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 2021

FINANCIAL HIGHLIGHTS
For the year ended 31 December 2021

	2021 HK$'000	2020 HK$'000	Change %
Results			
Turnover	**7,436,936**	6,204,227	+19.9
Gross profit	**3,357,435**	2,032,749	+65.2
EBITDA (Note 1)	**5,843,458**	4,453,219	+31.2
Profit for the year	**2,000,577**	864,175	+131.5
Profit for the year attributable to owners of the Company	**2,000,597**	864,176	+131.5
Basic earnings per share (HK cents)	**7.63**	3.30	+131.2
Key items in Consolidated Statement of Financial Position			
Equity attributable to owners of the Company	**14,234,374**	12,907,170	+10.3
Total assets	**25,032,350**	24,941,385	+0.4
Net assets	**14,240,280**	12,915,792	+10.3

OPERATION HIGHLIGHTS
For the year ended 31 December 2021

	2021	2020	Change %
Pakistan Assets			
Operation			
Average Daily Working Interest Production (boed)	**48,287**	55,929	-13.7
***Reserve* (Note 2)**			
Net Entitlement 1P Reserve at the year end (mmboe)	**58.9**	69.4	-15.1
Working Interest 2P Reserve at the year end (mmboe)	**107.1**	115.7	-7.4
MENA Assets			
Operation			
Average Daily Working Interest Production (boed)	**44,810**	36,857	+21.6
***Reserve* (Note 2)**			
Net Entitlement 1P Reserve at the year end (mmboe)	**132.7**	151.9	-12.6
- Egypt Assets	**4.7**	5.2	-9.6
- Iraq Assets (Note 3)	**128.0**	146.7	-12.7
Working Interest 2P Reserve at the year end (mmboe)	**765.8**	958.2	-20.1
- Egypt Assets	**21.1**	23.3	-9.4
- Iraq Assets (Note 3)	**744.7**	934.9	-20.3

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 of associates, share of loss in a joint venture, loss on disposals of property, plant and equipment, reversals of impairment losses on/impairment losses for trade receivables and impairment losses for 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. Reserve of Iraq Assets was reviewed in a prudent way and revised downside for Mishrif formation reserve, part of which was classified as resource, due to rescheduled Declaration of Commerciality ("DoC") and Field Development Plan ("FDP") which will be approved by Iraqi government in coming years. Reserve of Iraq Mishrif formation will be reviewed and reclassified according to finalized DoC and FDP.

** 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 2021 as follows:–

CONSOLIDATED STATEMENT OF PROFIT OR LOSS
For the year ended 31 December 2021

	Note	**2021**	2020
		HK$'000	HK$'000
Turnover	4	**7,436,936**	6,204,227
Cost of sales and services rendered		**(4,079,501)**	(4,171,478)
Gross profit		**3,357,435**	2,032,749
Investment and other income	5	**111,818**	74,730
Other gains and losses	6	**26,077**	79,403
Reversals of impairment losses on/(impairment losses for) trade receivables		**57,399**	(2,618)
Impairment losses for other receivables		**(801)**	(542)
Exploration expenses		**(164,256)**	(339,601)
Administrative expenses		**(574,142)**	(439,643)
Other operating expenses		**(54,839)**	(95,856)
Profit from operations		**2,758,691**	1,308,622
Finance costs	8	**(266,913)**	(312,592)
Share of profits of associates		**21,552**	30,733
Share of loss in a joint venture		**(80,514)**	-
Profit before tax		**2,432,816**	1,026,763
Income tax expense	10	**(432,239)**	(162,588)
Profit for the year	9	**2,000,577**	864,175
Attributable to:			
Owners of the Company		**2,000,597**	864,176
Non-controlling interests		**(20)**	(1)
		2,000,577	864,175
Earnings per share	11		
Basic (cents per share)		**7.63**	3.30
Diluted (cents per share)		**7.63**	3.29

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME
For the year ended 31 December 2021

	2021 HK$'000	2020 HK$'000
Profit for the year	**2,000,577**	864,175
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$171,000 (2020: HK$1,770,000)	**1,961**	4,508
Item that may be reclassified to profit or loss:		
Exchange differences on translating foreign operations	**(16,536)**	(14,038)
Other comprehensive income for the year, net of tax	**(14,575)**	(9,530)
Total comprehensive income for the year	**1,986,002**	854,645
Attributable to:		
Owners of the Company	**1,986,022**	854,646
Non-controlling interests	**(20)**	(1)
	1,986,002	854,645

CONSOLIDATED STATEMENT OF FINANCIAL POSITION
At 31 December 2021

	Note	**2021** **HK$'000**	2020 HK$'000
Non-current assets			
Property, plant and equipment		**10,835,151**	10,847,114
Right-of-use assets		**529,901**	584,915
Intangible assets		**5,339,724**	5,701,247
Investment in associates		**474,896**	464,417
Investment in a joint venture		**120,377**	-
Advances, deposits and prepayments		**62,948**	62,845
Deferred tax assets		**765**	648
		17,363,762	17,661,186
Current assets			
Inventories		**287,216**	331,440
Trade and other receivables	13	**4,145,308**	3,761,951
Financial assets at fair value through profit or loss ("FVTPL")		**1,991**	1,732
Employee retirement benefits assets		**12,005**	13,521
Current tax assets		**51,506**	78,274
Bank and cash balances		**3,170,562**	3,093,281
		7,668,588	7,280,199
Current liabilities			
Trade and other payables	14	**2,817,659**	3,652,609
Due to a director		**1,431**	22
Borrowings		**1,760,607**	1,369,532
Lease liabilities		**107,867**	107,027
Provisions		**2,113**	-
Financial guarantee contracts		**21,496**	22,605
Current tax liabilities		**382,179**	189,506
		5,093,352	5,341,301
Net current assets		**2,575,236**	1,938,898
Total assets less current liabilities		**19,938,998**	19,600,084
Non-current liabilities			
Borrowings		**2,833,466**	3,866,279
Lease liabilities		**233,143**	331,304
Provisions		**606,588**	495,455
Employee retirement benefits obligations		**46,372**	35,838
Deferred tax liabilities		**1,979,149**	1,955,416
		5,698,718	6,684,292
NET ASSETS		**14,240,280**	12,915,792
Capital and reserves			
Share capital		**262,899**	262,839
Reserves		**13,971,475**	12,644,331
Equity attributable to owners of the Company		**14,234,374**	12,907,170
Non-controlling interests		**5,906**	8,622
TOTAL EQUITY		**14,240,280**	12,915,792

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
For the year ended 31 December 2021

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 2021 for the preparation of the consolidated financial statements:

Amendments to HKFRS 9, HKAS 39, HKFRS 7, HKFRS 4 and HKFRS 16	Interest Rate Benchmark Reform – Phase 2
Amendment to HKFRS 16	COVID-19 Related Rent Concessions

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 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 HKFRS 9, HKAS 39, HKFRS 7, HKFRS 4 and HKFRS 16, Interest Rate Benchmark Reform – Phase 2

The amendments provide targeted reliefs from (i) accounting for changes in the basis for determining contractual cash flows of financial assets, financial liabilities and lease liabilities as modifications, and (ii) discontinuing hedge accounting when an interest rate benchmark is replaced by an alternative benchmark rate as a result of the reform of interbank offered rates ("IBOR reform").

The amendments do not have an 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.

Amendment to HKFRS 16, COVID-19 Related Rent Concessions

The amendment provides a practical expedient that allows a lessee to by-pass the need to evaluate whether certain qualifying rent concessions occurring as a direct consequence of the COVID-19 pandemic ("COVID-19 Related Rent Concessions") are lease modifications and, instead, account for those rent concessions as if they were not lease modifications.

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

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

The Group has not early applied new and revised HKFRSs that have been issued but are not yet effective for the financial year beginning 1 January 2021. These new and revised HKFRSs include the following which may be relevant to the Group.

	Effective for accounting periods beginning on or after
Amendment to HKFRS 16 Lease - COVID-19 Related Rent Concessions beyond 30 June 2021	1 April 2021
Amendments to HKFRS 3 Business Combination - 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

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 HKAS 1 Classification of Liabilities as Current or Non-current	1 January 2023
Amendments to HKAS 1 Presentation of Financial Statements and HKFRS Practice Statement 2 Making Materiality Judgements - Disclosure of Accounting Policies	1 January 2023
Amendments to HKAS 8 Accounting Policies, Changes in Accounting Estimates and Errors - Definition of Accounting Estimates	1 January 2023
Amendments to HKAS 12 Income Taxes - Deferred Tax Related to Assets and Liabilities Arising from a Single Transaction	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:

	2021	2020
	HK$'000	HK$'000
Sales and production of crude oil, condensate, gas, liquefied petroleum gas and petrochemical	**7,436,936**	6,204,227

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	
	2021	2020
	HK$'000	HK$'000
Primary geographical markets		
- Pakistan	**2,583,269**	3,086,477
- Singapore	**868,588**	551,191
- Egypt	**1,111,890**	769,085
- Iraq	**2,776,502**	1,505,192
- People's Republic of China ("PRC")	**96,687**	292,282
Revenue from external customers	**7,436,936**	6,204,227

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$488,770,000 (2020: HK$607,823,000), HK$475,234,000 (2020: HK$498,078,000), HK$6,321,000 (2020: HK$1,884,000), and HK$72,536,000 (2020: HK$4,387,000) respectively.

5. INVESTMENT AND OTHER INCOME

	2021	2020
	HK$'000	HK$'000
Dividends income from listed equity investments	**72**	-
Interest income on:		
Bank deposits	**8,581**	12,830
Loan receivables	**605**	701
Collateral deposits	**-**	857
Total interest income	**9,186**	14,388
Liquefied petroleum gas processing fees charged to concessions, net	**3,026**	1,464
Income from software costs charged to concessions	**5,960**	5,369
Income from technical services charged to concessions	**69,056**	41,522
Management fees income	**3,195**	2,191
Recovery of bad debts from joint venture partner	**5,277**	-
Rental income	**4,671**	4,401
Scrap sales of materials	**7,146**	-
Others	**4,229**	5,395
	111,818	74,730

6. OTHER GAINS AND LOSSES

	2021	2020
	HK$'000	HK$'000
Fair value gains/(losses) on financial assets at FVTPL	**259**	(854)
Fair value gains on derivative financial instruments	**-**	3,410
Fair value gains on financial guarantee contract	**1,109**	-
Loss on disposals of property, plant and equipment	**(6,337)**	(6,136)
Gain on disposals of subsidiaries	**-**	37,464
Net foreign exchange gains	**36,280**	37,179
Property, plant and equipment written off	**(5,234)**	(9,261)
Release of provision for decommissioning costs	**-**	114
Accruals for capital expenses written back	**-**	17,487
	26,077	79,403

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**	
	2021	2020	**2021**	2020
	HK$'000	HK$'000	**HK$'000**	HK$'000
Hong Kong	-	-	**731,620**	639,942
PRC except Hong Kong	**96,687**	292,282	**113,988**	100,433
Pakistan	**2,583,269**	3,086,477	**8,633,467**	8,919,730
Singapore	**868,588**	551,191	-	-
Egypt	**1,111,890**	769,085	**1,305,526**	1,485,997
Iraq	**2,776,502**	1,505,192	**6,561,744**	6,505,443
Others	-	-	**13,813**	385
Consolidated total	**7,436,936**	6,204,227	**17,360,158**	17,651,930

Turnover from major customers:

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

	2021	2020
	HK$'000	HK$'000
Customer A	**2,319,166**	2,944,648
Customer B	**868,588**	551,191
Customer C	**1,111,890**	769,085
Customer D	**2,776,502**	1,505,192

8. FINANCE COSTS

	2021 **HK$'000**	2020 HK$'000
Interest on bank loans	**226,194**	250,658
Interest expense on lease liabilities	**18,670**	10,585
Interest on advance from customers	**13,684**	55,802
Provisions - unwinding of discounts	**11,121**	10,873
Total borrowing costs	**269,669**	327,918
Amount capitalised	**(2,756)**	(15,326)
	266,913	312,592

The weighted average capitalisation rate on funds borrowed generally is at a rate of 6% per annum (2020: 6% per annum).

9. PROFIT FOR THE YEAR

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

	2021 **HK$'000**	2020 HK$'000
Auditors' remuneration		
- Current	**6,391**	6,722
- Under-provision in prior year	**-**	380
	6,391	7,102
Depreciation and amortisation (note (a))	**2,909,693**	2,792,608
Depreciation on right-of-use assets	**62,548**	42,381
Cost of inventories sold (note (b))	**4,015,018**	4,093,258
Property, plant and equipment written off (included in other gains and losses of approximately HK$5,234,000 (2020: HK$9,261,000) and exploration expenses of approximately HK$157,553,000 (2020: HK$328,515,000))	**162,787**	337,776
Allowance for trade receivables	**-**	2,618
Reversal of allowance for trade receivables	**(57,399)**	-
Allowance for other receivables	**801**	542
Staff costs excluding directors' emoluments (note (c))		
- Salaries, bonuses and allowances	**411,886**	407,440
- Retirement benefits scheme contributions	**42,036**	28,249
- Share-based payments	**8,821**	9,220
	462,743	444,909

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

Notes:

(a) Amortisation charges on intangible assets of approximately HK$361,523,000 (2020: HK$397,846,000) 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$3,180,964,000 (2020: HK$3,034,716,000) 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:

	2021	2020
	HK$'000	HK$'000
Current tax - Overseas		
Provision for the year	**411,401**	277,498
Under-provision in prior years	-	4,612
	411,401	282,110
Deferred tax	**20,838**	(119,522)
	432,239	162,588

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 2021 and 2020.

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$2,000,597,000 (2020: HK$864,176,000) and the weighted average number of ordinary shares of 26,216,780,258 (2020: 26,225,434,924) 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$2,000,597,000 (2020: HK$$864,176,000) and the weighted average number of ordinary shares of 26,221,461,587 (2020: 26,232,987,996), being the weighted average number of ordinary shares of 26,216,780,258 (2020: 26,225,434,924) in issue during the year used in the basic earnings per share calculation plus the weighted average number of ordinary shares of 4,681,329 (2020: 7,553,072) assumed to have been issued at no consideration on the deemed exercise of the share options outstanding during the year.

12. **DIVIDEND**

	2021 **HK$'000**	2020 HK$'000
2020 Final dividend of HK2.36 cents per ordinary share paid	**620,299**	-

Subsequent to the end of reporting period, special dividend of HK4.0 cents per ordinary share has been declared and approved by the directors on 1 March 2022. Details of the special dividend were set out in the Company's announcement dated 1 March 2022. The Board did not recommend payment of a final dividend for the year ended 31 December 2021.

13. TRADE AND OTHER RECEIVABLES

	2021	2020
	HK$'000	HK$'000
Trade receivables (note (a))	**3,581,702**	2,913,364
Allowance for trade receivables	**(11,733)**	(69,132)
Allowance for price adjustments (note (b))	**(232,233)**	(292,802)
	3,337,736	2,551,430
Other receivables (note (c))	**810,211**	1,212,359
Allowance for other receivables	**(2,639)**	(1,838)
	807,572	1,210,521
Total trade and other receivables	**4,145,308**	3,761,951

(a) Trade receivables

The Group's trading terms with customers are mainly on credit. The credit term generally ranges from 30 to 45 days (2020: 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:

	2021	2020
	HK$'000	HK$'000
0 to 30 days	**1,849,353**	1,372,226
31 to 60 days	**289,171**	373,556
61 to 90 days	**920,228**	481,033
Over 90 days	**522,950**	686,549
	3,581,702	2,913,364

(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$232,233,000 (2020: HK$292,802,000) was provided.

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

(c) **Other receivables**

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

	2021 **HK$'000**	2020 HK$'000
Due from joint operators	**395,465**	423,556
Advances to staff	**9,919**	9,712
Central excise duty receivables	**18,022**	21,321
Deposits and prepayments	**90,480**	75,320
Sales tax receivables	**228,828**	217,351
Other tax receivables	**18,047**	6,369
Withholding tax receivables	**3,566**	4,482
Deferred sales consideration (note (i)	**-**	238,058
Amount due from an associate (note (ii))	**27,662**	27,169
Advance to a supplier	**-**	180,218
Others	**15,583**	6,965
	807,572	1,210,521

Notes:

(i) 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. The deferred sales consideration has been fully settled by the farmee during the year.

(ii) As at 31 December 2021, 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 (2020: 3 months LIBOR plus 1.7% per annum) and repayable on or before 29 September 2022.

14. TRADE AND OTHER PAYABLES

	2021	2020
	HK$'000	HK$'000
Trade payables (note (a))	**281,335**	475,064
Other payables (note (b))	**2,536,324**	3,177,545
Total trade and other payables	**2,817,659**	3,652,609

(a) Trade payables

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

	2021	2020
	HK$'000	HK$'000
0 to 30 days	**227,342**	161,876
31 to 60 days	**19,231**	100,840
61 to 90 days	**9,000**	35,735
Over 90 days	**25,762**	176,613
	281,335	475,064

(b) Other payables

	2021	2020
	HK$'000	HK$'000
Accrual for operating and capital expenses	**1,140,385**	1,086,472
Due to joint operators	**84,523**	164,922
Deposits received	**73**	71
Advances from customers (note (i))	**-**	538,200
Salaries and welfare payables	**138,156**	103,164
Provision for infrastructure funds	**464,383**	463,982
Other tax payables	**654,409**	773,354
Others	**54,395**	47,380
	2,536,324	3,177,545

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

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

Note:

(i) In 2020, 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. 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). The advances from customers are guaranteed by the unlimited corporate guarantee provided by the Company.

The advances from customers have been fully settled by the Group during the year.

15. **CONTINGENT LIABILITIES**

(a) For the years ended 31 December 2021 and 2020, 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 2021 and 2020, 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 (2020: HK$4,632,000).

(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 (2020: HK$191,969,000) would be required to be made in the consolidated financial statements for the year ended 31 December 2021.

(d) As at 31 December 2021, 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$749,171,000 (2020: HK$623,548,000).

(e) At the end of the reporting period, bank guarantees to the extent of approximately HK$10,850,000 (equivalent to US$1,391,000) (2020: HK$10,850,000 (equivalent to US$1,391,000)) in favor 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**

(a) On 28 December 2021, the Group signed a facility agreement with certain financial institutions for a term loan facility of approximately HK$780,000,000 (equivalent to approximately US$100,000,000). The proceeds from this facility will be used for the Group's general working capital purpose. The facility has been fully drawn down by the Group on 14 January 2022.

(b) On 21 January 2022, the Group entered into a contract with certain contractors with the contract price of approximately HK$4,629,963,000 (equivalent to approximately US$593,585,000). The contract is related to the provision of engineering, procurement, construction and commissioning of a central processing facility including oil treatment system and auxiliary systems in the Block 9 contract area. Details of the transaction was set out in the Company's announcement dated 23 January 2022.

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

Growth of the global economy in 2021 is 5.9% as projected by the International Monetary Fund ("IMF"). Global economic recovery is continuing, even as the COVID-19 pandemic resurges. World oil demand was estimated to have increased by 5.7 million barrels per day ("mmbbl/d") year-on-year to average of 96.6 mmbbl/d in 2021 as reported by the Organisation of the Petroleum Exporting Countries ("OPEC") Monthly Oil Market Report of January 2022. Oil price recovered strongly in the year 2021. Correspondingly, average Brent Oil Price in 2021 was US$70.86/barrel ("bbl"), which is ~69% higher than US$41.96/bbl for 2020, according to data from U.S. Energy Information Administration. Leveraging on oil price recovery and cost optimisation campaign, the Group achieved better-than-expected earnings with a profit attributable to the owners of the Company for the reporting period of approximately HK$2,000,597,000, representing a significant increase of 131.5% compared to last year of approximately HK$864,176,000.

Cost of sales and services rendered by the Group for the reporting period was approximately HK$4,079,501,000, and the Group invested approximately HK$2,528,011,000 of capital expenditure in oil exploration, development and production activities. The Group drilled 38 wells during the reporting period, including 24 wells in Pakistan Assets and 14 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.

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 2021, 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, 13 commercial discoveries were achieved of which 9 were in Pakistan and 4 in Egypt.

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 14,868 Km^2 (including 2,436 Km^2 non-operated), and 879 Km^2 in Egypt. Exploration breakthroughs and commercial discoveries were achieved in Mirpur Khas (“MK”) block and Middle Indus and Mehar (“MIM”), with some production being added from downthrow structures in mature blocks in Pakistan. High testing production was observed from the block of Abu Senna in Egypt. Exploration campaign in Pakistan and Egypt continued to optimise business portfolio and enhance production.

The Group has entered into the acquisition of two exploration blocks in 2021 in Pakistan and Egypt. Work associated with the new blocks will be conducted in 2022.

Engineering Construction
In 2021, the Group carefully organised operational resources and smoothen the progress in engineering construction. With detailed planning and efficient management, it has successfully completed its production support facility projects, paving the way to production and reserve targets.

In Iraq Block 9, 5-well flowline laying and tie-in were completed by the end of 2021. Surface facilities capacity of 60,000 barrels of oil equivalent (“boe”) per day (“boed”) was achieved. At the same time, the Front-End Engineering Design of Central Processing Facilities (“CPF”) with oil processing capacity of 100,000 boed and Gas Processing Plant (“GPP”) with gas processing capacity of 130 million standard cubic feet (“mmscf”) per day (“mmscfd”) was completed. CPF will lay a solid foundation for the production capacity ramp-up of Block 9. Another milestone achieved was approval by the Iraq Ministry of Oil of the CPF Engineering, Procurement, Construction and Commission contract award, which is targeted to be commission by the end of 2023. Backfill projects for CPF have been completed, and the other auxiliary projects were carried out smoothly as scheduled.

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, single plant operation project in MIM was carried, which improved plant utilisation and increased value of the assets. In Egypt, optimised generators in Abu Sennan Block, through replacement of diesel by natural gas, reduced diesel consumption by nearly 30%, reduced carbon emission and saved cost as well.

Development and Production

For the year ended 31 December 2021, the Group's average daily gross production was approximately 154,984 boed (Pakistan Assets – 69,370 boed plus MENA Assets – 85,614 boed), a 2.4% increase compared to approximately 151,330 boed last year and gross accumulated production was approximately 56.57 million barrels of oil equivalent ("mmboe"), a 2.1% increase compared to approximately 55.39 mmboe last year, at the same time, Group's average working interest production was 93,097 boed (Pakistan Assets – 48,287 boed plus MENA Assets – 44,810 boed), a 0.3% increase compared to approximately 92,786 boed last year, and working interest accumulated production was approximately 33.98 mmboe, almost the same compared to approximately 33.96 mmboe last year. In 2021, 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 COVID-19 was systematically managed to minimum level and delivered stable and resilient production.

Pakistan

As of 31 December 2021, the Group holds interests in 5 areas, comprising of 16 development concessions for oil and gas production in Pakistan.

In 2021, Pakistan Assets achieved an average daily working interest production of approximately 48,287 boed, decrease by 13.7% compared to last year. Pakistan Assets have an oil and liquids ratio of ~15% which was 2 percentage points higher than last year. Accumulated gross production and working interest production for the full year was approximately 25.3 mmboe and 17.6 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 2021, average daily gross production was approximately 43,652 boed, and average daily working interest production was approximately 26,191 boed. Accumulated gross production and working interest production for the year were approximately 15.9 mmboe and 9.6 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. Average daily gross production in 2021 was approximately 19,924 boed, and average daily working interest production was approximately 5,977 boed. Accumulated gross and working interest production were approximately 7.3 mmboe and 2.2 mmboe respectively. Siba has an oil and liquids ratio of ~67%.

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 2021, average daily gross production was approximately 22,037 boed, and average daily working interest production was approximately 12,642 boed. Accumulated gross production and working interest production for the year were approximately 8.0 mmboe and 4.6 mmboe respectively. Egypt Assets has an oil and liquids ratio of ~96%.

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 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 2021, the Group's total working interest crude and condensates selling volumes are 17.8 million barrels, representing a year-on-year increase of 17.9% and its average realised oil price (before government royalty, windfall levy and government take at working interest production) was approximately US$68.54/bbl, representing a year-on-year increase of 77.7%, 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 SSGCL and SNGPL.

In 2021, the Group's total working interest natural gas selling volumes are 16.0 mmboe, representing a year-on-year decrease of 14.9% and its average realised gas price (before government royalty, windfall levy and government take at working interest production) was approximately US$24.80/boe, representing a year-on-year decrease of 0.8%, mainly due to the time lag in price adjustment.

FINANCIAL RESULTS

Financial Review

For the year ended 31 December 2021 (the "reporting period"), the Group reported a profit attributable to the owners of the Company of approximately HK$2,000,597,000, representing a sharp increase of 131.5% from the year ended 31 December 2020 ("last year") of approximately HK$864,176,000. The increase in net profit was mainly due to the relief of COVID-19 pandemic lead to recovery of operations levels, the sharp rebound of international oil price in 2021 compared to 2020 and Group's Iraqi assets ramped up production.

During the reporting period, the Group's average daily working interest production was approximately 93,097 boed (Pakistan Assets of 48,287 boed plus MENA Assets of 44,810 boed) compared to approximately 92,786 boed (Pakistan Assets of 55,929 boed plus MENA Assets of 36,857 boed) of last year, slightly increased by 0.3%. 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$47.89/boe, compared to approximately US$31.04/boe of last year, representing a sharp increase of 54.3%.

Turnover

The Group's turnover for the reporting period was approximately HK$7,436,936,000, representing an increase of 19.9% as compared with the turnover of approximately HK$6,204,227,000 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 2021**	Year 2020	Change
Oil and gas sales*	*USD'000*	**1,625,265**	1,052,725	+54.4%
Crude oil and liquids	*USD'000*	**1,222,342**	581,200	+110.3%
Natural gas	*USD'000*	**396,322**	469,462	-15.6%
LPG	*USD'000*	**6,602**	2,063	+220.0%
Sales Volume	*mmboe*	**33.9**	33.9	0.0#
Crude oil and liquids	*mmboe*	**17.8**	15.1	+2.7
Natural gas	*mmboe*	**16.0**	18.8	-2.8
LPG	*mmboe*	**0.1**	0.0#	0.0#
Realised prices*	*US$/boe*	**47.89**	31.04	+54.3%
Crude oil and liquids	*US$/bbl*	**68.54**	38.56	+77.7%
Natural gas	*US$/boe*	**24.80**	24.99	-0.8%
LPG	*US$/boe*	**52.58**	32.42	+62.2%

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

 # represents volume less than 100,000 boe

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) decreased 3.2% to approximately HK$1,115,843,000 in 2021, compared with approximately HK$1,152,442,000 in 2020. The operating expenses per boe (at working interest production) was approximately US$4.21 in 2021, compared with approximately US$4.35 in 2020, decreased by 3.2%. For Pakistan Assets, operating expenses per boe was approximately US$3.9, increased by 25.8% (last year: approximately US$3.1 per boe); while for MENA Assets, operating expense per boe was approximately US$4.6, decreased by 27.0% (last year: approximately US$6.3 per boe).

Depreciation, depletion and amortisation
Included in the cost of sales and services rendered, the depreciation, depletion and amortisation was approximately HK$2,849,025,000, representing an increase of 4.9% as compared with the amount of approximately HK$2,714,813,000 in last year.

Gross profit
The Group's gross profit for the reporting period was approximately HK$3,357,435,000 (gross profit ratio 45.1%) which represented a sharp increase of 65.2% as compared with gross profit of approximately HK$2,032,749,000 (gross profit ratio 32.8%) 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 during the reporting period.

Exploration expenses
The Group's exploration expenses for the reporting period was approximately HK$164,256,000 (last year: approximately HK$339,601,000) which included the expenses for performance of geological and geophysical studies, surface use rights & wells and the written off loss of approximately HK$157,553,000 (last year: approximately HK$328,515,000) arising from dry exploration wells in the Pakistan Assets.

Administrative expenses
The Group's administrative expenses for the reporting period was approximately HK$574,142,000 (last year: approximately HK$439,643,000) representing 7.7% (last year: 7.1%) of the turnover.

Finance costs
The Group's finance costs for the reporting period was approximately HK$266,913,000, which represented a decrease of 14.6% as compared with the finance costs of approximately HK$312,592,000 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 4.77% (last year: 5.36%).

Income tax expense
The Group's income tax expense for the reporting period was approximately HK$432,239,000. This included the current income tax of approximately HK$411,401,000 and deferred tax expense of approximately HK$20,838,000, compared with current income tax of approximately HK$282,110,000 and deferred tax income of approximately HK$119,522,000 for the last year respectively. The Group's effective tax rate for the reporting period was approximately 17.8%, representing an increase 2.0 percentage points as compared with 15.8% for the last year.

EBITDA
EBITDA represents the profit before finance costs, income tax expense, depreciation and amortisation, property, plant and equipment written off, gain on disposal of subsidiaries, share of profits of associates, share of loss in a joint venture, loss on disposals of property, plant and equipment, reversals of impairment losses on/impairment losses for trade receivables and impairment losses for 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$5,843,458,000, increased by 31.2% from the last year of approximately HK$4,453,219,000. The increase in EBITDA was mainly attributable to the rebounded international oil price during 2021 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$4,280,826,000, representing an increase of 124.1% as compared with the last year of approximately HK$1,910,339,000. 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 2021, the Group's net cash used in investing activities increased by 14.4% to approximately HK$2,494,002,000 from the corresponding period, mainly due to the development expenditure of approximately HK$2,729,241,000 for the reporting period with an overall increase of 44.7% as compared to the corresponding period, and investment to a joint venture but offset by the withdrawal of restricted bank deposits.

Cash used in financing activities
In 2021, the net cash used in financing activities was approximately HK$1,451,899,000, mainly due to the payment of final dividend of approximately HK$620,299,000, drawdown of bank loans of approximately HK$724,402,000 and repayment of bank loans of approximately HK$1,400,609,000.

Dividend
No final dividend is proposed for the year ended 31 December 2021 (final dividend of HK2.36 cents per share for the year ended 31 December 2020).

On 1 March 2022, the Group declared a special dividend of approximately HK$1,051,597,000 to the shareholders of the Company, representing HK4 cents per ordinary share. The special dividend will be paid on 4 April 2022.

Business and market outlook
Global economy in 2022 is projected to rebound by 4.4%, according to IMF forecast in January 2022. Global oil demand is forecasted to increase by 4.2 mmbbl/d to average of 100.8 mmbbl/d, as per OPEC Monthly Market Report of January 2022. Economy will continue recovery and grow, with uncertainties from new variants of COVID-19 spreading and elevated inflation. Oil and gas industry is expected to further recover, as a result of steady economic outlook.

For 2022 plans, the Group targets average daily gross production level of 160,000 to 173,000 boed, and average daily working interest production level of 94,000 to 101,000 boed. Capital expenditure is anticipated to reach US$720 million to US$780 million, which is essential to support exploration, development and construction plans of Group. It aims to continue with its financial discipline and manage any possible overruns in 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 industry report prepared by an independent third party on behalf of 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 stabilise around this level thereafter. 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. 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. 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 45,000 to 48,000 boed in 2022.

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 2021, the MENA Assets were reported with 2P working interest reserve of 765.8 mmboe with almost 97.2% 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. 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 2022.

In 2022, Iraq Assets are expected to achieve an average daily working interest production of 38,000 to 40,500 boed, whereas Egypt Assets will achieve an average daily working interest production of 11,000 to 12,500 boed.

Conclusion
In 2021, the Group achieved outstanding operational and financial performance. Quality professional management greatly contributed to these desirable results. For the way forward, Group will keep on ramping 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 2022.

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$3,170,562,000 as at 31 December 2021 (31 December 2020: approximately HK$3,093,281,000).

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

	Principal amount outstanding at 31 December 2021	
	US$	Equivalent to HK$
Revolving loans	382,750,000	2,985,450,000
Term loans	168,711,000	1,315,946,000
Reserves-based borrowing	42,750,000	333,450,000
Finance leases	35,541,000	277,220,000
	629,752,000	**4,912,066,000**

As at 31 December 2021, the gearing ratio was approximately 19.7% (31 December 2020: 24.9%), based on borrowings, advance from customers, and lease liabilities under current liabilities and non-current liabilities of approximately HK$1,868,474,000 (31 December 2020: approximately HK$2,014,759,000) and approximately HK$3,066,609,000 (31 December 2020: approximately HK$4,197,583,000) respectively and total assets of approximately HK$25,032,350,000 (31 December 2020: approximately HK$24,941,385,000). As at 31 December 2021, the current ratio was approximately 1.51 times (31 December 2020: approximately 1.36 times), based on current assets of approximately HK$7,668,588,000 (31 December 2020: approximately HK$7,280,199,000) and current liabilities of approximately HK$5,093,352,000 (31 December 2020: approximately HK$5,341,301,000).

As at 31 December 2021, the Group's total borrowings amounted to approximately HK$4,594,073,000 (31 December 2020: approximately HK$5,235,811,000), all of them are denominated in United States dollars. The weighted average interest rate of the borrowings as at 31 December 2021 was 4.60% (31 December 2020: 4.70%).

As at 31 December 2021, the Group's property, plant and equipment, right-of-use assets, trade receivable and bank balances, with total carrying value of approximately HK$3,834,085,000 (31 December 2020: approximately HK$4,487,404,000) 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

On 28 March 2021, United Energy Financing (Bermuda) Limited, a wholly owned subsidiary of the Company, and third parties entered into a share subscription agreement in relation to the investment of approximately US$25,755,000 (equivalent to approximately HK$200,891,000) to a joint venture company with 40% equity interest.

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

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

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

On 12 July 2021, the Company resolved to award 6,078,376 new ordinary shares as the scheme shares to Pakistan employees under the employees' performance share schemes adopted by the Company on 28 December 2012. The allotment of the 6,078,376 scheme shares was completed on 19 July 2021. The Company has no funds raised in this issue.

After completion of the above allotment of shares during the reporting period, the total number of issued shares of the Company increased from 26,283,850,410 shares as at 1 January 2021 to 26,289,928,786 shares as at 31 December 2021.

Employees
As at 31 December 2021, the Group employed a total of 1,910 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 2021, the Group's five largest customers represented 96.8% of total turnover (2020: 96.2%) and the Group's five largest suppliers represented 14.7% of total cost of sales and services rendered (2020: 13.0%).

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 2021.

SUFFICIENCY OF PUBLIC FLOAT
The Company has maintained a sufficient public float throughout the year ended 31 December 2021.

AUDIT COMMITTEE
The Audit Committee has reviewed the audited consolidated financial statements for the year ended 31 December 2021. 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 2021, the aggregate amounts of the Company's reserves available for distribution to equity shareholders of the Company was approximately HK$9,539,626,000 (31 December 2020: approximately HK$10,159,925,000).

ANNUAL GENERAL MEETING

The annual general meeting of the Company is scheduled to be held on Monday, 6 June 2022 (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 Monday, 6 June 2022. For determining the entitlement to attend and vote at the AGM, the register of members of the Company will be closed from Tuesday, 31 May 2022 to Monday, 6 June 2022, 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 Monday, 30 May 2022.

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 2021.

CODE OF CORPORATE GOVERNANCE PRACTICES

For the year ended 31 December 2021, 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 2021 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 2021 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 2022

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.