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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 2022

FINANCIAL HIGHLIGHTS
For the year ended 31 December 2022

	2022 HK$'000	2021 HK$'000	**Change %**
Results			
Turnover	**10,753,743**	7,436,936	+44.6
Gross profit	**5,512,983**	3,357,435	+64.2
EBITDA (Note 1)	**9,266,023**	5,843,458	+58.6
Profit for the year	**2,601,146**	2,000,577	+30.0
Profit for the year attributable to owners of the Company	**2,601,162**	2,000,597	+30.0
Basic earnings per share (HK cents)	**9.94**	7.63	+30.3
Key items in Consolidated Statement of Financial Position			
Equity attributable to owners of the Company	**15,802,040**	14,234,374	+11.0
Total assets	**27,419,844**	25,032,350	+9.5
Net assets	**15,807,820**	14,240,280	+11.0

OPERATION HIGHLIGHTS
For the year ended 31 December 2022

	2022	2021	**Change %**
Pakistan Assets			
Operation			
Average Daily Working Interest Production (boed)	**47,029**	48,287	-2.6
***Reserve* (Note 2)**			
Net Entitlement 1P Reserve at the year end (mmboe)	**57.6**	58.9	-2.2
Working Interest 2P Reserve at the year end (mmboe)	**99.5**	107.1	-7.1
MENA Assets			
Operation			
Average Daily Working Interest Production (boed)	**53,216**	44,810	+18.8
***Reserve* (Note 2)**			
Net Entitlement 1P Reserve at the year end (mmboe)	**104.9**	132.7	-20.9
- Egypt Assets	**4.6**	4.7	-2.1
- Iraq Assets	**100.3**	128.0	-21.6
Working Interest 2P Reserve at the year end (mmboe)	**767.6**	765.8	+0.2
- Egypt Assets	**19.5**	21.1	-7.6
- Iraq Assets	**748.1**	744.7	+0.5

Note:

1. EBITDA represents the profit before finance costs, income tax expense, depreciation and amortisation, property, plant and equipment written off, impairment losses for intangible assets and property, plant and equipment, share of losses/profits of associates, share of loss in a joint venture, gain/loss on disposals of property, plant and equipment, gain on derecognition of right-of-use assets and lease liabilities, allowance for slow-moving inventories, other payables and accruals written back, impairment losses on /reversals of impairment losses on trade receivables and reversals of impairment losses on/impairment losses on other receivables.
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.

** For identification purposes only*

The board of 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 2022 as follows:–

CONSOLIDATED STATEMENT OF PROFIT OR LOSS
For the year ended 31 December 2022

	Note	2022 HK$'000	2021 HK$'000
Turnover	4	**10,753,743**	7,436,936
Cost of sales and services rendered		**(5,240,760)**	(4,079,501)
Gross profit		**5,512,983**	3,357,435
Investment and other income	5	**167,201**	111,818
Other gains and losses	6	**(715,746)**	82,675
Exploration expenses		**(718,761)**	(164,256)
Administrative expenses		**(523,886)**	(574,142)
Other operating expenses		**(125,969)**	(54,839)
Profit from operations		**3,595,822**	2,758,691
Finance costs	8	**(387,642)**	(266,913)
Share of (losses)/profits of associates		**(66,707)**	21,552
Share of loss in a joint venture		**(120,377)**	(80,514)
Profit before tax		**3,021,096**	2,432,816
Income tax expense	10	**(419,950)**	(432,239)
Profit for the year	9	**2,601,146**	2,000,577
Attributable to:			
Owners of the Company		**2,601,162**	2,000,597
Non-controlling interests		**(16)**	(20)
		2,601,146	2,000,577
Earnings per share	11		
Basic (cents per share)		**9.94**	7.63
Diluted (cents per share)		**9.94**	7.63

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME
For the year ended 31 December 2022

	2022	2021
	HK$'000	HK$'000
Profit for the year	**2,601,146**	2,000,577
Other comprehensive income after tax:		
Item that will not be reclassified to profit or loss:		
Remeasurement gains on defined benefit pension plans, net of tax credit of approximately HK$296,000 (2021: HK$171,000)	**1,395**	1,961
Item that may be reclassified to profit or loss:		
Exchange differences on translating foreign operations	**8,697**	(16,536)
Other comprehensive income for the year, net of tax	**10,092**	(14,575)
Total comprehensive income for the year	**2,611,238**	1,986,002
Attributable to:		
Owners of the Company	**2,611,254**	1,986,022
Non-controlling interests	**(16)**	(20)
	2,611,238	1,986,002

CONSOLIDATED STATEMENT OF FINANCIAL POSITION
At 31 December 2022

	Note	2022 HK$'000	2021 HK$'000
Non-current assets			
Property, plant and equipment		**11,739,252**	10,835,151
Right-of-use assets		**565,305**	529,901
Intangible assets		**4,323,573**	5,339,724
Investment in associates		**395,488**	474,896
Investment in a joint venture		**-**	120,377
Advances, deposits and prepayments		**368,070**	62,948
Deferred tax assets		**23,059**	765
		17,414,747	17,363,762
Current assets			
Inventories		**389,310**	287,216
Trade and other receivables	13	**6,315,856**	4,145,308
Financial assets at fair value through profit or loss ("FVTPL")		**2,063**	1,991
Employee retirement benefits assets		**9,247**	12,005
Current tax assets		**33,497**	51,506
Bank and cash balances		**3,255,124**	3,170,562
		10,005,097	7,668,588
Current liabilities			
Trade and other payables	14	**4,773,530**	2,817,659
Due to a director		**442**	1,431
Borrowings		**1,885,969**	1,760,607
Lease liabilities		**170,974**	107,867
Provisions		**3,564**	2,113
Financial guarantee contracts		**14,786**	21,496
Current tax liabilities		**1,125,044**	382,179
		7,974,309	5,093,352
Net current assets		**2,030,788**	2,575,236
Total assets less current liabilities		**19,445,535**	19,938,998
Non-current liabilities			
Borrowings		**1,586,344**	2,833,466
Lease liabilities		**169,241**	233,143
Provisions		**620,165**	606,588
Employee retirement benefits obligations		**27,886**	46,372
Deferred tax liabilities		**1,234,079**	1,979,149
		3,637,715	5,698,718
NET ASSETS		**15,807,820**	14,240,280
Capital and reserves			
Share capital		**262,899**	262,899
Reserves		**15,539,141**	13,971,475
Equity attributable to owners of the Company		**15,802,040**	14,234,374
Non-controlling interests		**5,780**	5,906
TOTAL EQUITY		**15,807,820**	14,240,280

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 Group has applied the following amendments to HKFRSs issued by the HKICPA for the first time, which are mandatorily effective for the annual period beginning on or after 1 January 2022 for the preparation of the consolidated financial statements:

Amendments to HKAS 16	Property, Plant and Equipment: Proceeds before Intended Use
Amendments to HKAS 37	Onerous Contracts - Cost of Fulfilling a Contract

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

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

Amendments to HKFRS 3	Reference to the Conceptual Framework
Amendments to HKFRS 16 (March 2021)	COVID-19 Related Rent Concessions beyond 30 June 2021
Annual Improvements Project	Annual Improvements to HKFRS Standards 2018-2020
Amendments to Accounting Guideline 5	Merger Accounting for Common Control Combinations

The Group did not change its accounting policies or make retrospective adjustments as a result of adopting the abovementioned amended standards or annual improvements.

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

The Group has not applied any new standard, amendments to standards and interpretation that have been issued but are not yet effective for the financial year beginning 1 January 2022. The new standard, amendments to standards and interpretation include the following which may be relevant to the Group.

	Effective for accounting periods beginning on or after
Amendments to HKAS 1 - Classification of Liabilities as Current or Non-current	1 January 2024
Amendments to HKAS 1 - Non-current Liabilities with Covenants	1 January 2024
Amendments to HKAS 1 and HKFRS Practice Statement 2 - Disclosure of Accounting Policies	1 January 2023
Amendments to HKAS 8 - Definition of Accounting Estimates	1 January 2023
Amendments to HKAS 12 - Deferred Tax Related to Assets and Liabilities Arising from a Single Transaction	1 January 2023
Amendments to HKFRS 16 - Lease Liability in a Sales and Leaseback	1 January 2024

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

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

	Effective for accounting periods beginning on or after
Amendments to HKFRS 10 and HKAS 28 - Sale or Contribution of Assets between an Investor and its Associate or Joint Venture	To be determined by the HKICPA
Hong Kong Interpretation 5 (2020) Presentation of Financial Statements - Classification by the Borrower of a Term Loan that Contains a Repayment on Demand Clause	1 January 2024

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 is as follows:

	2022 **HK$'000**	2021 HK$'000
Sales and production of crude oil, condensate, gas, liquefied petroleum gas and petrochemical	**10,753,743**	7,436,936

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, liquefied petroleum gas and petrochemical	
	2022 **HK$'000**	2021 HK$'000
Primary geographical markets		
- Pakistan	**3,173,488**	2,583,269
- Singapore	**1,128,271**	868,588
- Egypt	**1,415,670**	1,111,890
- Iraq	**5,036,314**	2,776,502
- People's Republic of China ("PRC")	**-**	96,687
Revenue from external customers	**10,753,743**	7,436,936

The turnover from sales and production of crude oil, condensate, gas, liquefied petroleum gas and petrochemical are net of sales tax, royalty to government, sales discounts and windfall levy amounting to approximately HK$513,053,000 (2021: HK$488,770,000), HK$611,382,000 (2021: HK$475,234,000), HK$15,688,000 (2021: HK$6,321,000), and HK$200,455,000 (2021: HK$72,536,000) respectively.

5. **INVESTMENT AND OTHER INCOME**

	2022 **HK$'000**	2021 HK$'000
Dividends income from listed equity investments	**90**	72
Interest income on:		
Bank deposits	**26,072**	8,581
Loan receivables	**928**	605
Total interest income	**27,000**	9,186
Liquefied petroleum gas processing fees charged to concessions, net	**5,728**	3,026
Income from software costs charged to concessions	**2,917**	5,960
Income from technical services charged to concessions	**68,798**	69,056
Income from operation and maintenance services provided	**25,219**	-
Service income from trade of petrochemical products and other commodities	**21,343**	-
Management fees income	**2,342**	3,195
Recovery of bad debts from joint venture partner	**1,458**	5,277
Rental income	**3,102**	4,671
Sales of scrap materials	**3,949**	7,146
Others	**5,255**	4,229
	167,201	111,818

6. **OTHER GAINS AND LOSSES**

	2022 **HK$'000**	2021 HK$'000
Fair value gains on financial assets at FVTPL	**72**	259
Gain/(loss) on disposals of property, plant and equipment	**11,342**	(6,337)
Gain on derecognition of right-of-use assets and lease liabilities	**2,658**	-
Net foreign exchange gains	**69,436**	36,280
Reversals of impairment losses on trade receivables	**-**	57,399
Reversals of impairment losses on other receivables	**1,877**	-
Impairment losses on other receivables	**-**	(801)
Impairment losses on trade receivables	**(14,226)**	-
Impairment losses on intangible assets	**(609,132)**	-
Impairment losses on property, plant and equipment	**(219,421)**	-
Imputed interest income on financial guarantee contracts	**6,710**	1,109
Property, plant and equipment written off	**(2,580)**	(5,234)
Other payables and accruals written back	**37,518**	-
	(715,746)	82,675

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.

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, 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 external customers by location of operations and information about its non-current assets (excluding financial assets at amortised costs and deferred tax assets) by location of assets are detailed below:

	Turnover		**Non-current assets**	
	2022	2021	**2022**	2021
	HK$'000	HK$'000	**HK$'000**	HK$'000
Hong Kong	-	-	**583,579**	731,620
PRC except Hong Kong	-	96,687	**46,263**	113,988
Pakistan	**3,173,488**	2,583,269	**7,688,676**	8,633,467
Singapore	**1,128,271**	868,588	-	-
Egypt	**1,415,670**	1,111,890	**1,284,955**	1,305,526
Iraq	**5,036,314**	2,776,502	**7,753,813**	6,561,744
Others	-	-	**859**	13,813
Consolidated total	**10,753,743**	7,436,936	**17,358,145**	17,360,158

Turnover from major customers:

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

	2022	2021
	HK$'000	HK$'000
Customer A	**2,511,220**	2,319,166
Customer B	**1,128,271**	868,588
Customer C	**1,029,835**	799,878
Customer D	**5,036,314**	2,776,502

8. FINANCE COSTS

	2022 HK$'000	2021 HK$'000
Interest on bank loans	**333,986**	226,194
Interest expense on lease liabilities	**37,881**	18,670
Interest on advance from customers	**5,927**	13,684
Provisions - unwinding of discounts	**20,440**	11,121
Total borrowing costs	**398,234**	269,669
Amount capitalised	**(10,592)**	(2,756)
	387,642	266,913

The weighted average capitalisation rate on funds borrowed was generally at a rate of 11.3% (2021: 6%) per annum.

9. PROFIT FOR THE YEAR

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

	2022 HK$'000	2021 HK$'000
Auditors' remuneration	**7,284**	6,391
Depreciation and amortisation (note (a))	**4,065,072**	2,909,693
Depreciation on right-of-use assets	**86,920**	62,548
Cost of inventories sold (note (b))	**5,158,185**	4,015,018
Impairment losses on intangible assets (included in other gains and losses)	**609,132**	-
Impairment losses on property, plant and equipment (included in other gains and losses)	**219,421**	-
Property, plant and equipment written off (included in other gains and losses of approximately HK$2,580,000 (2021: HK$5,234,000) and exploration expenses of approximately HK$706,745,000 (2021: HK$157,553,000))	**709,325**	162,787
Allowance for slow-moving inventories (included in cost of inventories sold)	**19,500**	-
Allowance for trade receivables	**14,226**	-
Reversal of allowance for trade receivables	**-**	(57,399)
Allowance for other receivables	**-**	801
Reversal of allowance for other receivables	**(1,877)**	-
Staff costs excluding directors' emoluments (note (c))		
- Salaries, bonuses and allowances	**485,677**	411,886
- Retirement benefits scheme contributions	**49,332**	42,036
- Share-based payments	**13,379**	8,821
	548,388	462,743

9. **PROFIT FOR THE YEAR (CONT'D)**

Notes:

(a) Amortisation charges on intangible assets of approximately HK$407,019,000 (2021: HK$361,523,000) which are included in the costs of sales and services rendered.

(b) Cost of inventories sold includes staff costs, depreciation and amortisation, short term leases expenses and allowance for slow-moving inventories of approximately HK$4,428,555,000 (2021: HK$3,180,964,000) which are included in the amounts disclosed separately above.

(c) For the year ended 31 December 2022, COVID-19 related government grants amounted to approximately HK$384,000 (2021: HK$Nil) have been offset against staff costs.

10. **INCOME TAX EXPENSE**

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

	2022	2021
	HK$'000	HK$'000
Current tax - Overseas		
Provision for the year	**1,084,888**	411,401
Under-provision in prior years	**109,862**	-
	1,194,750	411,401
Deferred tax	**(774,800)**	20,838
	419,950	432,239

No provision for profits tax in Austria, Cayman Islands, Bermuda, British Virgin Islands, Jersey, Kuwait, Dubai, Netherlands, United States of America, 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 2022 and 2021.

Egypt, Iraq, Pakistan and PRC Income Tax has been provided at a rate of 22.5%, 35%, ranging from 40% to 50% and 25% respectively 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. **EARNINGS PER SHARE**

(a) **Basic earnings per share**

The calculation of basic earnings per share attributable to owners of the Company is based on the profit for the year attributable to owners of the Company of approximately HK$2,601,162,000 (2021: HK$2,000,597,000) and the weighted average number of ordinary shares of 26,163,186,786 (2021: 26,216,780,258) in issue during the year.

(b) **Diluted earnings per share**

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$2,601,162,000 (2021: HK$$2,000,597,000) and the weighted average number of ordinary shares of 26,163,689,965 (2021: 26,221,461,587), being the weighted average number of ordinary shares of 26,163,186,786 (2021: 26,216,780,258) in issue during the year used in the basic earnings per share calculation plus the weighted average number of ordinary shares of 503,179 (2021: 4,681,329) assumed to have been issued at no consideration on the deemed exercise of the share options outstanding during the year.

12. **DIVIDEND**

	2022 **HK$'000**	2021 HK$'000
2022 Special dividend of HK4 cents per ordinary share paid	**1,051,597**	-
2020 Final dividend of HK2.36 cents per ordinary share paid	**-**	620,299
	1,051,597	620,299

The Board did not recommend payment of a final dividend for the year ended 31 December 2022.

13. TRADE AND OTHER RECEIVABLES

	2022 HK$'000	2021 HK$'000
Trade receivables (note (a))	**5,143,356**	3,581,702
Allowance for trade receivables	**(25,959)**	(11,733)
Allowance for price adjustments (note (b))	**(198,843)**	(232,233)
	4,918,554	3,337,736
Other receivables (note (c))	**1,398,064**	810,211
Allowance for other receivables	**(762)**	(2,639)
	1,397,302	807,572
Total trade and other receivables	**6,315,856**	4,145,308

(a) Trade receivables

The Group's trading terms with customers are mainly on credit. The credit term generally ranges from 30 to 45 days (2021: 30 to 45 days) except for the customers in Iraq which were settled by having physical delivery of crude oil on accumulation of balance sufficient enough for cargo lifting. 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:

	2022 HK$'000	2021 HK$'000
0 to 30 days	**2,346,088**	1,849,353
31 to 60 days	**262,016**	289,171
61 to 90 days	**916,341**	920,228
Over 90 days	**1,618,911**	522,950
	5,143,356	3,581,702

(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$198,843,000 (2021: HK$232,233,000) was provided.

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

(c) **Other receivables**

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

	2022	2021
	HK$'000	HK$'000
Due from joint operators	**394,418**	395,465
Advances to staff	**10,750**	9,919
Central excise duty receivables	**10,780**	18,022
Deposits and prepayments	**122,224**	90,480
Sales tax receivables	**118,759**	228,828
Other tax receivables	**29,365**	18,047
Withholding tax receivables	**1,331**	3,566
Amount due from an associate (note (i))	**28,590**	27,662
Sundry debtors	**640,091**	-
Others	**40,994**	15,583
	1,397,302	807,572

Note:

(i) As at 31 December 2022, the amount due from associate of the Group, Orient Group Beijing Investment Holding Limited, which is unsecured, interest bearing at a rate of 3 months LIBOR plus 1.7% per annum (2021: 3 months LIBOR plus 1.7% per annum) and repayable on or before 29 September 2023.

14. **TRADE AND OTHER PAYABLES**

	2022	2021
	HK$'000	HK$'000
Trade payables (note (a))	**606,629**	281,335
Other payables (note (b))	**4,166,901**	2,536,324
Total trade and other payables	**4,773,530**	2,817,659

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

(a) **Trade payables**

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

	2022	2021
	HK$'000	HK$'000
0 to 30 days	**449,269**	227,342
31 to 60 days	**49,993**	19,231
61 to 90 days	**29,638**	9,000
Over 90 days	**77,729**	25,762
	606,629	281,335

(b) **Other payables**

	2022	2021
	HK$'000	HK$'000
Accrual for operating and capital expenses	**1,670,309**	1,140,385
Due to joint operators	**112,976**	84,523
Deposits received	**67**	73
Advances from customers (note (i))	**390,000**	-
Salaries and welfare payables	**195,214**	138,156
Provision for infrastructure funds	**560,403**	464,383
Other tax payables	**1,132,750**	654,409
Sundry creditors	**42,197**	-
Others	**62,985**	54,395
	4,166,901	2,536,324

Note:

(i) The Group entered into an agreement with customer for secured crude oil prepayment facilities of up to approximately HK$390,000,000 (equivalent to approximately US$50,000,000). The facilities bearing interest rate at 3.75% plus 3 months Term SOFR per annum. The crude oil prepayment facilities are repayable principally by the delivery of the Group's crude oil entitlement. The advances from customers are guaranteed by the unlimited corporate guarantee provided by the Company.

15. CONTINGENT LIABILITIES

(a) For the years ended 31 December 2022 and 2021, 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 year ended 31 December 2021, 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$2,269,000.

(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 (2021: HK$191,969,000) would be required to be made in the consolidated financial statements for the year ended 31 December 2022.

(d) As at 31 December 2022, 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$722,680,000 (2021: HK$749,171,000).

(e) At the end of the reporting period, bank guarantees to the extent of approximately HK$67,439,000 (equivalent to US$8,646,000) (2021: HK$10,850,000 (equivalent to US$1,391,000)) in favor of certain government authorities was obtained by certain subsidiaries of the Group to guarantee its exploration, performance and financial obligations as stipulated in the concession agreements.

16. EVENT AFTER THE REPORTING PERIOD

On 1 March 2023, the Group signed two facility agreements with a bank for two loan facilities of approximately HK$1,162,200,000 and HK$1,310,400,000 (equivalent to approximately US$149,000,000 and US$168,000,000 respectively). The proceeds from these facilities will be used for refinancing certain existing borrowings of the Group. Approximately HK$2,449,200,000 (equivalent to approximately US$314,000,000) has been drawn down by the Group within March 2023. Details of the facilities was set out in the Company's announcement dated 1 March 2023.

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 and MENA. 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. It has established a sound track record of growing its business through acquisition and capital investment in a short span of time.

Growth of the global economy in 2022 was forecasted by the IMF, to slow down from 6.2% in 2021 to 3.4% in 2022. Global economy is experiencing a number of turbulent challenges, including rising inflation, Russia’s war in Ukraine and lingering COVID-19 pandemic. World oil demand was estimated to have increased by 2.5 mmbbld year-on-year to average of 99.6 mmbbld in 2022 as reported by the OPEC Monthly Oil Market Report of January 2023. Oil price remained at a high level with average Brent Oil Price in 2022 at US$100.93/bbl, which is ~42% higher than US$70.86/bbl for 2021, according to data from U.S. Energy Information Administration. Leveraging on high oil price and continuous cost optimisation focus, the Group achieved better-than-expected earnings with a profit attributable to shareholders for the reporting period of approximately HK$2,601,162,000, representing a significant increase of 30.0% compared to last year of approximately HK$2,000,597,000.

Cost of sales and services rendered by the Group for the reporting period was approximately HK$5,240,760,000, and the Group invested approximately HK$5,313,965,000 of capital expenditure in oil exploration, development and production activities. The Group drilled 61 wells during the reporting period, including 28 wells in Pakistan Assets and 33 wells in MENA Assets.

Business Strategy

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

Focus on reserve and production increase

The Group continues to concentrate exploration efforts in its major operational areas in a well-designed way. Exploration strategy and execution provided reserve addition with higher successful rate and better capex efficiency. Meanwhile, it maintained production in mature oil and gas fields through necessary workovers and enhancement measures. Additionally, it drilled new development wells, contributing incremental production with higher successful rate. The Group's oil and gas assets are being developed in a responsible manner thanks to the organic mix of assets with varying exploration and development levels. Future large-scale discoveries might be made in new exploration locations and prospective technical research play.

Unlock existing assets potential

The Group’s core business is located in Pakistan, Iraq and Egypt. Its high-quality assets are being managed by a professional management team. The Group’s vision is to replicate its success story in Pakistan to the MENA region and integrate development of the enlarged and diversified assets portfolio.

Promote high-quality development

The Group aims to continue develop its assets in a sustainable, efficient, economical, and environment-friendly way, in order to maintain high-quality development status. It also aims to actively develop clean energy business, in order to gain synergetic effect with its core business.

Maintain a prudent financial policy
The Group will continue to maintain a prudent, disciplined financial policy, which underpinned its success over the years. As an essential part of its corporate culture, it continues to promote process streamlining, operational efficiency, cost optimisation and disciplined decision-making of investment across the Group. This helped to maintain a relatively low lifting cost and keep its competitiveness. Cash flow and indebtedness are carefully managed in order to maintain a healthy financial position and mitigate liquidity risk.

Exploration
In 2022, 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 prolific oil and gas fields, 12 commercial discoveries were achieved of which 9 were in Pakistan and 3 in Egypt.

Technical capabilities were enhanced, and efficiency of exploration improved. The Group continued to maintain a reasonable proportion of investment to support exploration activities, in order to ensure sustainable growth. Exploration area in Pakistan increased to 22,433 Km^2 (including 5,639 Km^2 non-operated) with three exploration blocks won in the bid round in 2022. Egypt's exploration area increased to 2,634 Km^2 with addition of one new Block. Exploration breakthroughs and commercial discoveries were achieved in Mirpur Khas Khipro ("MKK") block and Middle Indus and Mehar ("MIM"), with some production being added from downthrown structures in mature blocks in Pakistan. High testing production was observed from the block of Abu Sennan in Egypt. Exploration campaign in Pakistan and Egypt continued to optimise business portfolio and enhance production.

New blocks in Pakistan and Egypt provide a foundation for the new discoveries and future growth of the Group. Work associated with the new blocks will be conducted in 2023.

Engineering Construction
In 2022, the Group carefully organised operational resources and smoothly promoted engineering construction projects. With detailed planning and efficient management, it has successfully completed its production support and facility modification projects, which ensured the achievement of production and reserve targets and contributed economic benefits to the Group.

In Iraq, production in Block 9 rose to 60,000 boed. With work progressing swiftly on a CPF, Block 9 is gaining momentum towards achieving its 100,000 boed target in the coming year. CPF will lay a solid foundation for the production capacity ramp-up of Block 9. In Siba, well Siba-10 successfully achieved first gas with flowline tie-in 15 days, supporting the full year production target.

In mature assets, new ideas of process optimization, efficiency improving, energy saving and emission reduction were explored and gained benefits from facilities upgrades and renovation. In Pakistan, Naimat West-3 compression project was implemented, which improved production and optimised value of the assets. In Egypt, ASH, ASD, ASX facilities were upgraded to save cost in Abu Sennan Block, through releasing rental equipment, optimising facility efficiency, enhancing overall performance, increasing safety standards of the facility to secure employee health environment.

Development and Production
For the year ended 31 December 2022, the Group's average daily gross production was approximately 165,883 boed (Pakistan Assets – 69,405 boed plus MENA Assets – 96,478 boed), a 7.0% increase compared to approximately 154,984 boed last year and gross accumulated production was approximately 60.55 mmboe, a 7.0% increase compared to approximately 56.57 mmboe last year, at the same time, Group's average working interest production was 100,245 boed (Pakistan Assets – 47,029 boed plus MENA Assets – 53,216 boed), a 7.7% increase compared to approximately 93,097 boed last year, and working interest accumulated production was approximately 36.59 mmboe, a 7.7% increase compared to approximately 33.98 mmboe last year. In 2022, the Group aggressively managed decline rate of mature oil fields and achieved positive results to the gross and working interest production. Meanwhile, new exploration successes contributed to production increase. Last but not least, the negative impact of record rains and devastating floods in Pakistan was systematically managed to minimum impact and delivered stable and resilient production.

Pakistan
As of 31 December 2022, the Group holds interests in 5 areas, comprising of 16 development concessions for oil and gas production in Pakistan.

In 2022, Pakistan Assets achieved an average daily working interest production of approximately 47,029 boed, decrease by 2.6% compared to last year. Pakistan Assets have an oil and liquids ratio of ~18% which was 3 percentage points higher than last year. Accumulated gross production and working interest production for the full year was approximately 25.3 mmboe and 17.2 mmboe respectively.

Iraq
The Group holds a 60% participating interest in the EDPSC of Block 9 in Iraq and is the Operator of this block. In 2022, average daily gross production was approximately 57,845 boed, and average daily working interest production was approximately 34,707 boed. Accumulated gross production and working interest production for the year were approximately 21.1 mmboe and 12.7 mmboe respectively. Block 9 has an oil and liquids ratio of 100%.

The Group holds a 30% participating interest in the GDPSC for the Siba contract area in Iraq and is the Operator of this block. Average daily gross production in 2022 was approximately 20,247 boed, and average daily working interest production was approximately 6,074 boed. Accumulated gross and working interest production were approximately 7.4 mmboe and 2.2 mmboe respectively. Siba has an oil and liquids ratio of ~67% almost the same compared to last year.

Egypt
The Group holds interests in four blocks in Egypt. It has a 100% participating interest in Burg El Arab. Participating interest in Area A, Abu Sennan and East Ras Qattara are 70%, 25% and 49.5% respectively. The Group are operators for all these blocks, except for East Ras Qattara. In 2022, average daily gross production was approximately 18,386 boed, and average daily working interest production was approximately 12,435 boed. Accumulated gross production and working interest production for the year were approximately 6.7 mmboe and 4.5 mmboe respectively. Egypt Assets has an oil and liquids ratio of ~98% which was 2 percentage higher than last year.

SALES AND MARKETING

Sales of Crude Oil

The Group sells crude oil and condensates produced in Pakistan and Iraq primarily through traders 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 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 2022, the Group's total working interest crude and condensates selling volumes are 21.4 million barrels, representing a year-on-year increase of 20.2% and its average realised oil price (before government royalty, windfall levy and government take at working interest production) was approximately US$96.26/bbl, representing a year-on-year increase of 40.4%, mainly due to the increase of Brent oil price.

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 and Sui Northern Gas Pipeline Limited.

In 2022, the Group's total working interest natural gas selling volumes are 14.9 mmboe, representing a year-on-year decrease of 6.6% and its average realised gas price (before government royalty, windfall levy and government take at working interest production) was approximately US$29.84/boe, representing a year-on-year increase of 20.3%, mainly due to the increase of Brent oil price.

FINANCIAL RESULTS

Financial Review

For the year ended 31 December 2022 (the "reporting period"), the Group reported a profit attributable to the owners of the Company of approximately HK$2,601,162,000, representing an increase of 30.0% from the year ended 31 December 2021 ("last year") of approximately HK$2,000,597,000. The increase in net profit was mainly due to geopolitical conflicts in Eastern Europe led to higher international oil price and the Group's Iraqi assets has ramped up its production.

During the reporting period, the Group's average daily working interest production was approximately 100,245 boed (Pakistan Assets of 47,029 boed plus MENA Assets of 53,216 boed) compared to approximately 93,097 boed (Pakistan Assets of 48,287 boed plus MENA Assets of 44,810 boed) of last year, slightly increased by 7.7%. The Group aggressively managed decline rate of mature oil fields and achieved positive results to working interest production. Meanwhile, new exploration successes contributed to production increase. The average realised oil and gas price (before government royalty, windfall levy and government take at working interest production) was approximately US$68.93/boe, compared to approximately US$47.89/boe of last year, representing a sharp increase of 43.9%.

Turnover

The Group's turnover for the reporting period was approximately HK$10,753,743,000, representing a sharp increase of 44.6% as compared with the turnover of approximately HK$7,436,936,000 of last year. The increase in turnover was mainly contributed by the effect of the increased international oil price in result to increase in realised sales prices during the reporting period.

Exploration and Production Category		**Year 2022**	Year 2021	Change
Oil and gas sales*	*USD'000*	**2,520,414**	1,625,266	+55.1%
Crude oil and liquids	*USD'000*	**2,063,115**	1,222,342	+68.8%
Natural gas	*USD'000*	**445,433**	396,322	+12.4%
LPG	*USD'000*	**11,866**	6,602	+79.7%
Sales Volume	*mmboe*	**36.5**	33.9	+2.6
Crude oil and liquids	*mmboe*	**21.4**	17.8	+3.6
Natural gas	*mmboe*	**14.9**	16.0	-1.1
LPG	*mmboe*	**0.2**	0.1	+0.1
Realised prices*	*US$/boe*	**68.93**	47.89	+43.9%
Crude oil and liquids	*US$/bbl*	**96.26**	68.54	+40.4%
Natural gas	*US$/boe*	**29.84**	24.80	+20.3%
LPG	*US$/boe*	**58.65**	52.58	+11.5%

** before government royalty, windfall levy and government take (at working interest quantity)*

Cost of sales and services rendered

Operating expenses

The Group's operating expenses for exploration and production activities (which is defined as the cost of sales excluding depreciation and amortization, distribution expenses and allowance for slow-moving inventories) increased 5.3% to approximately HK$1,175,343,000 in 2022, compared with approximately HK$1,115,843,000 in 2021. The operating expenses per boe (at working interest production) was approximately US$4.12 in 2022, compared with approximately US$4.21 in 2021, decreased by 2.1%. For Pakistan Assets, operating expenses per boe was approximately US$4.09, increased by 5.1% (last year: approximately US$3.89 per boe); while for MENA Assets, operating expense per boe was approximately US$4.15, decreased by 9.2% (last year: approximately US$4.57 per boe).

Depreciation, depletion and amortisation
Included in the cost of sales and services rendered, the depreciation, depletion and amortisation was approximately HK$4,026,922,000, representing an increase of 41.3% as compared with the amount of approximately HK$2,849,025,000 in last year.

Gross profit
The Group's gross profit for the reporting period was approximately HK$5,512,983,000 (gross profit ratio 51.3%) which represented a sharp increase of 64.2% as compared with gross profit of approximately HK$3,357,435,000 (gross profit ratio 45.1%) for the last year. The increase in gross profit was attributed to the sharp increase of international oil price which result in increase in overall realised sales prices and increase in sales volume during the reporting period.

Exploration expenses
The Group's exploration expenses for the reporting period was approximately HK$718,761,000 (last year: approximately HK$164,256,000) which included the expenses for performance of geological and geophysical studies, surface use rights & wells and the written off loss of approximately HK$706,745,000 (last year: approximately HK$157,553,000) arising from dry exploration wells in Pakistan and Egypt Assets.

Administrative expenses
The Group's administrative expenses for the reporting period was approximately HK$523,886,000 (last year: approximately HK$574,142,000) representing 4.9% (last year: 7.7%) of the turnover.

Finance costs
The Group's finance costs for the reporting period was approximately HK$387,642,000, which represented an increase of 45.2% as compared with the finance costs of approximately HK$266,913,000 for the last year. Despite the average outstanding loan balances decreased during the reporting period, the weighted average interest rate increased from 4.77% from last year to 7.51% resulted to the increase in finance cost for the period.

Income tax expense
The Group's income tax expense for the reporting period was approximately HK$419,950,000. This included the current income tax of approximately HK$1,194,750,000 and deferred tax income of approximately HK$774,800,000, compared with current income tax of approximately HK$411,401,000 and deferred tax expenses of approximately HK$20,838,000 for the last year respectively. The Group's effective tax rate for the reporting period was approximately 13.9%, representing a decrease 3.9 percentage points as compared with 17.8% for the last year.

EBITDA
EBITDA represents the profit before finance costs, income tax expense, depreciation and amortisation, property, plant and equipment written off, impairment losses for intangible assets and property, plant and equipment, share of losses/profits of associates, share of loss in a joint venture, gain/loss on disposals of property, plant and equipment, gain on derecognition of right-of-use assets and lease liabilities, allowance for slow-moving inventories, other payables and accruals written back, impairment losses on /reversals of impairment losses on trade receivables and reversals of impairment losses on/impairment losses on other receivables. 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$9,266,023,000, increased by 58.6% from the last year of approximately HK$5,843,458,000. The increase in EBITDA was mainly attributable to the continuous high international oil price during 2022 and the Group's Iraqi assets has ramped up its production during the reporting period.

Cash generated from operating activities

The Group's net cash inflow from operating activities for the reporting period was approximately HK$7,824,906,000, representing an increase of 82.8% as compared with the last year of approximately HK$4,280,826,000. This was primarily attributed to the increase in oil and gas sales cash inflows due to increased realised sales prices during the year.

Cash used in investing activities

In 2022, the Group's net cash used in investing activities increased by 128.8% to approximately HK$5,706,750,000 from last year, mainly due to the development expenditure of approximately HK$5,392,499,000 for the reporting period with an overall increase of 97.6% as compared to last year.

Cash used in financing activities

In 2022, the net cash used in financing activities was approximately HK$2,069,864,000, mainly due to the payment of special dividend of approximately HK$1,051,597,000 and repayment of bank loans of approximately HK$1,980,101,000; but offset by drawdown of bank loans of approximately HK$768,300,000 and prepayment facilities of approximately HK$390,000,000.

Dividend

No final dividend is proposed for the year ended 31 December 2022.

Business and market outlook

According to recent IMF forecast in January 2023, global economy in 2023 is projected to grow by 2.9%. Global oil demand is forecasted to increase by 2.2 mmbbld to average of 101.8 mmbbld, as per OPEC Monthly Market Report of January 2023. Global economies growth is expected below the historical (2000-2019) annual average 3.8 percent, with the rise in central bank rates to fight inflation, especially in advanced economies, as well as the continuing war in Ukraine. Oil and gas industry is expected to benefit from high energy price caused by tightened and imbalanced market.

For 2023 plans, the Group targets average daily gross production level of 165,000 to 179,000 boed, and average daily working interest production level of 94,700 to 102,400 boed. Capital expenditure is anticipated to reach US$990 million to US$1,050 million, which is essential to support exploration, development and construction plans of Group. It aims to continue with its financial discipline and manage capital expenditure to the possible extent through optimisation of its exploration program and schedule of development facilities construction; whilst balancing workload of each asset to reach economically efficient outputs.

Pakistan Assets:

According to a Pakistan energy outlook report prepared by Ministry of Planning, Development and Special Initiatives Government of Pakistan, gas demand is expected to increase from approximately 3.56 bcfd in 2020 to approximately 4.24 bcfd in 2030. On the supply side, the domestic production amounted to approximately 3.69 bcfd in 2020 and is expected to decline quickly to approximately 2.82 bcfd in 2025, and approximately 2.18 bcfd by 2030. Gas shortage in Pakistan is mitigated by importing significantly more expensive LNG from the neighboring countries. Given 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. The Group won three exploration blocks in the bid round in 2022. Compared with 2021, the extent of exploration rights rose from 14,868 Km^2 to 22,433 Km^2, approximately 51%. 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 its footprint in Pakistan.

For Pakistan Assets, the Group plans to achieve an average daily working interest production of 40,500 to 44,500 boed in 2023.

MENA Assets:

In March 2019, the Group completed 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 independent reserve auditor as of 31 December 2022, the MENA Assets were reported with 2P working interest reserve of 767.6 mmboe with almost 97.5% located in Iraq. The Group will leverage its strong financial capability to further unlock the potential of MENA Assets and replicate its past success story in MENA region. Average daily gross production of Block 9 in Iraq is expected to reach 130,000 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 2023.

In 2023, Iraq Assets are expected to achieve an average daily working interest production of 42,700 to 44,900 boed, whereas Egypt Assets will achieve an average daily working interest production of 11,500 to 13,000 boed.

Conclusion
Continuing with the momentum of previous years, the Group achieved outstanding operational and financial performance. Quality professional management greatly contributed to these desirable results. For the way forward, Group will continue to ramp up production, optimising operation and re-investing in our people and assets. Devoted to creating value for the shareholders, we expect a fruitful year of 2023 with a more solid base of continuous growth in years to come.

Liquidity and Financial Resources
During the reporting period, the Group continues to maintain a strong financial position, with bank and cash balances amounting to approximately HK$3,255,124,000 as at 31 December 2022 (31 December 2021: approximately HK$3,170,562,000).

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

	Principal amount outstanding at 31 December 2022	
	US$	Equivalent to HK$
Revolving loans	255,104,000	1,989,811,000
Term loans	161,498,000	1,259,684,000
Reserves-based borrowing	23,750,000	185,250,000
Prepayment facilities	50,000,000	390,000,000
Finance leases	25,386,000	198,011,000
	515,738,000	**4,022,756,000**

As at 31 December 2022, the gearing ratio was approximately 15.3% (31 December 2021: 19.7%), based on borrowings, advance from customers, and lease liabilities under current liabilities and non-current liabilities of approximately HK$2,446,943,000 (31 December 2021: approximately HK$1,868,474,000) and approximately HK$1,755,585,000 (31 December 2021: approximately HK$3,066,609,000) respectively and total assets of approximately HK$27,419,844,000 (31 December 2021: approximately HK$25,032,350,000). As at 31 December 2022, the current ratio was approximately 1.25 times (31 December 2021: approximately 1.51 times), based on current assets of approximately HK$10,005,097,000 (31 December 2021: approximately HK$7,668,588,000) and current liabilities of approximately HK$7,974,309,000 (31 December 2021: approximately HK$5,093,352,000).

As at 31 December 2022, the Group's total borrowings amounted to approximately HK$3,472,313,000 (31 December 2021: approximately HK$4,594,073,000), all of them are denominated in United States dollars. The weighted average interest rate of the borrowings as at 31 December 2022 was 7.43% (31 December 2021: 4.60%).

As at 31 December 2022, the Group's property, plant and equipment, right-of-use assets, trade receivable, advances, deposits and prepayments and bank balances, with total carrying value of approximately HK$5,459,329,000 (31 December 2021: approximately HK$3,834,155,000) and share charges in respect of the equity interests of certain subsidiaries were pledged to secure the Group's general banking facilities, finance lease, trade and other payables and exploration, performance and financial obligations of the Group.

The Group is continuously exploring opportunities to optmise its capital structure, including the debt portfolio, to support organic, as well as inorganic growth, and will over the coming 12-month period explore opportunities for tapping the international debt capital markets, including the possibility to issue a corporate bond.

Material Acquisitions and Disposal
The Group and the Company do not have 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, there was no change of the issued share capital of the Company. The total number of issued shares of the Company was 26,289,928,786 shares as at 1 January 2022 and 31 December 2022.

Employees

As at 31 December 2022, the Group employed a total of 2,183 full time employees in Hong Kong, 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 note 15 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 2022, the Group's five largest customers represented 93.8% of total turnover (2021: 96.8%) and the Group's five largest suppliers represented 45.1% of total cost of sales and services rendered (2021: 14.7%).

Events After The Reporting Period

Particulars of the Group's events after the reporting period are set out in note 16 of the Notes to Consolidated Financial Statements in this announcement.

PURCHASE, SALE OR REDEMPTION OF SHARES

The Company has not redeemed any of its shares nor any of its subsidiaries has purchased or sold any of the Company's shares during the year ended 31 December 2022.

SUFFICIENCY OF PUBLIC FLOAT

The Company has maintained a sufficient public float throughout the year ended 31 December 2022.

AUDIT COMMITTEE

The Audit Committee has reviewed the draft audited consolidated financial statements for the year ended 31 December 2022. 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 2022, the aggregate amounts of the Company's reserves available for distribution to equity shareholders of the Company was approximately HK$8,488,029,000 (31 December 2021: approximately HK$9,539,626,000).

ANNUAL GENERAL MEETING

The annual general meeting of the Company is scheduled to be held on Thursday, 1 June 2023 (the "AGM"). A notice convening the AGM will be published and dispatched to the shareholders of the Company in the manner required by the Listing Rules in due course.

CLOSURE OF REGISTER OF MEMBERS

The AGM will be held on Thursday, 1 June 2023. For determining the entitlement to attend and vote at the AGM, the register of members of the Company will be closed from Monday, 29 May 2023 to Thursday, 1 June 2023, 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 17/F Far East Finance Centre, 16 Harcourt Road, Hong Kong before 4:30 p.m. on Thursday, 25 May 2023.

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 2022.

CODE OF CORPORATE GOVERNANCE PRACTICES

For the year ended 31 December 2022, 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.2.1 — the company have the post of chief executive officer but it was still vacant;

- 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.2.1 of the Code provides that the roles of chairman and chief executive should be separate and should not be performed by the same individual. 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 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 2022 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 2022 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 2023

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.

GLOSSARY AND DEFINITION

In this announcement, unless the context otherwise requires, the following words and expressions have the following meanings.

General Terms:

"AGM"	annual general meeting of the Company
"Board"	board of directors of the Company
"China" or "PRC"	the People's Republic of China
"Company"	United Energy Group Limited
"Director(s)"	director(s) of the Company
"Egypt Assets"	assets in Egypt area engaged in Upstream business
"Group"	the Company and its subsidiaries
"HK$"	Hong Kong dollars, the lawful currency of Hong Kong
"Hong Kong"	the Hong Kong Special Administrative Region of China
"IMF"	International Monetary Fund
"Iraq Assets"	assets in Iraq area engaged in Upstream business
"KEC"	Kuwait Energy PLC
"Listing Rules"	the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited
"MENA"	Middle East and North Africa
"MENA Assets"	assets in MENA engaged in Upstream business, including Iraqi Assets and Egypt Assets
"OPEC"	Organisation of the Petroleum Exporting Countries
"Pakistan Assets"	assets in Pakistan area engaged in Upstream business
"PSU Scheme"	the performance share unit scheme adopted by the Company on 1 April 2019
"SFO"	Securities and Future Ordinance (Chapter 571 of the Laws of Hong Kong)
"US$" or "US dollars"	the lawful currency of the United States of America

Technical Terms:

"1P"	proved reserve
"2P"	proved plus probable reserve
"bbl"	barrel
"bcfd"	billion cubic feet per day
"boe"	barrels of oil equivalent
"boed"	barrels of oil equivalent per day
"CPF"	Central processing facilities
"EDPSC"	Exploration Development and Production Service Contract
"FDP"	field development plan
"GDPSC"	Gas Development and Production Service Contract
"LNG"	liquefied natural gas
"LPG"	liquefied petroleum gas
"mmbbld"	million barrels per day
"mmboe"	million barrels of oil equivalent
"Operator"	the entity designated by the working interest owners to carry out the joint operations pursuant to the relevant agreement among them
"PSC"	profit sharing contract
"Upstream business"	oil and gas exploration, development, production and sales