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 2020

FINANCIAL HIGHLIGHTS
For the year ended 31 December 2020

	2020	2019	**Change**
	HK$'000	HK$'000	
Results			
Turnover	**6,204,227**	7,103,644	-12.7%
Gross profit	**2,032,749**	3,477,805	-41.6%
EBITDA (Note 1)	**4,453,219**	5,477,288	-18.7%
Profit for the year	**864,175**	1,905,947	-54.7%
Profit for the year attributable to owners of the Company	**864,176**	1,905,957	-54.7%
Basic earnings per share (HK cents)	**3.30**	7.26	-54.5%
Key items in Consolidated Statement of Financial Position			
Equity attributable to owners of the Company	**12,907,169**	12,036,507	+7.2%
Total assets	**24,941,385**	25,743,105	-3.1%
Net assets	**12,915,792**	12,054,089	+7.1%

OPERATION HIGHLIGHTS
For the year ended 31 December 2020

	2020	2019	**Change**
Pakistan Assets			
Operation			
Average Daily Working Interest Production (boed)	**55,929**	66,560	-16.0%
Reserve (Note 2)			
Net Entitlement 1P Reserve at the year end (mmboe)	**69.4**	83.6	-17.0%
Working Interest 2P Reserve at the year end (mmboe)	**115.7**	130.9	-11.6%
MENA Assets (Note 3)			
Operation			
Average Daily Working Interest Production (boed)	**36,857**	27,782	+32.7%
Reserve (Note 2)			
Net Entitlement 1P Reserve at the year end (mmboe)	**151.9**	169.7	-10.5%
- Egypt Assets	**5.2**	5.5	-5.5%
- Iraq Assets	**146.7**	164.2	-10.7%
Working Interest 2P Reserve at the year end (mmboe)	**958.2**	800.4	+19.7%
- Egypt Assets	**23.3**	26.2	-11.1%
- Iraq Assets	**934.9**	774.2	+20.8%

Note:

1. EBITDA represents the profit before finance costs, income tax expense, depreciation and amortisation, property, plant and equipment written off, gain on disposal of subsidiaries, share of profits/losses of associates, gain/loss on disposals of property, plant and equipment, gain on bargain purchase and impairment losses for trade and 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.
3. Comparative information for MENA Assets only covered the period from 21 March 2019 to 31 December 2019.

** 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 2020 as follows:–

CONSOLIDATED STATEMENT OF PROFIT OR LOSS
For the year ended 31 December 2020

	Note	2020 HK$'000	2019 HK$'000
Turnover	4	**6,204,227**	7,103,644
Cost of sales and services rendered		**(4,171,478)**	(3,625,839)
Gross profit		**2,032,749**	3,477,805
Investment and other income	5	**74,730**	145,968
Other gains and losses	6	**79,403**	328,088
Impairment losses for trade and other receivables		**(3,160)**	(67,810)
Exploration expenses		**(339,601)**	(350,286)
Administrative expenses		**(439,643)**	(505,215)
Other operating expenses		**(95,856)**	(295,383)
Profit from operations		**1,308,622**	2,733,167
Finance costs	8	**(312,592)**	(440,960)
Share of profits/(losses) of associates		**30,733**	(34,136)
Profit before tax		**1,026,763**	2,258,071
Income tax expense	10	**(162,588)**	(352,124)
Profit for the year	9	**864,175**	1,905,947
Attributable to:			
Owners of the Company		**864,176**	1,905,957
Non-controlling interests		**(1)**	(10)
		864,175	1,905,947
Earnings per share	11		
Basic (cents per share)		**3.30**	7.26
Diluted (cents per share)		**3.29**	7.26

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME
For the year ended 31 December 2020

	2020	2019
	HK$'000	HK$'000
Profit for the year	**864,175**	1,905,947
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 expenses of approximately HK$1,770,000 (2019: HK$2,274,000)	**4,508**	18,980
Items that may be reclassified to profit or loss:		
Exchange differences on translating foreign operations	**(14,038)**	1,011
Other comprehensive income for the year, net of tax	**(9,530)**	19,991
Total comprehensive income for the year	**854,645**	1,925,938
Attributable to:		
Owners of the Company	**854,646**	1,925,948
Non-controlling interests	**(1)**	(10)
	854,645	1,925,938

CONSOLIDATED STATEMENT OF FINANCIAL POSITION
At 31 December 2020

	Note	2020 HK$'000	2019 HK$'000
Non-current assets			
Property, plant and equipment		**10,847,114**	11,677,868
Right-of-use assets		**584,915**	123,824
Intangible assets		**5,701,247**	6,099,093
Investment in associates		**464,417**	420,787
Advances, deposits and prepayments		**62,845**	210,612
Deferred tax assets		**648**	-
		17,661,186	18,532,184
Current assets			
Inventories		**331,440**	324,918
Trade and other receivables	13	**3,761,951**	3,368,908
Financial assets at fair value through profit or loss ("FVTPL")		**1,732**	2,586
Employee retirement benefits assets		**13,521**	8,412
Current tax assets		**78,274**	147,470
Bank and cash balances		**3,093,281**	3,358,627
		7,280,199	7,210,921
Current liabilities			
Trade and other payables	14	**3,652,609**	6,024,212
Due to a director		**22**	2,459
Borrowings		**1,369,532**	352,150
Lease liabilities		**107,027**	32,461
Provisions		-	1,053
Financial guarantee contracts		**22,605**	9,330
Current tax liabilities		**189,506**	208,180
		5,341,301	6,629,845
Net current assets		**1,938,898**	581,076
Total assets less current liabilities		**19,600,084**	19,113,260
Non-current liabilities			
Borrowings		**3,866,279**	4,343,636
Lease liabilities		**331,304**	98,585
Provisions		**495,455**	505,481
Derivative financial liabilities		-	3,410
Employee retirement benefits obligations		**35,838**	34,112
Deferred tax liabilities		**1,955,416**	2,073,947
		6,684,292	7,059,171
NET ASSETS		**12,915,792**	12,054,089
Capital and reserves			
Share capital		**262,839**	262,779
Reserves		**12,644,331**	11,773,728
Equity attributable to owners of the Company		**12,907,170**	12,036,507
Non-controlling interests		**8,622**	17,582
TOTAL EQUITY		**12,915,792**	12,054,089

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2020

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). Significant accounting policies adopted by the Group are disclosed below.

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 Amendments to Reference to the Conceptual Framework in HKFRS Standards and 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 2020 for the preparation of the consolidated financial statements:

Amendments to HKAS 1 and HKAS 8	Definition of Material
Amendments to HKFRS 3	Definition of a Business
Amendments to HKFRS 9, HKAS 39 and HKFRS 7	Interest Rate Benchmark Reform

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

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

Except as described below, the application of the Amendments to References to the Conceptual Framework in HKFRS Standards and the amendments to HKFRSs in the current year had no material impact on the Group's financial positions and performance for the current and prior years and/or on the disclosures set out in these consolidated financial statements.

Amendments to HKAS 1 and HKAS 8 Definition of Material
The amendments provide a new definition of material that states "information is material if omitting, misstating or obscuring it could reasonably be expected to influence decisions that the primary users of general purpose financial statements make on the basis of those financial statements, which provide financial information about a specific reporting entity." The amendments also clarify that materiality depends on the nature or magnitude of information, either individually or in combination with other information, in the context of the financial statements taken as a whole.

The application of the amendments had no impact on the consolidated financial statements.

Amendments to HKFRS 3 Definition of a Business
The amendments clarify the definition of a business and provide further guidance on how to determine whether a transaction represents a business combination. In addition, the amendments introduce an optional "concentration test" that permits a simplified assessment of whether an acquired set of activities and assets is an asset rather than business acquisition, when substantially all of the fair value of the gross assets acquired is concentrated in a single identifiable asset or group of similar identifiable assets.

The Group has applied the amendments prospectively to transactions for which the acquisition date is on or after 1 January 2020. These amendments had no impact on the consolidated financial statements.

Amendments to HKFRS 9, HKAS 39 and HKFRS 7, Interest Rate Benchmark Reform
The amendments modify specific hedge accounting requirements to allow hedge accounting to continue for affected hedges during the period of uncertainty before the hedged items or hedging instruments affected by the current interest rate benchmarks are amended as a result of the on-going interest rate benchmark reform.

The application of the amendments had no impact on the consolidated financial statements.

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

(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 2020. 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 16 COVID-19 Related Rent Concessions	1 January 2021
Amendments to HKFRS 9, HKAS 39, HKFRS 7, HKFRS 4 and HKFRS 16 Interest Rate Benchmark Reform - Phase 2	1 January 2021
Amendments to HKFRS 3 Reference to the Conceptual Framework	1 January 2022
Amendments to HKAS 16 Property, plant and equipment: proceeds before intended use	1 January 2022
Amendments to HKAS 37 Onerous contracts - cost of fulfilling a contract	1 January 2022
Annual Improvements to HKFRSs 2018 - 2020 Cycle	1 January 2022
Amendments to HKAS 1 Classification of liabilities as current or non-current	1 January 2023

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:

	2020	2019
	HK$'000	HK$'000
Sales and production of crude oil, condensate, gas, liquefied petroleum gas and petrochemical	**6,204,227**	7,103,644

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	
	2020	2019
	HK$'000	HK$'000
Primary geographical markets		
- Pakistan	**3,086,477**	4,048,829
- Singapore	**551,191**	1,200,411
- Egypt	**769,085**	830,542
- Iraq	**1,505,192**	1,023,862
- People's Republic of China ("PRC")	**292,282**	-
Revenue from external customers	**6,204,227**	7,103,644

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$607,823,000 (2019: HK$735,253,000), HK$498,078,000 (2019: HK$717,593,000), HK$1,884,000 (2019: HK$4,317,000), and HK$4,387,000 (2019: HK$59,151,000) respectively.

5. INVESTMENT AND OTHER INCOME

	2020 HK$'000	2019 HK$'000
Dividends income from listed equity investments	**-**	169
Interest income on:		
Bank deposits	**12,830**	26,159
Loan receivables	**701**	259
Collateral deposits	**857**	-
Total interest income	**14,388**	26,418
Investment income from financial assets at FVTPL	**-**	218
Liquefied petroleum gas processing fees charged to concessions, net	**1,464**	4,292
Income from software costs charged to concessions	**5,369**	6,002
Income from technical services charged to concessions	**41,522**	-
Management fees income	**2,191**	1,970
Imputed interest income on deferred sales consideration	**-**	16,763
Recovery of bad debts from joint venture partner	**-**	4,772
Rental income	**4,401**	5,979
Scrap sales of materials	**-**	12,073
Compensation for disputes	**-**	58,500
Others	**5,395**	8,812
	74,730	145,968

6. OTHER GAINS AND LOSSES

	2020 HK$'000	2019 HK$'000
Fair value losses on financial assets at FVTPL	**(854)**	(168)
Fair value gains/(losses) on derivative financial instruments	**3,410**	(2,245)
Gain on bargain purchase	**-**	206,926
(Loss)/gain on disposals of property, plant and equipment	**(6,136)**	6,786
Gain on disposals of subsidiaries	**37,464**	-
Net foreign exchange gains	**37,179**	28,851
Property, plant and equipment written off	**(9,261)**	(16)
Release of provision for decommissioning costs	**114**	1,442
Accruals for capital expenses written back	**17,487**	-
Provision for government rental written back	**-**	86,512
	79,403	328,088

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**	
	2020	2019	**2020**	2019
	HK$'000	HK$'000	**HK$'000**	HK$'000
Hong Kong	-	-	**639,942**	237,638
PRC except Hong Kong	**292,282**	-	**100,433**	103,440
Pakistan	**3,086,477**	4,048,829	**8,919,730**	10,073,315
Singapore	**551,191**	1,200,411	-	-
Egypt	**769,085**	830,542	**1,485,997**	1,743,963
Iraq	**1,505,192**	1,023,862	**6,505,443**	6,310,316
Others	-	-	**385**	51,393
Consolidated total	**6,204,227**	7,103,644	**17,651,930**	18,520,065

Turnover from major customers:

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

	2020	2019
	HK$'000	HK$'000
Customer A	**2,944,648**	3,656,355
Customer B	**551,191**	1,200,411
Customer C	**769,085**	830,542
Customer D	**1,505,192**	1,023,862

8. FINANCE COSTS

	2020 **HK$'000**	2019 HK$'000
Interest on bank loans	**250,658**	244,481
Interest expense on lease liabilities	**10,585**	3,521
Interest on senior guaranteed unsecured notes	**-**	75,671
Interest on advance from customers	**55,802**	136,868
Provisions - unwinding of discounts	**10,873**	10,586
Total borrowing costs	**327,918**	471,127
Amount capitalised	**(15,326)**	(30,167)
	312,592	440,960

The weighted average capitalisation rate on funds borrowed generally is at a rate of 6% per annum (2019: 9.2% per annum).

9. PROFIT FOR THE YEAR

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

	2020 **HK$'000**	2019 HK$'000
Auditors' remuneration		
- Current	**6,722**	9,219
- Under-provision in prior year	**380**	-
	7,102	9,219
Acquisition related costs (included in administrative expenses)	**-**	1,090
Depreciation and amortisation (note (a))	**2,792,608**	2,556,747
Depreciation on right-of-use assets	**42,381**	11,121
Cost of inventories sold (note (b))	**4,093,258**	3,539,941
Property, plant and equipment written off (included in other gains and losses of approximately HK$9,261,000 (2019: HK$16,000) and exploration expenses of approximately HK$328,515,000 (2019: HK$322,140,000))	**337,776**	322,156
Allowance for trade receivables	**2,618**	66,514
Allowance for other receivables	**542**	1,296
Staff costs excluding directors' emoluments (note (c))		
- Salaries, bonuses and allowances	**407,440**	445,472
- Retirement benefits scheme contributions	**28,249**	36,807
- Share-based payments	**9,220**	9,772
	444,909	492,051

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

Notes:

(a) Amortisation charges on intangible assets of approximately HK$397,846,000 (2019: HK$416,625,000) which are included in the costs of sales and services rendered.

(b) Cost of inventories sold includes staff costs, depreciation and amortisation and short term leases expenses of approximately HK$3,034,716,000 (2019: HK$2,833,040,000) which are included in the amounts disclosed separately above.

(c) For the year ended 31 December 2020, COVID-19 related government grants amounted to approximately HK$810,000 have been offset against staff costs.

10. **INCOME TAX EXPENSE**

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

	2020 **HK$'000**	2019 HK$'000
Current tax - Overseas		
Provision for the year	**277,498**	389,133
Under-provision in prior years	**4,612**	-
	282,110	389,133
Deferred tax	**(119,522)**	(37,009)
	162,588	352,124

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, 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 2020 and 2019.

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

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$864,176,000 (2019: HK$1,905,957,000) and the weighted average number of ordinary shares of 26,225,434,924 (2019: 26,255,436,413) 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$864,176,000 (2019: HK$1,905,957,000) and the weighted average number of ordinary shares of 26,232,987,996 (2019: 26,263,167,784), being the weighted average number of ordinary shares of 26,225,434,924 (2019: 26,255,436,413) in issue during the year used in the basic earnings per share calculation plus the weighted average number of ordinary shares of 7,553,072 (2019: 7,731,371) assumed to have been issued at no consideration on the deemed exercise of the share options outstanding during the year.

12. DIVIDEND

	2020 **HK$'000**	2019 HK$'000
2019 Special dividend of HK4.0 cents per ordinary share paid	-	1,051,115

Subsequent to the end of reporting period, final dividend in respect of the year ended 31 December 2020 of HK2.36 cents per ordinary share has been proposed by the directors and is subject to approval by the shareholders at the forthcoming annual general meeting. The Board did not recommended payment of a final dividend for the year ended 31 December 2019.

13. TRADE AND OTHER RECEIVABLES

	2020	2019
	HK$'000	HK$'000
Trade receivables (note (a))	**2,913,364**	2,481,644
Allowance for trade receivables	**(69,132)**	(66,514)
Allowance for price adjustments (note (b))	**(292,802)**	(204,465)
	2,551,430	2,210,665
Other receivables (note (c))	**1,212,359**	1,159,539
Allowance for other receivables	**(1,838)**	(1,296)
	1,210,521	1,158,243
Total trade and other receivables	**3,761,951**	3,368,908

(a) Trade receivables

The Group's trading terms with customers are mainly on credit. The credit term generally ranges from 30 to 45 days (2019: 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:

	2020	2019
	HK$'000	HK$'000
0 to 30 days	**1,372,226**	1,721,484
31 to 60 days	**373,556**	407,631
61 to 90 days	**481,033**	79,709
Over 90 days	**686,549**	272,820
	2,913,364	2,481,644

(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$292,802,000 (2019: HK$204,465,000) was provided.

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

(c) **Other receivables**

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

	2020	2019
	HK$'000	HK$'000
Due from joint operators	**423,556**	462,319
Advances to staff	**9,712**	15,740
Central excise duty receivables	**21,321**	25,921
Deposits and prepayments (note (i))	**75,320**	92,190
Sales tax receivables	**217,351**	268,238
Other tax receivables	**6,369**	8,560
Withholding tax receivables	**4,482**	7,583
Deferred sales consideration (note (ii))	**238,058**	246,180
Amount due from an associate (note (iii))	**27,169**	26,467
Advance to a supplier	**180,218**	-
Others	**6,965**	5,045
	1,210,521	1,158,243

Notes:

(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, a division of the Ministry of Oil of the Republic of Iraq. Such deposits bearing interest at a rate of 2.4% per annum and repayable on demand. The collateral deposit has been fully refunded to the Group in July 2020.

(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 2020, 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 (2019: 3 months LIBOR plus 1.7% per annum) and repayable on or before 25 September 2021.

14. TRADE AND OTHER PAYABLES

	2020 HK$'000	2019 HK$'000
Trade payables (note (a))	**475,064**	913,060
Other payables (note (b))	**3,177,545**	5,111,152
Total trade and other payables	**3,652,609**	6,024,212

(a) Trade payables

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

	2020 HK$'000	2019 HK$'000
0 to 30 days	**161,876**	285,854
31 to 60 days	**100,840**	130,543
61 to 90 days	**35,735**	80,513
Over 90 days	**176,613**	416,150
	475,064	913,060

(b) Other payables

	2020 HK$'000	2019 HK$'000
Accrual for operating and capital expenses	**1,086,472**	1,288,875
Due to joint operators	**164,922**	153,898
Deposits received	**71**	67
Dividend payable	**-**	1,051,115
Advances from customers (note (i))	**538,200**	1,134,900
Salaries and welfare payables	**103,164**	117,652
Provision for infrastructure funds	**463,982**	329,536
Other tax payables	**773,354**	1,010,101
Others	**47,380**	25,008
	3,177,545	5,111,152

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

(b) **Other payables (cont'd)**

Note:

(i) The Group entered into agreements with customers for secured crude oil prepayment facilities of up to approximately HK$1,755,000,000 (equivalent to approximately US$225,000,000). The facilities bearing interest rates ranging from 4% plus LIBOR per annum to 5% plus LIBOR per annum (2019: 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 2020, the total undrawn crude oil prepayment facilities amounted to approximately HK$390,000,000 (equivalent to approximately US$50,000,000) (2019: HK$390,000,000 (equivalent to approximately US$50,000,000)).

As at 31 December 2020, the advance from customers are guaranteed by the unlimited corporate guarantee provided by the Company.

15. **CONTINGENT LIABILITIES**

(a) For the years ended 31 December 2020 and 2019, 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 2020 and 2019, 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$4,632,000 (2019: HK$3,673,000).

(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 (2019: HK$191,969,000) would be required to be made in the consolidated financial statements for the year ended 31 December 2020.

(d) As at 31 December 2020, 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$623,548,000 (2019: HK$438,054,000).

(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) (2019: HK$10,852,000 (equivalent to US$1,391,000)) in favour of the Directorate General Petroleum Concessions was obtained by UEP Beta GmbH to guarantee its performance and financial obligations as stipulated in the concession agreements.

16. **EVENT AFTER THE REPORTING PERIOD**

The outbreak of the COVID-19 pandemic is impacting global economic markets. The Directors continue to monitor the situation closely and have considered the impact of COVID-19 on the Group's business and financial performance. However, the situation is continually evolving and the consequences are therefore inevitably uncertain.

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 ("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. The Group has established a sound track record of growing its business through acquisition and capital investment.

In 2020, the growth of global economy contracted by 4.4%, which was projected by the International Monetary Fund ("IMF"), mainly due to the pandemic of COVID-19. Reduced economic activities and changes in customer behavior in response to the COVID-19 pandemic caused energy demand and supply to decline in 2020. World oil demand was estimated to have declined by 9.8 million barrels per day ("mmbbl/d") year-on-year to average of 90.0 mmbbl/d in 2020, reported by the Organisation of the Petroleum Exporting Countries ("OPEC") Monthly Oil Market Report of January 2021. The oil price plunged sharply in April and rebounded steadily in the second half of year 2020. Correspondingly, the average Brent Oil Price in the current year, is US$41.96/barrel ("bbl"), which is 34.74% lower than US$64.30/bbl for 2019, according to data from U.S. Energy Information Administration. In order to counter the negative impact from COVID-19 and low oil price, the Group took tremendous measures to cut capital expenditure and optimise operational expenses. Despite of the cost saving measures taken by the Group, the low international oil price was the main factor to the decrease of net profit for the year, the Group reported a profit attributable to the owners of the Company for the reporting period of approximately HK$864,176,000, representing a decrease of 54.7% compared to last year of approximately HK$1,905,957,000.

Cost of sales and services rendered by the Group for the reporting period was approximately HK$4,171,478,000, and the Group invested approximately HK$1,800,147,000 of capital expenditure in oil exploration, development and production activities. The Group drilled 22 wells during the reporting period, including 13 wells in Pakistan Assets and 9 wells in 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 increase

The Group continues to concentrate our exploration efforts in our major operation areas through a well-designed way. Exploration strategy and execution provided reserve added with higher successful rate and better capex efficiency. Meanwhile, we maintained production in mature oil and gas field by necessary workovers and enhancement measures. Additionally, we drilled new development wells, contributing incremental production with higher successful rate.

Enlarge and diversify assets portfolios

After the acquisition of KEC, our core business was in Pakistan, Iraq and Egypt. Our high-quality assets are being managed by a professional management team. Our vision is to replicate our success story in Pakistan to the MENA region, as well as make an effort to integrate development of the enlarged and diversified assets portfolios. Last but not least, we dedicate ourselves to seek potential opportunities to further diversify our risks.

Promote high-quality development

We achieved the targets to diversify our assets portfolio in year 2019. 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 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 our competitiveness. Cash flow and indebtedness are carefully managed in order to maintain a healthy financial position and mitigate liquidity risk.

Exploration

In 2020, 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, 8 commercial discoveries were achieved of which 5 were in Pakistan and 3 in Egypt.

Our technical capabilities were enhanced, and efficiency of exploration improved. The Group continued to maintain a reasonable proportion investment and support exploration activities, in order to ensure sustainable growth. Exploration area in Pakistan is 16,972 Km^2 (including 4,541 Km^2 non-operated), 879 Km^2 in Egypt. Exploration breakthroughs were achieved in Mirpur Khas ("MK") block, as well as decent production discovered on downthrow structures in mature blocks in Pakistan. High testing production observed from the block of Abu Senna in Egypt. Exploration campaign in Pakistan and Egypt continued to improve our production.

Engineering Construction

In 2020, the Group carefully organised operational resources and smoothen the progress in engineering construction. With detailed planning and efficient management, the Group has successfully completed its production support facility projects, paving the way to production and reserve targets.

In Iraq Block 9, the 45km trunk line and 6-inch flowline laying was completed, by the end of year, and the surface facilities capacity achieved 40,000 barrels of oil equivalent ("boe") per day ("boed"). At the same time, the FEED ("Front-End Engineering Design") of CPF ("Central Processing Facilities") with oil processing capacity of 100,000 boed and GPP ("Gas Processing Plant") with gas processing capacity of 130 million standard cubic feet ("mmscf") per day ("mmscfd") has been completed, laying a solid foundation for ramp-up the production capacity of Block 9.

Development and Production

For the year ended 31 December 2020, the Group's average daily gross production was approximately 151,330 boed (Pakistan Assets - 79,549 boed plus MENA Assets - 71,781 boed), a 3.4% increase compared to approximately 146,337 boed of last year, and gross accumulated production was approximately 55.39 million barrels of oil equivalent ("mmboe"), a 11.7% increase compared to approximately 49.58 mmboe of last year, at the same time, the Group's average working interest production was 92,786 boed (Pakistan Assets - 55,929 boed plus MENA Assets - 36,857 boed), a 1.6% decrease compared to approximately 94,342 boed of last year, and working interest accumulated production was approximately 33.96 mmboe, a 5.3% increase compared to approximately 32.24 mmboe of last year. The accumulated gross production and working interest production increase respectively were mainly due to the full year effect of MENA Assets which acquired on 21 March 2019. In 2020, the Group aggressively managed its relationship with Sui Southern Gas Company Limited ("SSGCL"), Sui Northern Gas Pipelines Limited ("SNGPL") and Basra Oil Company ("BOC") to lift the production curtailment, which was caused by COVID-19 and OPEC production cut. Generally speaking, the negative impact was systematically managed to minimum level and our production was stable and resilient.

Pakistan

As of 31 December 2020, the Group holds interests in 5 areas dividing into 16 development concessions for oil and gas production in Pakistan.

In 2020, the Pakistan Assets achieved an average daily working interest production of approximately 55,929 boed, decreased by 16.0% compared to last year. The Pakistan Assets have an oil and liquids ratio of 12.7% which was lower than the number of last year. The accumulated gross production and working interest production of the full year was approximately 29.1 mmboe and 20.5 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 2020, the average daily gross production was approximately 26,849 boed, and the average daily working interest production was approximately 16,110 boed. The accumulated gross production and working interest production for the year were approximately 9.8 mmboe and 5.9 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 2020 was approximately 21,859 boed, and the average daily working interest production was approximately 6,558 boed. The accumulated gross and working interest production were approximately 8.0 mmboe and 2.4 mmboe respectively. Siba has an oil and liquids ratio of 67.6%.

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 and East Ras Qattara are 70%, 25% and 49.5% respectively. In 2020, the average daily gross production was approximately 23,073 boed, and the average daily working interest production was approximately 14,190 boed. The accumulated gross production and working interest production for the year were approximately 8.4 mmboe and 5.2 mmboe respectively. The Egypt Assets has an oil and liquids ratio of 97.5%.

SALES AND MARKETING

Sales of Crude Oil

The Group sells crude oil, condensates produced in Pakistan and Iraq 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 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 2020, the Group's total working interest crude and condensates selling volumes are 15.1 million barrels, representing a year-on-year increase of 35.7% and its average realised oil price (before government royalty, windfall levy and government take at working interest production) was approximately US$38.56/bbl, representing a year-on-year decrease of 37.7%, mainly due to the decrease 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 SSGCL and SNGPL.

In 2020, the Group's total working interest natural gas selling volumes are 18.8 mmboe, representing a year-on-year decrease of 10.0% and its average realised gas price (before government royalty, windfall levy and government take at working interest production) was approximately US$24.99/boe, representing a year-on-year decrease of 8.2%, mainly due to the decrease of Brent oil price.

FINANCIAL RESULTS

Financial Review

For the year ended 31 December 2020 (the "reporting period"), the Group reported a profit attributable to the owners of the Company of approximately HK$864,176,000, representing a decrease of 54.7% from the year ended 31 December 2019 ("last year") of approximately HK$1,905,957,000. The decrease in net profit was mainly due to the COVID-19 pandemic and the plunge of international oil price during 2020.

During the reporting period, the Group's average daily working interest production was approximately 92,786 boed (Pakistan Assets of 55,929 boed plus MENA Assets of 36,857 boed) compared to approximately 94,342 boed (Pakistan Assets of 66,560 boed plus MENA Assets of 27,782 boed) of last year, maintained at the same level despite of demand curtailment due to outbreak of COVID-19, and production cut initiated by OPEC+ during the reporting period. The Group aggressively managed demand with the customers to achieve the above production results. The average realised oil and gas price (before government royalty, windfall levy and government take at working interest production) was approximately US$31.04/boe, compared to approximately US$39.25/boe of last year, representing a decrease of 20.9%.

Turnover

The Group's turnover for the reporting period was approximately HK$6,204,227,000, representing a decrease of 12.7% as compared with the turnover of approximately HK$7,103,644,000 of last year. The decrease in turnover was mainly contributed by the effect of decrease in realised sales prices during the reporting period, which partially offset by the full year contribution for the reporting period from KEC which was acquired in March 2019.

Exploration and Production Category		**Year 2020**	Year 2019	Change
Oil and gas sales*	*USD'000*	**1,052,725**	1,263,821	-16.7%
Crude oil and liquids	*USD'000*	**581,200**	688,112	-15.5%
Natural gas	*USD'000*	**469,462**	569,330	-17.5%
LPG	*USD'000*	**2,063**	6,379	-67.7%
Sales Volume	*mmboe*	**33.9**	32.2	+1.7
Crude oil and liquids	*mmboe*	**15.1**	11.1	+4.0
Natural gas	*mmboe*	**18.8**	20.9	-2.1
LPG	*mmboe*	**0.0**	0.2	-0.2
Realised prices*	*US$/boe*	**31.04**	39.25	-20.9%
Crude oil and liquids	*US$/bbl*	**38.56**	61.94	-37.7%
Natural gas	*US$/boe*	**24.99**	27.22	-8.2%
LPG	*US$/boe*	**32.42**	35.79	-9.4%

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

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 amortisation and distribution expenses) increased 4.3% to approximately HK$1,152,442,000 in 2020, compared with approximately HK$1,104,491,000 in 2019. The operating expenses per boe (at working interest production) was approximately US$4.35 in 2020, compared with approximately US$4.39 in 2019, decreased by 0.9%. For Pakistan Assets, operating expenses per boe was approximately US$3.1, decreased by 11.4% (last year: approximately US$3.5 per boe); while for MENA Assets, operating expense per boe was approximately US$6.3, decreased by 12.5% (last year: approximately US$7.2 per boe). In April 2020, we kicked-off effective cost saving campaign, i.e. negotiation with vendors to lower down service prices, freezing headcounts to control HR costs, optimising field activities to keep at a relatively low level and etc.

Depreciation, depletion and amortisation

Included in the cost of sales and services rendered, the depreciation, depletion and amortisation was approximately HK$2,714,813,000, representing an increase of 8.9% as compared with the amount of approximately HK$2,493,491,000 in last year.

Gross profit

The Group's gross profit for the reporting period was approximately HK$2,032,749,000 (gross profit ratio 32.8%) which represented a sharp decrease of 41.6% as compared with gross profit of approximately HK$3,477,805,000 (gross profit ratio 49.0%) for the last year. The decrease in gross profit was attributed to the effect of COVID-19 pandemic and the plunge of international oil price which result in decrease in overall realised sales prices during the reporting period, which partially offset by tremendous cost saving measures taken by the Group.

Exploration expenses

The Group's exploration expenses for the reporting period was approximately HK$339,601,000 (last year: approximately HK$350,286,000) which included the expenses for performance of geological and geophysical studies, surface use rights & wells and the written off loss of approximately HK$328,515,000 (last year: approximately HK$322,140,000) arising from dry exploration wells in the Pakistan Assets.

Administrative expenses

The Group's administrative expenses for the reporting period was approximately HK$439,643,000 (last year: approximately HK$505,215,000) representing 7.1% (last year: 7.1%) of the turnover. The decrease in administrative expenses was attributed to the effect of strict cost control during the reporting period.

Finance costs

The Group's finance costs for the reporting period was approximately HK$312,592,000, which represented a decrease of 29.1% as compared with the finance costs of approximately HK$440,960,000 for the last year. The decrease in finance costs was mainly due to the lower average interest rate and average loan outstanding balance during the reporting period. The weighted average interest rate of borrowings for the reporting period was 5.36% (last year: 8.64%).

Income tax expense

The Group's income tax expense for the reporting period was approximately HK$162,588,000. This included the current income tax of approximately HK$282,110,000 and partially offset by deferred tax income of approximately HK$119,522,000, compared with current income tax of approximately HK$389,133,000 and deferred tax income of approximately HK$37,009,000 for the last year respectively. The Group's effective tax rate for the reporting period was approximately 15.8%, representing an increase 0.2 percentage points as compared with 15.6% for the last year.

EBITDA

EBITDA represents the profit before finance costs, income tax expense, depreciation and amortisation, property, plant and equipment written off, gain on disposal of subsidiaries, share of profits/losses of associates, gain/loss on disposals of property, plant and equipment, gain on bargain purchase and impairment losses for trade and 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$4,453,219,000, decreased by 18.7% from the last year of approximately HK$5,477,288,000. The decrease in EBITDA was mainly attributable to the decrease in average realised sales price 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$1,910,389,000, representing a decrease of 52.4% as compared with last year of approximately HK$4,011,814,000. This was primarily attributed to the decrease in oil and gas sales cash inflows due to decreased realised sales prices for the current period.

Cash used in investing activities
In 2020, the Group's net cash used in investing activities decreased by 68.8% to approximately HK$2,180,868,000 from last year, mainly due to net consideration payment of approximately HK$4,080,085,000 was made for the KEC acquisition in last year, as well as the development expenditure of approximately HK$1,885,773,000 for the reporting period with an overall decrease of 29.0% as compared to last year.

Cash used in financing activities
In 2020, the net cash used in financing activities was approximately HK$94,326,000, mainly due to the payment of special dividend of approximately HK$1,051,115,000, drawdown of bank loans of approximately HK$1,357,949,000 and repayment of bank loans of approximately HK$836,550,000.

Dividend
A final dividend of HK2.36 cents per share (last year: Nil) in relation to profit attributable to the year ended 31 December 2020 is proposed after the end of reporting period and amounts to approximately HK$620,299,000.

Business and market outlook

The global economy in 2021 is projected to rebound 5.5%, according to IMF forecast in January 2021. The global oil demand is forecast to increase by 5.9 mmbbl/d to average of 95.9 mmbbl/d, which is stated in OPEC Monthly Market Report of January 2021. The economy and commodity market recovery will likely to be subject to COVID-19 vaccine rollout program. The oil and gas industry is expected to step out of the headwinds in 2020 steadily and gradually.

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, Pakistan 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 an offtake contract from state-own company. We aim for stable production and seize any potential opportunity to increase our foot print in Egypt.

For our 2021 plan, the Group targets average daily gross production level of 150,000 to 165,000 boed, and average daily working interest production level of 88,000 to 96,000 boed. Capital expenditure is anticipated to reach US$390 million to US$420 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 and optimisation the schedule of development facilities construction. At the same time, we will balance the workload of each asset to reach economically efficient outputs.

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 stabilises around this level afterwards. On the supply side, the 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 46,000 to 50,000 boed in 2021.

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 2020, the MENA Assets were reported with 2P working interest reserve of 958 mmboe with almost 97.6% 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 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 2021.

In 2021, Iraq Assets are expected to achieve an average daily working interest production of 30,000 to 33,000 boed, whereas Egypt Assets will achieve an average daily working interest production of 12,000 to 13,000 boed.

Conclusion

Through the ups and downs of economic and oil price cycles, the Group is remarkably resilient and outstanding during the unprecedent pandemic of 2020. We have spared no efforts in maintaining production, optimising operation and creating value for our shareholders. Facing challenges and opportunities, we will keep on working and deliver a more desirable result in 2021.

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$3,093,281,000 as at 31 December 2020 (31 December 2019: approximately HK$3,358,627,000).

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 2020	
	US$	Equivalent to HK$
Revolving loan	385,000,000	3,003,000,000
Term loan	226,376,000	1,765,733,000
Reserves-based borrowing	68,400,000	533,520,000
Prepayment facilities	69,000,000	538,200,000
Finance leases	45,696,000	356,429,000
	794,472,000	**6,196,882,000**

As at 31 December 2020, the gearing ratio was approximately 24.9% (31 December 2019: 23.2%), based on borrowings, advance from customers, and lease liabilities under current liabilities and non-current liabilities of approximately HK$2,014,759,000 (31 December 2019: approximately HK$1,519,511,000) and approximately HK$4,197,583,000 (31 December 2019: approximately HK$4,442,221,000) respectively and total assets of approximately HK$24,941,385,000 (31 December 2019: approximately HK$25,743,105,000). As at 31 December 2020, the current ratio was approximately 1.36 times (31 December 2019: approximately 1.09 times), based on current assets of approximately HK$7,280,199,000 (31 December 2019: approximately HK$7,210,921,000) and current liabilities of approximately HK$5,341,301,000 (31 December 2019: approximately HK$6,629,845,000).

As at 31 December 2020, the Group's total borrowings amounted to approximately HK$5,235,811,000 (31 December 2019: approximately HK$4,695,786,000), all of them are denominated in United States dollars. The weighted average interest rate of the borrowings as at 31 December 2020 was 4.70% (31 December 2019: 6.42%).

As at 31 December 2020, the Group's property, plant and equipment, right-of-use assets, trade receivable and bank balances, with total carrying value of approximately HK$4,487,404,000 (31 December 2019: approximately HK$6,556,010,000) and share charges in respect of the equity interests of certain subsidiaries were pledged to secure the Group's general banking facilities.

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

On 21 July 2020, the Company resolved to award 5,986,357 new ordinary shares as the scheme shares to 47 Pakistan employees under the Share Match Scheme approved and adopted by the Company for Pakistan employees on 16 September 2011. The allotment of the 5,986,357 scheme shares was completed on 30 July 2020.

After completion of the above allotment of shares during the reporting period, the total number of issued shares of the Company increased from 26,277,864,053 shares as at 1 January 2020 to 26,283,850,410 shares as at 31 December 2020.

Employees
As at 31 December 2020, the Group employed a total of 2,058 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 the 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 2020, the Group's five largest customers represented 96.2% of total turnover (2019: 95.8%) and the Group's five largest suppliers represented 13.0% of total cost of sales and services rendered (2019: 13.2%).

EVENTS AFTER THE REPORTING PERIOD
Particulars of the Group's events after the reporting period are set out in the note 16 of the Notes to the 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 2020.

SUFFICIENCY OF PUBLIC FLOAT
The Company has maintained a sufficient public float throughout the year ended 31 December 2020.

AUDIT COMMITTEE
The Audit Committee has reviewed the audited consolidated financial statements for the year ended 31 December 2020. 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 2020, 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 2019: approximately HK$10,159,925,000).

FINAL DIVIDEND
The Board has recommended to declare and payment of a final dividend for the year ended 31 December 2020 at HK2.36 cents per share to the shareholders whose names appear on the register of members of the Company on Friday, 11 June 2021. Subject to approval of the proposed final dividend by the Company's shareholders at the forthcoming annual general meeting to be held on Wednesday, 2 June 2021 (the "AGM"), the dividend cum-date and ex-date will be Friday, 4 June 2021 and Monday, 7 June 2021 respectively, and the final dividend will be paid to the shareholders of the Company on or about Friday, 25 June 2021. The proposed final dividend has not been reflected in the consolidated financial statements as at 31 December 2020.

CLOSURE OF REGISTER OF MEMBERS
The AGM will be held on Wednesday, 2 June 2021. For determining the entitlement to attend and vote at the AGM, the register of members of the Company will be closed from Friday, 28 May 2021 to Wednesday, 2 June 2021, 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 Thursday, 27 May 2021.

The proposed final dividend is subject to the passing of an ordinary resolution by the Company's shareholders at the AGM. The record date for entitlement to the proposed final dividend is Friday, 11 June 2021. For determining the entitlement to the proposed final dividend, the register of members of the Company will be closed from Wednesday, 9 June 2021 to Friday, 11 June 2021, both days inclusive, during which period no transfer of shares will be effected. In order to qualify for the proposed final dividend, all transfers of shares, accompanied by the relevant share certificates, must be lodged with the Company's share registrars in Hong Kong, Tricor Secretaries Limited, at Level 54, Hopewell Centre, 183 Queen's Road East, Hong Kong, for registration not later than 4:30 p.m. on Tuesday, 8 June 2021.

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 2020.

CODE OF CORPORATE GOVERNANCE PRACTICES

For the year ended 31 December 2020, 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 2020 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 2020 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 2021

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