352,124	680,145

No provision for profits tax in Austria, Cayman Islands, Bermuda, British Virgin Islands ("BVI"), Jersey, Kuwait, Dubai, Netherlands, United States of America, Republic of Panama, Mauritius, People's Republic of China ("PRC"), 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 2019 and 2018.

Egypt, Iraq and Pakistan Income Tax has been provided at a rate of 22.5%, 35% and ranging from 40% to 50% respectively (2018: Pakistan Income Tax at a rate ranging from 40% to 50%) on the estimated taxable income earned by the companies with certain tax preference, based on existing legislation, interpretation and practices in respect thereof.

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. **DISCONTINUED OPERATIONS**

On 30 January 2018, the Group entered into shares sale agreement to dispose of its 70% equity interest held in Universe Energy International Investment Limited ("Universe Energy") at a cash consideration of approximately HK$44,839,000 (equivalent to approximately RMB36,146,000) (the "Disposal").

Universe Energy held 100% interest in Universe Oil & Gas (China) LLC ("Universe Oil & Gas"). Universe Oil & Gas was engaged in provision of patented technology support services to oilfields during the period. The Disposal was completed on 15 March 2018. Upon the completion of the Disposal, the Group ceased its patented technology support services in PRC.

As the business operation of provision of patented technology support services to oilfields is considered as a separate major line of business which was previously classified as the oilfield support services business segment of the Group, the Disposal was accounted for as a discontinued operation for the year ended 31 December 2018.

Profit for the year from discontinued operations:

	2019	2018
	HK$'000	HK$'000
Turnover	-	-
Cost of sales and services rendered	-	-
Gross profit	-	-
Investment and other income	-	52
Administrative expenses	-	(805)
Other operating expenses	-	(1,444)
Loss before tax	-	(2,197)
Income tax expense	-	-
	-	(2,197)
Gain on disposal of a subsidiary	-	36,818
Profit for the year from discontinued operations	-	34,621

11. DISCONTINUED OPERATIONS (CONT'D)

Profit for the year from discontinued operations include the following:

	2019 **HK$'000**	2018 HK$'000
Auditors' remuneration	-	-
Depreciation and amortisation	-	1,645
Staff costs excluding directors' emoluments		
- Salaries, bonuses and allowances	-	460
- Retirement benefits scheme contributions	-	34
	-	494

Cash flows from discontinued operations:

	2019 **HK$'000**	2018 HK$'000
Net cash inflows from operating activities	-	10,580
Net cash inflows from investing activities	-	178
Net cash outflows to financing activities	-	(246)
Effect of foreign exchange rate changes	-	(772)
Net cash inflows	-	9,740

12. EARNINGS PER SHARE

(a) Basic earnings per share from continuing and discontinued operations

The calculation of basic earnings per share attributable to owners of the Company is based on the profit for the year attributable to owners of the Company of approximately HK$1,905,957,000 (2018: HK$1,637,991,000) and the weighted average number of ordinary shares of 26,255,436,413 (2018: 26,278,512,171) in issue during the year.

(b) Basic earnings per share from continuing operations

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$1,905,957,000 (2018: HK$1,602,711,000) and the weighted average number of ordinary shares of 26,255,436,413 (2018: 26,278,512,171) in issue during the year.

(c) Diluted earnings per share

(i) Diluted earnings per share from continuing and discontinued operations

The calculation of diluted earnings per share attributable to owners of the Company for the year is based on the profit for the year attributable to owners of the Company of approximately HK$1,905,957,000 (2018: HK$1,637,991,000) and the weighted average number of ordinary shares of 26,263,167,784 (2018: 26,280,773,076), being the weighted average number of ordinary shares of 26,255,436,413 (2018: 26,278,512,171) in issue during the year used in the basic earnings per share calculation plus the weighted average number of ordinary shares of 7,731,371 (2018: 2,260,905) assumed to have been issued at no consideration on the deemed exercise of the share options outstanding during the year.

(ii) Diluted earnings per share from continuing operations

The calculation of diluted earnings per share attributable to owners of the Company for the year is based on the profit for the year attributable to owners of the Company of approximately HK$1,905,957,000 (2018: HK$1,602,711,000) and the denominator used are the same as those detailed above for diluted earnings per share.

(d) Basic and diluted earnings per share from discontinued operations

Basic earnings per share from discontinued operations for the year ended 31 December 2018 is HK$0.13 cent per share and diluted earnings per share from the discontinued operations is HK$0.13 cent per share, based on the profit for the year from discontinued operations attributable to owners of the Company of approximately HK$35,280,000 and the denominator used are the same as those detailed above for both basic and diluted earnings per share.

13. DIVIDEND

	2019	2018
	HK$'000	HK$'000
2019 Special dividend of HK$4 cents (2018: 2018 special dividend of HK$Nil) per ordinary share paid	**1,051,115**	-
2017 Final dividend of HK$4 cents per ordinary share paid	**-**	1,050,763
	1,051,115	1,050,763

No final dividend for the year ended 31 December 2019 has been declared by the Company.

14. TRADE AND OTHER RECEIVABLES

	2019	2018
	HK$'000	HK$'000
Trade receivables (note a)	**2,481,644**	1,851,365
Allowance for trade receivables	**(66,514)**	-
Allowance for price adjustments (note b)	**(204,465)**	(207,807)
	2,210,665	1,643,558
Other receivables (note c)	**1,159,539**	546,602
Allowance for other receivables	**(1,296)**	-
	1,158,243	546,602
Total trade and other receivables	**3,368,908**	2,190,160

14. **TRADE AND OTHER RECEIVABLES (CONT'D)**

(a) **Trade receivables**

The Group's trading terms with customers are mainly on credit. The credit term generally ranges from 30 to 45 days (2018: 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:

	2019	2018
	HK$'000	HK$'000
0 to 30 days	**1,721,484**	1,050,172
31 to 60 days	**407,631**	361,217
61 to 90 days	**79,709**	297,992
Over 90 days	**272,820**	141,984
	2,481,644	1,851,365

(b) **Allowance for price adjustments**

This 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$204,465,000 (2018: HK$207,807,000) was provided.

(c) **Other receivables**

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

	2019	2018
	HK$'000	HK$'000
Due from joint operators	**462,319**	189,855
Advances to staff	**15,740**	7,051
Central excise duty receivables	**25,921**	25,295
Deposits and prepayments (note i)	**92,190**	81,663
Sales tax receivables	**268,238**	221,613
Other tax receivables	**8,560**	2,863
Withholding tax receivables	**7,583**	8,298
Deferred sales consideration (note ii)	**246,180**	-
Interest receivables	**259**	-
Amount due from an associate (note iii)	**26,208**	-
Others	**5,045**	9,964
	1,158,243	546,602

14. **TRADE AND OTHER RECEIVABLES (CONT'D)**

(c) **Other receivables (cont'd)**

(i) As at 31 December 2019, the amount included a collateral deposit of approximately HK$39,000,000 (equivalent to approximately US$5,000,000) placed in a customer of the Group for issuing an irrevocable standby letter of credit on behalf of the Company of the same amount in favour of the Petroleum Contracts and Licensing Directorate ("PCLD"), a division of the Ministry of Oil of the Republic of Iraq. Such deposits bearing interest at a rate of 2.4% (2018: 1.8%) per annum and repayable on demand.

(ii) In October 2016, the Group signed a farm-out agreement with an effective date of 1 January 2016 to assign a 20% paying and 15% revenue interest in the Iraq Siba area gas development and production service contract. Following completion of the transaction, the Group has a 40% paying and 30% revenue interest in Siba. Under the terms of the farm-out agreement, the farmee will settle the consideration by paying the Group's share of costs of a major related contract.

(iii) As at 31 December 2019, the amount is due from Orient Group Beijing Investment Holding Limited, which is unsecured, interest bearing at a rate of 3 months LIBOR plus 1.7% per annum and repayable on or before 25 September 2020.

15. **TRADE AND OTHER PAYABLES**

	2019 **HK$'000**	2018 HK$'000
Trade payables (note a)	**913,060**	666,548
Other payables (note b)	**5,111,152**	1,980,455
Total trade and other payables	**6,024,212**	2,647,003

(a) **Trade payables**

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

	2019 **HK$'000**	2018 HK$'000
0 to 30 days	**285,854**	329,085
31 to 45 days	**51,102**	66,019
Over 45 days	**576,104**	271,444
	913,060	666,548

15. TRADE AND OTHER PAYABLES (CONT'D)

(b) Other payables

	2019	2018
	HK$'000	HK$'000
Accrual for operating and capital expenses	**1,288,875**	849,775
Due to joint operators	**153,898**	132,439
Deposits received	**67**	68
Dividend payable	**1,051,115**	-
Advance from customers (note i)	**1,134,900**	-
Salaries and welfare payables	**117,652**	108,758
Provision for infrastructure funds	**329,536**	-
Other tax payables	**1,010,101**	849,820
Others	**25,008**	39,595
	5,111,152	1,980,455

(i) The Group entered into agreements with customers for secured crude oil prepayment facilities of up to approximately HK$2,925,000,000 (equivalent to approximately US$375,000,000). The facilities bearing interest rates ranging from 4% plus LIBOR per annum to 7% plus LIBOR per annum. The crude oil prepayment facilities are repayable principally by the delivery of the Group's crude oil entitlement. As at 31 December 2019, the total undrawn crude oil prepayment facilities amounted to approximately HK$1,170,000,000 (equivalent to approximately US$150,000,000).

As at 31 December 2019, the advance from customers are guaranteed by the unlimited corporate guarantee provided by the Company.

16. CONTINGENT LIABILITIES

(a) For the years ended 31 December 2019 and 2018, the Company issued various unlimited corporate guarantees in favour of the President of the Islamic Republic of Pakistan for providing United Energy Pakistan Limited ("UEPL") with all necessary financial and other means to enable UEPL to fully perform its obligations as stipulated in the concession agreements.

(b) For the years ended 31 December 2019 and 2018, 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, specialised vehicles, spares, chemicals and consumables under the petroleum concession agreement amounting to approximately HK$3,673,000 (2018: HK$3,657,000).

(c) Certain subsidiaries of the Group had dispute with the Pakistan government on the applicability of windfall levy on its production of oil and condensate. On 27 December 2017, the government's approval for the execution of windfall levy was granted and the windfall levy became applicable on the subsidiaries. Based on legal advice from external lawyers, the management believes that the applicability of the windfall levy is prospective, i.e. from the date of the government's approval. If the applicability of windfall levy is retrospective, further provision for the windfall levy of approximately HK$191,969,000 (2018: HK$191,969,000) would be required to be made in the financial statements for the year ended 31 December 2019.

16. **CONTINGENT LIABILITIES (CONT'D)**

(d) As at 31 December 2019, certain subsidiaries of the Group received various tax orders in an attempt to re-assess tax liability for prior years by the Pakistan tax department. The subsidiaries of the Group are currently appealing against these orders and the cumulative potential tax exposure for the pending tax cases was approximately HK$438,054,000 (2018: HK$398,732,000).

(e) At the end of the reporting period, bank guarantees to the extent of approximately HK$10,852,000 (equivalent to US$1,391,000) (2018:HK$9,750,000 (equivalent to US$1,250,000)) in favour of the President of the Islamic Republic of Pakistan was obtained by UEP Beta GmbH to guarantee its performance and financial obligations as stipulated in the concession agreements.

17. **EVENT AFTER THE REPORTING PERIOD**

(a) On 10 February 2020, the Group signed a facility agreement with a financial institution for a term loan facility of approximately HK$741,000,000 (equivalent to approximately US$95,000,000). The proceeds from this facility will be used for the Group's general working capital purpose. The facility has been fully drawn by the Group.

(b) After the Coronavirus Disease 2019 ("COVID-19") outbreak in early 2020, a series of precautionary and control measures have been and continued to be implemented across the globe. The Group is paying close attention to the development of, and the disruption to business and economic activities caused by, the COVID-19 outbreak and evaluate its impact on the financial position, cash flows and operating results of the Group. Given the dynamic nature of the COVID-19 outbreak, it is not practicable to provide a reasonable estimate of its impact on the Group's financial position, cash flows and operating results at the date on which these financial statements are authorised for issue.

(c) Subsequent to the reporting period, the escalating tension between Saudi Arabia and Russia which drove a sharp plunge in international oil price down to four-year lows of US$25 per barrel in March 2020 ("Oil Price War"). The Group is paying close attention to the development of, and the disruption to business and economic activities caused by the Oil Price War and evaluate its impact on the financial position, cash flows and operating results of the Group. Given the unpredictable outcome of the Oil Price War, it is not practicable to provide a reasonable estimate of its impact on the Group's financial position, cash flows and operating results at the date on which these financial statements are authorised for issue.

MANAGEMENT DISCUSSION AND ANALYSIS

Business Review

The Group is one of the largest listed upstream oil and gas corporations in Hong Kong, with business presence in South Asia, Middle East and North Africa. 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 oil and gas exploration, the Group has successfully grown its business as one of the major players in the upstream oil and gas industry. Hang Seng Indexes Company Limited had early in 2019 announced inclusion of the Group on the Hang Seng Composite LargeCap & MiddleCap Index. The Group has established a sound track record of growing its business through acquisition and capital investment.

According to OPEC's 2019 Annual Statistical Bulletin, world oil demand in 2019 increased by 0.9% to 99.77 million barrels per day ("mmbbld") compared to 2018, whilst world oil supply in 2019 decreased by 0.1% to 98.99 mmbbld compared to 2018. During the year of 2019, OPEC and Non-OPEC members reached a relatively high conformity level, which supports international oil prices. Brent Oil Price edged down in the reporting period 2019 by 10.5% compared to the last year, according to data from the Intercontinental Exchange of the United States. Due to the increase in production volume and the full period effect of acquisitions made in last year and current reporting period, the Group reported a revenue for the reporting period of approximately HK$7,103,644,000, representing an increase of 34.6% compared to last year of approximately HK$5,279,204,000.

Cost of sales and services rendered by the Group for the reporting period was approximately HK$3,625,839,000, and the Group invested approximately HK$2,542,471,000 of capital expenditure in oil exploration, development and production activities (inclusive of Kuwait Energy Public Limited Company ("KEC")). The Group drilled 51 wells during the reporting period, including 38 wells in Pakistan Assets and 13 wells in Middle East and North Africa ("MENA") Assets.

Business Strategy

As one of the largest independent upstream oil and gas corporations listed on the Hong Kong Stock Exchange, we mainly engage in the exploration, development, production and sales of oil and natural gas. The principal elements of our strategy are as follows:

Focus on reserve and production rapid growth

As an upstream company, we consider rapid growth in reserves and production as our top priority. After the acquisition of KEC, reserves increased sharply by Iraq assets. We continue to concentrate our exploration efforts in our major operation areas, i.e. Pakistan. We plan to increase our reserves and production through organic growth and value-driven acquisitions.

Meanwhile, we will continue to closely cooperate with our partners to lower capital requirements and mitigate exploration risks. We plan to increase our production through the development of reserves in Iraq, Pakistan and Egypt, among which Iraqi Assets will provide a solid resource base for increasing production in future.

Enlarge and diversify assets portfolios

Over the past few years, our core business was mainly in Pakistan, with high quality assets being managed by a professional management team. After we acquired KEC, we increased our assets portfolios in MENA region and diversified our risks. We plan to replicate our success story in Pakistan to the MENA region. Given the quality of these newly acquired KEC assets and our experience, we are confident to run these assets and expect rapid growth in the near term.

Promote high-quality development
We achieved the targets to diversify our assets portfolio in last year. We will continue to develop our assets in a sustainable, efficient, economical, and environment-friendly way, in order to maintain high-quality development status.

Maintain a prudent financial policy
A prudent disciplined financial policy underpinned our success over the years. We plan to continue with this focus. As an essential part of our corporate culture, we continue to promote continuous improvement to our processes, bring efficiencies to our operations, cost management and disciplined investment decision-making across the Group. This helped to maintain a relatively lower lifting cost and keep our competitiveness. Cash flow was managed in order to secure KEC acquisition and maintain a healthy financial position.

Exploration
In 2019, the Group devoted continuous efforts in its oil and gas exploration. Adhering to the philosophy of value-driven and anchoring on exploration and discoveries of small and rich oil and gas fields, several commercial discoveries were made.

Technical capabilities were enhanced, and efficiency of exploration operations improved. The Group continued to maintain a reasonable proportion investment and support high level of exploration activities, in order to ensure sustainable growth. Exploration area in Pakistan is 15,201 Km^2 including 2,436 Km^2 non-operated. In Egypt this is 886 Km^2. In terms of exploration, 10 commercial discoveries were achieved of which 8 were in Pakistan and 2 in Egypt. Exploration breakthroughs were achieved in Kotri North ("KN") new block, as well as decent production discovered on downthrow structures and deep formation in mature blocks in Pakistan. 100% chance of success and high testing production observed in Egypt blocks. Exploration campaign in Pakistan and Egypt continued to improve our production.

Engineering Construction
In 2019, the Group carefully organized operational resources and made smooth progress in engineering construction. With detailed planning and efficient management, the Group has successfully completed its production support facility projects in 2019, making a positive contribution to production and reserve targets.

Two key projects in Pakistan, namely facility construction of KN block and surface pipeline of Mulaki oilfield, were completed and put into production ahead of schedule, especially overcoming the flood impacts.

Two key projects in Iraq, namely Siba gathering pipeline project and a major oil exporting pipeline in Block 9, were completed and put into operation ahead of schedule, providing strong support for the reserves and production target of the two oil fields.

Development and Production
In 2019, the Group successfully met its operational targets, with oil and gas production in line with expectations. In 2019, the Group's average daily working interest production was 94,342 barrels of oil equivalent per day ("boed")(Pakistan Assts – 66,560 boed plus MENA Assets - 27,782 boed), a 42% increase compared to approximately 66,453 boed (Pakistan Assets only) of last year, and working interest accumulated annual production was approximately 32.24 million barrels of oil equivalent ("mmboe"), a 33% increase compared to approximately 24.26 mmboe of last year.

Pakistan
As of 31 December 2019, the Group holds interests in 5 Blocks and 14 development concessions for oil and gas production in Pakistan.

In 2019, the Pakistan Assets achieved an average daily working interest production of approximately 66,560 boed, increased by 0.2% compared to last year. The Pakistan Assets has an oil and liquids ratio of 15.7% which was close to the number of last year. The accumulated gross production and working interest production of the full year was approximately 35.72 mmboe and 24.29 mmboe respectively.

Iraq
The Group holds a 60% participating interest in the Exploration Development and Production Service Contract ("EDPSC") of Block 9 in Iraq and is the Operator of this block. In 2019, the Group devoted more efforts to its production enhancement measures of Faihaa oil field, resulting in a steady increase in daily production. The Field Development Plan was submitted to Iraqi Government for approval, which will support Faihaa oil field to increase production in the coming four years. In 2019, the average daily gross production was approximately 16,364 boed, and the average daily working interest production was approximately 9,818 boed. The accumulated gross production and working interest production from 21 March 2019 to 31 December 2019 was approximately 4.68 mmboe and 2.81 mmboe respectively. Block 9 has an oil and liquids ratio of 100%.

The Group holds a 30% participating interest in the Gas Development and Production Service Contract for the Siba contract area in Iraq and is the Operator of this block. The average daily gross production in 2019 was approximately 11,725 boed, and the average daily working interest production was approximately 3,518 boed. The accumulated gross and working interest production from 21 March 2019 to 31 December 2019 was approximately 3.35 mmboe and 1.01 mmboe respectively. Siba has an oil and liquids ratio of 63.8%. First commercial production ("FCP") of Siba was approved on 17 April 2019. This is a major milestone for Siba block. The pre-FCP production from 5 September 2018 to 16 April 2019 and relevant revenue were approved to be took account into the year of 2019 by Basra Oil Company ("BOC") in December 2019. So the total booked 2019 gross accumulative production of Siba was approximately 5.23 mmboe, including approximately 1.27 mmboe of 2018.

On 4 June 2018, a preliminary development and production contract ("DPC") was signed with BOC of the Iraqi Ministry of Oil to conduct development and production operations in Sindbad block located in Basra Province, Iraq. DPC has a term of 20 years and require the Group to carry out general exploration and development activities on behalf of BOC, including the acquisition of 3D seismic, conducting geophysical and geological studies and demining works. DPC entitles the Group remuneration of 4.55% of all net deemed revenues, after taking into account petroleum cost recovery for costs incurred in the exploration, development and production as well as 25% of royalty payment due to the BOC. Formal DPC is expected to be signed in 2020.

Egypt
The Group holds interests in four blocks in Egypt. It has a 100% participating interest in Burg El Arab and act as the Operator of this block. The participating interest in Area A, Abu Sennan, East Ras Qattara are 70%, 25% and 49.5% respectively. In 2019, the Group devoted more efforts in production enhancement measures, resulting in a steady increase in daily production. The average daily gross production was 20,396 boed, and the average daily working interest production was approximately 14,446 boed. The accumulated gross production and working interest production from 21 March 2019 to 31 December 2019 was approximately 5.83 mmboe and 4.13 mmboe respectively.

SALES AND MARKETING

Sales of Crude Oil

The Group sells crude oil, condensates and LPG produced in Pakistan and Iraq mainly through Trafigura Pte. Ltd in international markets. The Group's crude oil sales price is mainly determined by the prices of international benchmark crude oil of similar quality, with certain adjustments subject to prevailing market conditions. The prices are quoted in US dollars and settled in US dollars with Brent Oil Price as basis. With regard to Egyptian Assets, as per the articles of Profit Sharing Contract ("PSC") in Egypt, the Group sells crude oil to Egyptian General Petroleum Corporation ("EGPC") at a price determined under the PSC, generally at a small discount to Brent Oil Price.

In 2019, the Group's average realised oil price (before government royalty, windfall levy and government take at working interest production) was approximately US$61.94/barrel, representing a year-on-year decrease of 4.4%.

Sales of Natural Gas

The Group's natural gas sales prices are based on negotiated long term sales agreements. Contract terms normally include a price review mechanism which links the price of natural gas sold to crude oil prices. The Group's natural gas customers are primarily located in Pakistan and are government owned entities namely Sui Southern Gas Company Limited ("SSGCL") and Sui Northern Gas Pipelines Limited ("SNGPL").

In 2019, the Group's average realised gas price (before government royalty, windfall levy and government take at working interest production) was approximately US$27.22/boe, representing a year-on-year increase of 5.4%.

Trading of LNG

The Group tested LNG trading business in year 2019. The customer of the first transaction is Sinopec and the sales are approximately US$20.2 million. The LNG sales prices are mainly determined by negotiation with customers, considering the international benchmark. The sales of LNG will be carried out in back-to-back way with low volatility and relatively reasonable margin.

FINANCIAL RESULTS

Financial Review

The Group reported a continuous substantial growth in earning for the year ended 31 December 2019 (the "reporting period"). The profit attributable to the owners of the Company for the reporting period was approximately HK$1,905,957,000 (31 December 2018: approximately HK$1,637,991,000), representing an increase of 16.4% from the year ended 31 December 2018 (the "last year"). The increase in net profit was mainly due to higher turnover resulting from improved sales volume and sales prices. During the reporting period, the Group completed the acquisition of KEC on 21 March 2019 (the "KEC Acquisition"). In terms of production, the average daily working interest production was approximately 94,342 boed (Pakistan Assts – 66,560 boed plus MENA Assets - 27,782 boed) compared to approximately 66,453 boed (Pakistan Assets only) of the last year, representing an increase of 42%. The average realised oil and gas price (before government royalty, windfall levy and government take at working interest production) was approximately US$39.25/boe, compared to approximately US$31.93/boe of the last year, representing an increase of 22.9%.

Turnover

The Group's turnover for the reporting period was approximately HK$7,103,644,000, representing an increase of 34.6% as compared with the turnover of approximately HK$5,279,204,000 of last year. The increase in turnover was mainly attributable to the increase of working interest production post KEC acquisition and the overall realised sales prices.

Exploration and Production Category		**Year 2019**	Year 2018	Change
Oil and gas sales*	*USD'000*	**1,263,821**	777,451	62.6%
Crude oil and liquids	*USD'000*	**688,112**	241,564	184.9%
Natural gas	*USD'000*	**569,330**	527,795	7.9%
LPG	*USD'000*	**6,379**	8,092	-21.2%
Sales Volume	*mmboe*	**32.2**	24.3	7.9
Crude oil and liquids	*mmboe*	**11.1**	3.7	7.4
Natural gas	*mmboe*	**20.9**	20.4	0.5
LPG	*mmboe*	**0.2**	0.2	-
Realised prices*	*US$/boe*	**39.25**	31.93	22.9%
Crude oil and liquids	*US$/bbl*	**61.94**	64.76	-4.4%
Natural gas	*US$/boe*	**27.22**	25.84	5.4%
LPG	*US$/boe*	**35.79**	43.10	-17.0%

** before government royalty, windfall levy and government take*

Cost of sales and services rendered

Operating expenses

The Group's operating expenses (which is defined as the cost of sales excluding depreciation and amortisation, government tax and distribution expenses) increase 55.5% to approximately HK$1,104,491,000 in 2019, compared with approximately HK$710,301,000 in 2018. The operating expenses per boe (at working interest production) was approximately US$4.4 in 2019, compared with approximately US$3.7 in 2018, increase by 18.9%. For Pakistan Assets, operating expenses per boe was approximately US$3.5 in 2019, representing a decrease of 5.4% compared with approximately US$3.7 in 2018. For MENA Assets, operating expense per boe was approximately US$7.2 in 2019.

Depreciation, depletion and amortisation

Included in the cost of sales and services rendered, the depreciation, depletion and amortisation was approximately HK$2,493,491,000, representing an increase of 57.7% as compared with the amount of approximately HK$1,581,568,000 in last year.

Gross profit

The Group's gross profit for the reporting period was approximately HK$3,477,805,000 (gross profit ratio 49.0%) which represented an increase of 17.6% as compared with gross profit of approximately HK$2,957,209,000 (gross profit ratio 56.0%) for the last year. The increase in gross profit was attributed to the effect of KEC acquisitions and in line with the increase in sales volume and overall realised prices during the reporting period.

Exploration expenses

The Group's exploration expenses for the reporting period was approximately HK$350,286,000 (31 December 2018: approximately HK$103,068,000) which was mainly for the performance of geological and geophysical studies and surface use rights & wells drilled in Pakistan and Egypt. The increase in exploration expenses was mainly due to the written off loss of approximately HK$322,140,000 (2018: approximately HK$78,114,000) arising from dry exploration wells in the Pakistan Assets.

Administrative expenses

The Group's administrative expenses for the reporting period was approximately HK$505,215,000 (31 December 2018: approximately HK$459,768,000) representing 7.1% (31 December 2018: 8.7%) of the turnover. The increase in administrative expenses was attributed to the new acquisition of KEC during the reporting period.

Finance costs

The Group's finance costs for the reporting period was approximately HK$440,960,000, sharply increased as compared with the finance costs of approximately HK$54,337,000 for the last year. The increase in finance costs was mainly due to the higher average borrowings as the Group arranged certain bank borrowings for the acquisition of KEC during the reporting period. The weighted average interest rate of borrowings for the reporting period was 8.64% (31 December 2018: 7.82%)

Income tax expense

The Group's income tax expense for the reporting period was approximately HK$352,124,000. This included the current income tax of approximately HK$389,133,000 and partially net of deferred tax income of approximately HK$37,009,000, compared with current income tax of approximately HK$223,405,000 and deferred tax expenses of approximately HK$456,740,000 for the last year respectively. The Group's effective tax rate for the reporting period was approximately 15.6%, representing a decrease 14.2 percentage points as compared with 29.8% for the last year, which was mainly because of lower rates applicable in KEC countries of operations and written off of dry exploration wells.

EBITDA

EBITDA represents the profit before finance costs, income tax expense, depreciation and amortisation, property, plant and equipment written off, impairment losses on goodwill, share of profits/losses of associates, gain/loss on disposals of property, plant and equipment, gain on bargain purchase, impairment losses for trade and other receivables and profits/loss for the year from discontinued operations. It shall be noted that EBITDA is not a measurement of operating performance or liquidity defined by generally accepted accounting principles and may not be comparable to similarly titled measures presented by other companies. The EBITDA for the reporting period was approximately HK$5,477,288,000, increased by 34.8% from the last year of approximately HK$4,063,743,000. The increase in EBITDA was mainly attributable to the increase in turnover of crude oil and natural gas as aligned with the higher working interest production.

Cash generated from operating activities

The Group's cash inflow from operating activities for the reporting period was approximately HK$4,011,814,000, representing an increase 3.0% as compared with the previous year of approximately HK$3,893,436,000. This was primarily attributed to the increase in oil and gas sales cash inflows due to increased sold volumes for the current period.

Cash used in investing activities

In 2019, the Group's cash used in investment activities increased by 91.4% to approximately HK$6,768,466,000 from last year. In the current reporting period, we acquired KEC with net consideration payment of approximately HK$4,080,085,000, as well as the development expenditure of approximately HK$2,657,186,000, with an overall increase of 40.5% as compared with the last year.

Cash generated from financing activities

In 2019, the net cash inflow from financing activities was approximately HK$3,589,276,000, mainly due to the drawdown of bank loans of approximately HK$6,439,378,000 and repayment of KEC's senior guaranteed unsecured notes of approximately HK$1,950,000,000, KEC's Vitol prepayment facility of approximately HK$491,393,000, and the other bank loan repayment of approximately HK$2,429,700,000.

Dividend

On 27 November 2019, the Group declared a special dividend of approximately HK$1,051,115,000 to the shareholders of the Company, representing HK$4 cents per ordinary share. This was paid on 3 January 2020. No final dividend is proposed for the year ended 31 December 2019.

Business and market outlook

In 2020, the global economy would inevitably face significant pressure, due to the COVID-19 pandemic and the plunge of international oil prices. Not only the non-alignment between Saudi Arabia and Russia to manage oil supply, which led to an all-out supply war, but also the significant curtailment of oil demand due to COVID-19, impacts international oil price to hover at a low level of US$25 per barrel with high volatility.

Our Pakistan asset natural gas sales agreements are long-term contracts with price linked to the crude oil prices with generally a floor and a ceiling. Based on historical trends, realised gas sales price were relatively stable even with significant fluctuations in oil prices. Also, country is energy deficient which offers a good market to the Group. Iraq assets have service contracts and are in the development phase with major projects being undertaken. Under these contracts, cost recovery and remuneration mechanism limit any significant exposure to the Group from oil price fluctuation. Egypt assets have a mature stable operation with a good market for the Group. We aim for stable production and seize any potential opportunity to increase our foot print in Egypt.

For our 2020 plan, the Group targets average daily gross production level of 140,000 to 160,000 boed, and average daily working interest production level of 84,000 to 99,000 boed. Capital expenditure is anticipated to reach US$290 million to US$330 million, which is essential to support exploration, development and construction plans of the Group. We will manage overruns in capital expenditure to the possible extent through the adjustments of our exploration program by deferring certain high risks exploration drilling. At the same time, we will optimize the workload of each asset to ensure a desirable return.

Pakistan Assets:

According to a Pakistan industry report prepared by an independent third party on behalf of the Group, gas demand is expected to increase from approximately 4.0 billion cubic feet per day ("bcfd") in 2018 to approximately 4.3 bcfd in 2024 and then stabilizes around this level afterwards. On the supply side, the expected domestic production amounted to approximately 3 bcfd in 2018 and is expected to decline quickly to below approximately 2 bcfd in 2024. The gas shortage in Pakistan was mitigated by importing significantly more expensive LNG from the neighboring countries. Given the Group's production is predominantly in gas, our sale of natural gas is almost guaranteed to be taken up by the state-owned gas distribution customer. We continue to leverage our experience and understanding of the geology and geophysics in Lower Indus Basin, Middle Indus Basin and Western Fold Belt of Pakistan to unlock the potentials of these assets. Besides, the Group will continue to look for similar opportunities in the market or other access alternatives, such as participating in government bidding process, and strengthen cooperation with state-owned oil companies to expand our footprint in Pakistan.

For Pakistan Assets, we plan to achieve an average daily working interest production of 51,000 to 60,000 boed in 2020.

MENA Assets:

In March 2019, the Group completed the acquisition of KEC, which is engaged in exploration, appraisal, development and production of oil and gas assets in the MENA region. This acquisition brings high-quality assets to the Group's portfolio with significant scale and strong development potential. The production base and long reserve life of these assets are highly complementary to the Group's existing portfolio and will provide a sustainable development profile to the Group for the next two decades. As per reserve report issued by Gaffney, Cline & Associates as of 31 December 2019, the MENA Assets were reported with 2P working interest reserve of 800 mmboe with almost 96.7% located in Iraq. The Group will leverage its strong financial capability to further develop the potential of MENA Assets and replicate its past success story in MENA regions. The average daily working interest production of Block 9 in Iraq is expected to reach 100,000 boed in the near future. The gas production of Siba in Iraq is expected to reach a sustainable Plateau Production Target in the near future. Egyptian assets are mature producing assets, it will stay stable in terms of both production and reserve, in the year of 2020.

In 2020，Iraq Assets are expected to achieve an average daily working interest production of 21,000 to 25,000 boed, where as Egypt Assets will achieve an average daily working interest production of 12,000 to 14,000 boed.

Conclusion

United Energy has achieved remarkable financial performance including significant working interest production contribution from its newly acquired assets. We have successfully completed KEC acquisition in the first half of 2019 which is a significant milestone for the Group. Our next step is to deploy an integrated exploration, development and production program to exploit the upside of the newly acquired assets. We are committed to our strategy to achieve high goals and will deliver better return to our shareholders, year on year.

Liquidity and Financial Resources

During the reporting period, the Group arranged certain borrowings for KEC acquisition consideration and continues to maintains a strong financial position for the reporting period, with cash and cash equivalents amounting to approximately HK$3,358,627,000 as at 31 December 2019 (31 December 2018: approximately HK$2,516,532,000).

The Group borrowings are noted below. These are from banks and other trading commodity corporations, and shows lenders confidence in the Group financial strength and its future plans.

	Principal amount outstanding at 31 December 2019	
	US$	Equivalent to HK$
Revolving loan	385,000,000	3,003,000,000
Term loan	165,200,000	1,288,560,000
Reserves-based borrowing	60,000,000	468,000,000
Prepayment facilities	145,500,000	1,134,900,000
	755,700,000	**5,894,460,000**

As at 31 December 2019, the gearing ratio was approximately 23.2% (31 December 2018: 4.0%), based on borrowings, advance from customers, and lease liabilities under current liabilities and non-current liabilities of approximately HK$1,519,511,000 (31 December 2018: approximately HK$181,123,000) and approximately HK$4,442,221,000 (31 December 2018: approximately HK$460,613,000) respectively and total assets of approximately HK$25,743,105,000 (31 December 2018: approximately HK$16,147,438,000). As at 31 December 2019, the current ratio was approximately 1.09 times (31 December 2018: approximately 1.84 times), based on current assets of approximately HK$7,210,921,000 (31 December 2018: approximately HK$5,317,390,000) and current liabilities of approximately HK$6,629,845,000 (31 December 2018: approximately HK$2,890,561,000).

As at 31 December 2019, the Group's total borrowings amounted to approximately HK$4,695,786,000 (31 December 2018: approximately HK$641,736,000), all of them are denominated in United States dollars. The weighted average interest rate of the borrowings as at 31 December 2019 was 6.42% (31 December 2018: 7.82%).

As at 31 December 2019, the Group's property, plant and equipment, trade receivable and bank balances, with total carrying value of approximately HK$6,556,010,000 (31 December 2018: approximately HK$1,919,375,000) and share charges in respect of the equity interests of certain subsidiaries were pledged to secure the Group's general banking facilities.

Material Acquisitions and Disposal

On 23 September 2018, Gold Cheers Corporation Limited ("GCCL"), an indirectly wholly-owned subsidiary of the Company, the Company and KEC entered into the agreement, pursuant to which GCCL has conditionally agreed to acquire all of the KEC's shares by way of the scheme of arrangement under Jersey law between the KEC and KEC's shareholders. The transaction is a significant milestone in implementing the Company's medium and long-term growth strategy of becoming an independent international oil and gas company. The transaction will transform the Company into a strong medium-sized international independent oil and gas company with a diversified portfolio of high-quality assets. The final consideration for the acquisition was approximately US$564,500,000 (equivalent to approximately HK$4,403,101,000) and the acquisition has been completed on 21 March 2019. Details of the transaction are set out in the Company's announcements dated 24 September 2018, 10 October 2018, 30 November 2018, 21 March 2019 and 22 March 2019 and the circular dated 27 December 2018.

Save as disclosed above, the Group and the Company do not have other material acquisition and disposal during the reporting period.

Segment Information

Particulars of the Group's segment information are set out in note 7 of the Notes to Consolidated Financial Statements in this announcement.

Capital Structure

During the reporting period, the changes of the share capital structure of the Company were as follow:

Within January 2019, 23,494,000 ordinary shares were repurchased at the prices ranging between HK$1.13 and HK$1.27 per share on the Stock Exchange (the "Repurchased Shares") in accordance with the repurchase mandate granted to the Directors in the Annual General Meeting of the Company held on 20 April 2018. On 19 February 2019, the Repurchased Shares were cancelled.

On 18 October 2018, the Company resolved to award 7,202,844 new ordinary shares as the scheme shares to 42 Pakistan employees under the Share Match Scheme approved and adopted by the Company for Pakistan employees on 16 September 2011. The allotment of the 7,202,844 scheme shares was completed on 31 October 2019.

After completion of the above repurchase and allotment of shares during the reporting period, the total number of issued shares of the Company decreased from 26,294,155,209 shares as at 1 January 2019 to 26,277,864,053 shares as at 31 December 2019.

Employees

As at 31 December 2019, the Group employed a total of 1,903 full time employees in Hong Kong, the PRC, Pakistan, Dubai and other MENA locations. Employees' remuneration package is reviewed periodically and determined with reference to the performance of the individual and the prevailing market practices. Remuneration package included basis salaries, year-end bonus, medical and contributory provident fund.

Contingent Liabilities

Particulars of the Group's contingent liabilities are set out in the note 16 of the Notes to Consolidated Financial Statements in this announcement.

Exposure to Fluctuations in Exchange Rates and Related Hedges
The Group's monetary assets and transactions are mainly denominated in United States dollars and Hong Kong dollars, which are relatively stable. Other currency involved include Renminbi, Pakistani Rupee, Iraqi Dinar and Egyptian Pound which exchange rate impact is not considered significant. the Group did not use financial instruments for hedging purposes during the reporting period and will continue to monitor impact of any exchange fluctuations and take appropriate action to prevent any exposure to the Group.

Major Customers and Suppliers
In 2019, the Group's five largest customers represented 95.8% of total turnover (2018: 98.8%) and the Group's five largest suppliers represented 13.2% of total cost of sales and services rendered (2018: 39.2%).

EVENTS AFTER THE REPORTING PERIOD
Particulars of the Group's events after the reporting period are set out in the note 17 of the Notes to the Consolidated Financial Statements in this announcement.

PURCHASE, SALE OR REDEMPTION OF SHARES
Within January 2019, 23,494,000 ordinary shares were repurchased at the prices ranging between HK$1.13 and HK$1.27 per share on the Stock Exchange (the "Repurchased Shares") in accordance with the repurchase mandate granted to the Directors in the Annual General Meeting of the Company held on 20 April 2018. On 19 February 2019, the Repurchased Shares were cancelled.

Save as disclosed above, the Company has not redeemed any of its shares nor any of its subsidiaries has purchased or sold any of the Company's shares during the year ended 31 December 2019.

SUFFICIENCY OF PUBLIC FLOAT
The Company has maintained a sufficient public float throughout the year ended 31 December 2019.

AUDIT COMMITTEE
The Audit Committee has reviewed the audited consolidated financial statements for the year ended 31 December 2019. 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.

DISTRIBUTION RESERVES
As at 31 December 2019, the aggregate amounts of the Company's reserves available for distribution to equity shareholders of the Company was approximately HK$10,159,925,000 (31 December 2018: approximately HK$11,211,040,000).

DIVIDENDS
On 27 November 2019, the Group declared a special dividend of approximately HK$1,051,115,000 to the shareholders of the Company, representing HK$4 cents per ordinary share. This was paid on 3 January 2020. No final dividend is proposed for the year ended 31 December 2019.

CLOSURE OF REGISTER OF MEMBERS

The annual general meeting of the Company (the "AGM") will be held on Tuesday, 2 June 2020. For determining the entitlement to attend and vote at the AGM, the register of members of the Company will be closed from Thursday, 28 May 2020 to Tuesday, 2 June 2020, both days inclusive, during which period no transfer of shares will be effected. In order to be eligible to attend and vote at the AGM, all transfers of shares, accompanied by the relevant share certificates, must be lodged with the Company's share registrar in Hong Kong, Tricor Secretaries Limited, at Level 54, Hopewell Centre, 183 Queen's Road East, Hong Kong before 4:30 p.m. on Wednesday, 27 May 2020.

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 2019.

CODE OF CORPORATE GOVERNANCE PRACTICES

For the year ended 31 December 2019, 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 Listing Rules, save for the deviations which are explained below.

- 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;

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

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 of the Company. The nominations of Directors were made in accordance with the Nomination Policy and the objective criteria (including without limitation, gender, age, cultural and educational background, ethnicity, professional experience, skills, knowledge and length of service), with due regard for the benefits of diversity under the Board Diversity Policy of the Company. According to the Board Diversity Policy of the Company, selection of candidates will be based on a range of diversity perspectives, including but not limited to gender, age, cultural and educational background, ethnicity, professional experience, skills, knowledge and length of service. The ultimate decision will be based on merit and contribution that the selected candidates will bring to the Board.

The work carried out by the Nomination Committee during the year included to nominate the members of Board for retirement and re-election at the annual general meeting, to review the structure, size and composition of the Board and to assess the independence of independent non-executive Directors. The Nomination Committee also considered the Board Diversity Policy and whether the Board had the appropriate balance of skills, experience and diversity of perspectives necessary to enhance the effectiveness of the Board and to maintain high standards of corporate governance. After due consideration, the Nomination Committee has concluded that based on the Company's existing business model and specific needs, the current composition of the Board satisfies the Board Diversity Policy for the year under review.

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 2019 as set out in the preliminary announcement have been agreed by the Group's auditor, RSM Hong Kong ("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 2019 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, 31 March 2020

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