

Hong Kong Exchanges and Clearing Limited and The Stock Exchange of Hong Kong Limited take no responsibility for the contents of this announcement, make no representation as to its accuracy or completeness and expressly disclaim any liability whatsoever for any loss howsoever arising from or in reliance upon the whole or any part of the contents of this announcement.

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)

INTERIM RESULTS ANNOUNCEMENT FOR THE SIX MONTHS ENDED 30 JUNE 2022

FINANCIAL HIGHLIGHTS			
	Six months ended 30 June		Change
	<u>2022</u>	<u>2021</u>	%
	HK\$'000	HK\$'000	
Results			
Turnover	5,502,952	3,456,367	+59.2
Gross profit	3,212,250	1,504,883	+113.5
EBITDA ^(Note 1)	4,829,722	2,605,374	+85.4
Profit for the period	1,510,239	958,735	+57.5
Profit for the period attributable to owners of the Company	1,510,248	958,735	+57.5
Basic earnings per share (HK cents)	5.77	3.66	+57.7
	30 June	31 December	Change
	<u>2022</u>	<u>2021</u>	%
	HK\$'000	HK\$'000	
Key items in Consolidated Statement of Financial Position			
Equity attributable to owners of the Company	14,714,612	14,234,374	+3.4
Total assets	25,372,928	25,032,350	+1.4
Net assets	14,720,399	14,240,280	+3.4
OPERATION HIGHLIGHTS			
	Six months ended 30 June		Change
	<u>2022</u>	<u>2021</u>	%
Average Daily Working Interest Production (boed) ^(Note 2)			
Pakistan Assets	48,814	47,729	+2.3
MENA Assets	51,293	43,706	+17.4
Iraq	38,449	30,329	+26.8
Egypt	12,844	13,377	-4.0
Note:			
1. EBITDA represents the profit before finance costs, income tax expense, depreciation and amortisation, property, plant and equipment written off, share of losses/profits of associates, share of loss in a joint venture, impairment losses on investment in associates, impairment losses for/reversals of impairment losses on trade receivables and reversals of impairment losses on/impairment losses for other receivables.			
2. Working interest production represents Group's proportion prior to application of the state share under the concession agreements governing the assets.			

* For identification purposes only

The board of directors of the Company (the “Board”) of United Energy Group Limited (the “Company”) hereby present the unaudited condensed consolidated interim results of the Company and its subsidiaries (collectively referred to as the “Group”) for the six months ended 30 June 2022 together with unaudited comparative figures for the six months ended 30 June 2021 as follows:–

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS
For the six months ended 30 June 2022

		Six months ended 30 June	
	Note	2022	2021
		HK\$'000	HK\$'000
		(unaudited)	(unaudited)
Turnover	6	5,502,952	3,456,367
Cost of sales and services rendered		<u>(2,290,702)</u>	<u>(1,951,484)</u>
Gross profit		3,212,250	1,504,883
Investment and other income		62,935	24,524
Other gains and losses		(7,002)	1,737
(Impairment losses for)/reversals of impairment losses on trade receivables		(350,899)	1,530
Reversals of impairment losses on/(impairment losses for) other receivables		150	(652)
Exploration expenses		(721,688)	(3,662)
Administrative expenses		(204,697)	(241,899)
Other operating expenses		<u>(67,174)</u>	<u>(31,046)</u>
Profit from operations		1,923,875	1,255,415
Finance costs	7	(167,950)	(136,663)
Share of (losses)/profits of associates		(36,695)	46,882
Share of loss in a joint venture		<u>(120,377)</u>	<u>-</u>
Profit before tax		1,598,853	1,165,634
Income tax expense	8	<u>(88,614)</u>	<u>(206,899)</u>
Profit for the period	9	<u>1,510,239</u>	<u>958,735</u>
Attributable to:			
Owners of the Company		1,510,248	958,735
Non-controlling interests		<u>(9)</u>	<u>-</u>
		<u>1,510,239</u>	<u>958,735</u>
Earnings per share	10		
Basic (cents per share)		<u>5.77</u>	<u>3.66</u>
Diluted (cents per share)		<u>5.77</u>	<u>3.65</u>

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the six months ended 30 June 2022

	Six months ended 30 June	
	2022	2021
	HK\$'000	HK\$'000
	(unaudited)	(unaudited)
Profit for the period	<u>1,510,239</u>	<u>958,735</u>
Other comprehensive income after tax:		
<i>Item that may be reclassified to profit or loss:</i>		
Exchange differences on translating foreign operations	<u>19,897</u>	<u>(3,422)</u>
Other comprehensive income for the period, net of tax	<u>19,897</u>	<u>(3,422)</u>
Total comprehensive income for the period	<u>1,530,136</u>	<u>955,313</u>
Attributable to:		
Owners of the Company	<u>1,530,145</u>	<u>955,313</u>
Non-controlling interests	<u>(9)</u>	<u>-</u>
	<u>1,530,136</u>	<u>955,313</u>

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION
At 30 June 2022

	Note	30 June 2022 HK\$'000 (unaudited)	31 December 2021 HK\$'000 (audited)
Non-current assets			
Property, plant and equipment	12	10,635,061	10,835,151
Right-of-use assets	13	498,748	529,901
Intangible assets		5,127,951	5,339,724
Investment in associates		346,098	474,896
Investment in a joint venture		-	120,377
Advances, deposits and prepayments		364,883	62,948
Deferred tax assets		21,099	765
		<u>16,993,840</u>	<u>17,363,762</u>
Current assets			
Inventories		364,200	287,216
Trade and other receivables	14	5,224,659	4,145,308
Financial assets at fair value through profit or loss ("FVTPL")		2,195	1,991
Employee retirement benefits assets		10,452	12,005
Current tax assets		39,059	51,506
Bank and cash balances		2,738,523	3,170,562
		<u>8,379,088</u>	<u>7,668,588</u>
Current liabilities			
Trade and other payables	15	3,048,962	2,817,659
Due to a director		1,723	1,431
Borrowings	16	2,022,211	1,760,607
Lease liabilities		107,369	107,867
Provisions	17	2,113	2,113
Financial guarantee contracts		20,404	21,496
Current tax liabilities		661,813	382,179
		<u>5,864,595</u>	<u>5,093,352</u>
Net current assets		<u>2,514,493</u>	<u>2,575,236</u>
Total assets less current liabilities		<u>19,508,333</u>	<u>19,938,998</u>
Non-current liabilities			
Borrowings	16	2,392,919	2,833,466
Lease liabilities		182,314	233,143
Provisions	17	593,605	606,588
Employee retirement benefits obligations		52,575	46,372
Deferred tax liabilities		1,566,521	1,979,149
		<u>4,787,934</u>	<u>5,698,718</u>
NET ASSETS		<u>14,720,399</u>	<u>14,240,280</u>
Capital and reserves			
Share capital	18	262,899	262,899
Reserves		14,451,713	13,971,475
Equity attributable to owners of the Company		14,714,612	14,234,374
Non-controlling interests		5,787	5,906
TOTAL EQUITY		<u>14,720,399</u>	<u>14,240,280</u>

NOTES TO THE INTERIM FINANCIAL STATEMENTS

For the six months ended 30 June 2022

1. BASIS OF PREPARATION

These condensed financial statements have been prepared in accordance with Hong Kong Accounting Standard 34 “Interim Financial Reporting” issued by the Hong Kong Institute of Certified Public Accountants (the “HKICPA”) and the applicable disclosures required by the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited.

2. SIGNIFICANT ACCOUNTING POLICIES

These condensed consolidated financial statements should be read in conjunction with the 2021 annual consolidated financial statements. The accounting policies (including the significant judgements made by management in applying the Group’s accounting policies and the key sources of estimation uncertainty) and methods of computation used in the preparation of these condensed consolidated financial statements are consistent with those used in the annual consolidated financial statements for the year ended 31 December 2021.

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

The accounting policies applied in these financial statements are the same as those applied in the Group’s consolidated financial statements as at and for the year ended 31 December 2021. In the current period, the Group has adopted all the new and revised Hong Kong Financial Reporting Standards issued by the HKICPA that are relevant to its operations and effective for its accounting year beginning on 1 January 2022 but they do not have a material effect on the Group’s condensed consolidated financial statements.

A number of new standards and amendments to standards are effective for annual periods beginning after 1 January 2022 and earlier application is permitted. The Group has not early adopted any of the forthcoming new or amended standards in preparing these condensed interim financial statements.

4. FAIR VALUE MEASUREMENT

The carrying amounts of the Group’s financial assets and financial liabilities as reflected in the condensed consolidated statement of financial position approximate their respective fair values.

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The following disclosures of fair value measurements use a fair value hierarchy that categorises into three levels the inputs to valuation techniques used to measure fair value:

- | | |
|-----------------|--|
| Level 1 inputs: | quoted prices (unadjusted) in active markets for identical assets or liabilities that the Group can access at the measurement date. |
| Level 2 inputs: | inputs other than quoted prices included within level 1 that are observable for the asset or liability, either directly or indirectly. |
| Level 3 inputs: | unobservable inputs for the asset or liability. |

The Group’s policy is to recognise transfers into and transfers out of any of the three levels as of the date of the event or change in circumstances that caused the transfer.

4. FAIR VALUE MEASUREMENT (CONT'D)

The recurring fair value of the financial assets at fair value through profit or loss at 30 June 2022 and 31 December 2021 are measured by using Level 1 of the fair value hierarchy.

There were no changes in the valuation techniques used.

5. 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".

6. TURNOVER

Turnover from contracts with customers for the period is as follows:

	Six months ended 30 June	
	<u>2022</u>	<u>2021</u>
	HK\$'000	HK\$'000
	(unaudited)	(unaudited)
Sales and production of crude oil, condensate, gas, liquefied petroleum gas and petrochemical	<u>5,502,952</u>	<u>3,456,367</u>

6. TURNOVER (CONT'D)

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

	Crude oil, condensate, gas, liquefied petroleum gas and petrochemical	
	Six months ended 30 June	
	<u>2022</u>	<u>2021</u>
	HK\$'000	HK\$'000
	(unaudited)	(unaudited)
Primary geographical markets		
- Pakistan	1,483,065	1,164,069
- Singapore	717,176	364,096
- Egypt	779,195	556,889
- Iraq	2,518,938	1,274,020
- People's Republic of China ("PRC")	4,578	97,293
	<hr/>	<hr/>
Revenue from external customers	<u>5,502,952</u>	<u>3,456,367</u>

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\$257,194,000 (2021: HK\$212,282,000), HK\$309,890,000 (2021: HK\$210,944,000), HK\$3,648,000 (2021: HK\$948,000) and HK\$97,371,000 (2021: HK\$23,066,000) respectively.

7. FINANCE COSTS

	Six months ended 30 June	
	<u>2022</u>	<u>2021</u>
	HK\$'000	HK\$'000
	(unaudited)	(unaudited)
Interest on bank loans	152,794	113,760
Interest expense on lease liabilities	9,848	9,777
Interest on advance from customers	-	10,727
Provisions - unwinding of discounts (note 17)	5,308	5,155
	<hr/>	<hr/>
Total borrowing costs	167,950	139,419
Amount capitalized	-	(2,756)
	<hr/>	<hr/>
	<u>167,950</u>	<u>136,663</u>

In 2021, the weighted average capitalisation rate on funds borrowed generally was at a rate of 6% per annum.

8. INCOME TAX EXPENSE

	Six months ended 30 June	
	<u>2022</u>	<u>2021</u>
	HK\$'000	HK\$'000
	(unaudited)	(unaudited)
Current tax - Overseas		
Provision for the period	485,046	146,905
Under-provision in prior years	39,524	-
	<u>524,570</u>	<u>146,905</u>
Deferred tax	<u>(435,956)</u>	<u>59,994</u>
	<u><u>88,614</u></u>	<u><u>206,899</u></u>

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 period arising in or derived from these jurisdictions for the six months ended 30 June 2022 and 2021.

Egypt, Iraq, Pakistan and PRC Income Tax has been provided at a rate of 22.5%, 35%, ranging from 40% to 50% and 25% respectively on the estimated taxable income earned by the companies with certain tax preference, based on existing legislation, interpretation and practices in respect thereof.

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

9. PROFIT FOR THE PERIOD

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

	Six months ended 30 June	
	<u>2022</u>	<u>2021</u>
	HK\$'000	HK\$'000
	(unaudited)	(unaudited)
Interest income	(4,660)	(7,843)
Allowance/(reversal of allowance) for trade receivables	350,899	(1,530)
(Reversal of allowance)/allowance for other receivables	(150)	652
Property, plant and equipment written off (included in exploration expenses of approximately HK\$715,614,000 (2021: Nil))	715,614	-
Impairment losses on investment in associates	85,800	-
Amortisation of intangible assets	211,773	188,671
Depreciation	1,541,911	1,162,166
Directors' remuneration	22,849	15,386
Fair value gains on financial assets at FVTPL	(204)	(174)

10. 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 period attributable to owners of the Company of approximately HK\$1,510,248,000 (2021: HK\$958,735,000) and the weighted average number of ordinary shares of 26,163,186,786 (2021: 26,226,916,410) in issue during the period.

(b) Diluted earnings per share

The calculation of diluted earnings per share attributable to owners of the Company for the six months ended 30 June 2022 is based on the profit for the period attributable to owners of the Company of approximately HK\$1,510,248,000 (2021: HK\$958,735,000) and the weighted average number of ordinary shares of 26,164,415,531 (2021: 26,234,835,019), being the weighted average number of ordinary shares of 26,163,186,786 (2021: 26,226,916,410) in issue during the period used in the basic earnings per share calculation plus the weighted average number of ordinary shares of 1,228,745 (2021: 7,918,609) assumed to have been issued at no consideration on the deemed exercise of the share options outstanding during the period.

11. DIVIDEND

	Six months ended 30 June	
	<u>2022</u>	<u>2021</u>
	HK\$'000	HK\$'000
	(unaudited)	(unaudited)
2022 Special dividend of HK4 cents per ordinary share paid	1,051,597	-
2020 Final dividend of HK2.36 cents per ordinary share paid	-	620,299
	<u>1,051,597</u>	<u>620,299</u>

The directors of the Company do not recommend any interim dividend for the six months ended 30 June 2022 (2021: HK\$Nil).

12. PROPERTY, PLANT AND EQUIPMENT

During the six months ended 30 June 2022, the Group acquired property, plant and equipment of approximately HK\$2,028,673,000 (2021: HK\$1,115,783,000).

13. RIGHT-OF-USE ASSETS

During the six months ended 30 June 2022, the Group entered into a number of new lease agreements for motor vehicles for fixed terms of 5 years (2021: 2 to 5 years). The Group makes fixed payments during the contract period. On lease commencement, the Group recognised approximately HK\$2,292,000 (2021: HK\$2,997,000) of right-of-use assets and lease liabilities.

14. **TRADE AND OTHER RECEIVABLES**

	30 June 2022 HK\$'000 (unaudited)	31 December 2021 HK\$'000 (audited)
Trade receivables (note (a))	4,551,130	3,581,702
Allowance for trade receivables	(362,632)	(11,733)
Allowance for price adjustments (note (b))	(204,845)	(232,233)
	<u>3,983,653</u>	<u>3,337,736</u>
Other receivables (note (c))	1,243,495	810,211
Allowance for other receivables	(2,489)	(2,639)
	<u>1,241,006</u>	<u>807,572</u>
Total trade and other receivables	<u><u>5,224,659</u></u>	<u><u>4,145,308</u></u>

(a) **Trade receivables**

The Group's trading terms with customers are mainly on credit. The credit term generally ranges from 30 to 45 days (31 December 2021: 30 to 45 days) except for the customers in Iraq which were settled by having physical delivery of crude oil on accumulation of balance sufficient enough for cargo lifting. The Group seeks to maintain strict control over its outstanding receivables. Overdue balances are reviewed regularly by the directors.

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

	30 June 2022 HK\$'000 (unaudited)	31 December 2021 HK\$'000 (audited)
0 to 30 days	3,024,082	1,849,353
31 to 60 days	277,048	289,171
61 to 90 days	416,986	920,228
Over 90 days	833,014	522,950
	<u><u>4,551,130</u></u>	<u><u>3,581,702</u></u>

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

(b) **Allowance for price adjustments**

This represents the provision for the possible price adjustment in gas prices as per the draft gas price notifications submitted to the relevant regulatory authorities in Pakistan in respect of certain gas sales agreements. Since the final price notification has not yet been received from the regulatory authorities, the management had estimated the potential price differential based on the draft notifications and a possible price reduction (excluding royalty expenses) of approximately HK\$204,845,000 (31 December 2021: HK\$232,233,000) was provided.

(c) **Other receivables**

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

	30 June 2022 HK\$'000 (unaudited)	31 December 2021 HK\$'000 (audited)
Due from joint operators	445,746	395,465
Advances to staff	10,737	9,919
Central excise duty receivables	14,612	18,022
Deposits and prepayments	555,970	90,480
Sales tax receivables	153,892	228,828
Other tax receivables	904	18,047
Withholding tax receivables	1,324	3,566
Amount due from an associate (note (i))	27,965	27,662
Others	29,856	15,583
	<u>1,241,006</u>	<u>807,572</u>

Notes:

- (i) As at 30 June 2022, the amount due from associate of the Group, Orient Group Beijing Investment Holding Limited, which is unsecured, interest bearing at a rate of 3 months LIBOR plus 1.7% per annum (31 December 2021: 3 months LIBOR plus 1.7% per annum) and repayable on or before 29 September 2022.

15. **TRADE AND OTHER PAYABLES**

	30 June 2022 HK\$'000 (unaudited)	31 December 2021 HK\$'000 (audited)
Trade payables (note (a))	290,311	281,335
Other payables (note (b))	2,758,651	2,536,324
Total trade and other payables	<u>3,048,962</u>	<u>2,817,659</u>

(a) **Trade payables**

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

	30 June 2022 HK\$'000 (unaudited)	31 December 2021 HK\$'000 (audited)
0 to 30 days	223,835	227,342
31 to 60 days	30,944	19,231
61 to 90 days	7,312	9,000
Over 90 days	28,220	25,762
	<u>290,311</u>	<u>281,335</u>

(b) **Other payables**

	30 June 2022 HK\$'000 (unaudited)	31 December 2021 HK\$'000 (audited)
Accrual for operating and capital expenses	1,224,180	1,140,385
Due to joint operators	122,010	84,523
Deposits received	70	73
Salaries and welfare payables	98,151	138,156
Provision for infrastructure funds	371,993	464,383
Other tax payables	886,617	654,409
Others	55,630	54,395
	<u>2,758,651</u>	<u>2,536,324</u>

16. **BORROWINGS**

	30 June 2022 HK\$'000 (unaudited)	31 December 2021 HK\$'000 (audited)
Bank loans, secured (note)	<u>4,415,130</u>	<u>4,594,073</u>
Analysed as:		
Current liabilities	2,022,211	1,760,607
Non-current liabilities	<u>2,392,919</u>	<u>2,833,466</u>
	<u>4,415,130</u>	<u>4,594,073</u>

Note:

At 30 June 2022, the Group has obtained banking facilities in aggregate of approximately HK\$6,605,243,000 (equivalent to approximately US\$846,826,000) (31 December 2021: HK\$6,605,243,000 (equivalent to approximately US\$846,826,000)), all of the banking facilities have been utilised at 30 June 2022 (31 December 2021: HK\$5,825,243,000 (equivalent to approximately US\$746,826,000)). Bank loans of approximately HK\$990,050,000 (equivalent to approximately US\$126,930,000) (2021: HK\$636,480,000 (equivalent to approximately US\$81,600,000)) was repaid by the Group during the period.

17. **PROVISIONS**

	Dismantling costs in respect of leasehold improvements HK\$'000	Decommissioning costs HK\$'000	Total HK\$'000
At 1 January 2022 (audited)	530	608,171	608,701
Less:			
Actual costs incurred during the period	-	(18,085)	(18,085)
Reversal of provisions recognised during the period	-	(414)	(414)
Add:			
Unwinding of discounts	-	5,308	5,308
Provisions recognised during the period	-	208	208
At 30 June 2022 (unaudited)	<u>530</u>	<u>595,188</u>	<u>595,718</u>

17. **PROVISIONS (CONT'D)**

	30 June 2022 HK\$'000 (unaudited)	31 December 2021 HK\$'000 (audited)
Analysed as:		
Current liabilities	2,113	2,113
Non-current liabilities	<u>593,605</u>	<u>606,588</u>
	<u>595,718</u>	<u>608,701</u>

Oil and gas exploration and production activities may result in land subsidence and damage to the environment of the concession areas. Pursuant to the relevant rules and regulations, the Group is required to restore the concession areas back to acceptable conditions.

The decommissioning costs obligation has been determined by management by discounting the expected future expenditures to their net present value using a current pre-tax rate that reflects, where appropriate, the risks specific to the liability. The amounts provided in relation to the decommissioning costs are reviewed at least annually based upon the facts and circumstances available at the time and the provisions are updated accordingly.

The provision for dismantling costs in respect of leasehold improvements is calculated based on the net present value of costs to be incurred to remove leasehold improvements from the leased properties of the Group. The amounts are determined with reference to the quotations from external contractors and the management's estimation.

18. **SHARE CAPITAL**

	30 June 2022 HK\$'000 (unaudited)	31 December 2021 HK\$'000 (audited)
Authorised:		
60,000,000,000 ordinary shares of HK\$0.01 each	<u>600,000</u>	<u>600,000</u>
Issued and fully paid:		
26,289,928,786 (At 31 December 2021: 26,289,928,786) ordinary shares of HK\$0.01 each	<u>262,899</u>	<u>262,899</u>

18. **SHARE CAPITAL (CONT'D)**

A summary of the issued share capital of the company is as follows:

	Number of shares issued '000	Nominal value of shares issued HK\$'000
At 31 December 2021 and 1 January 2022 (audited) and 30 June 2022 (unaudited)	<u>26,289,928</u>	<u>262,899</u>

19. **PERFORMANCE SHARE UNIT SCHEME**

On 1 April 2019, the Company adopted a performance share unit scheme (the "PSU Scheme") with objectives to provide the employees of the Group with incentives to drive success and growth in the shareholder value of the Group; to promote the effective achievement of the mid and long term performance goals of the Group; and to attract, motivate and retain core talents of the Group with rewards and incentives. Unless terminated earlier by the board of directors (the "Board") pursuant to the PSU Scheme, the PSU Scheme shall be valid and effective for a period of ten years commencing on the adoption date.

Pursuant to the PSU Scheme, the Board may, from time to time, at its absolute discretion cause to be transferred to the trust the necessary funds for the purchase of the Company's shares to be held on trust in accordance with the rules as set out in the PSU Scheme and the trust deed. Such funds shall be applied towards the purchase of the specific number of the Company's shares from the open market according to the written instructions of the Board. The Company shall not make any further grant of shares award which will result in the aggregate number of awarded share under the PSU Scheme (exclude awarded shares that have been forfeited in accordance with the Scheme) exceeding 10% of the total issued shares capital of Company from time to time.

During the six months ended 30 June 2022, no shares were purchased by the trustee.

On 17 May 2022, 39,547,163 shares were granted to eligible employees pursuant to the PSU Scheme by the Company. The shares will be vested to the eligible employees on the 3rd anniversary of the grant date.

The Group recognised the total expenses of approximately HK\$1,580,000 (2021: Nil) for the six months ended 30 June 2022 in relation to the PSU Scheme.

At 30 June 2022, 87,194,837 shares (31 December 2021: 126,742,000 shares) are held by the trustee under the PSU Scheme and not yet granted.

20. **CAPITAL COMMITMENTS**

- (a) The Group's capital commitments at the end of reporting period are as follows:

	30 June 2022 HK\$'000 (unaudited)	31 December 2021 HK\$'000 (audited)
Contracted but not provided for:		
Acquisition of property, plant and equipment	581	1,964
Commitments for capital expenditure	4,312,373	312,290
	4,312,954	314,254

- (b) On 20 October 2014, the Group established a wholly owned subsidiary, United Energy (Beijing) Limited ("UEBL") in the PRC with registered capital of approximately HK\$116,933,000 (equivalent to approximately RMB100,000,000) (31 December 2021: HK\$122,518,000 (equivalent to approximately RMB100,000,000)). At 30 June 2022, the Group has contributed approximately HK\$14,320,000 (equivalent to approximately RMB12,246,000) (31 December 2021: HK\$15,004,000 (equivalent to approximately RMB12,246,000)) to UEBL. In accordance with the memorandum of association of UEBL, the remaining balance of approximately HK\$102,613,000 (equivalent to approximately RMB87,754,000) (31 December 2021: HK\$107,514,000 (equivalent to approximately RMB87,754,000)) shall be contributed to UEBL within twenty years from the date of its establishment.
- (c) On 25 May 2017, the Company, UEBL, 東方集團投資控股有限公司 ("Orient Group Company Limited") and Orient Group Inc established a company, 東方藝術品有限公司 ("東方藝術品") in the PRC with registered capital of approximately HK\$116,933,000 (equivalent to approximately RMB100,000,000) (31 December 2021: HK\$122,518,000 (equivalent to approximately RMB100,000,000)). In accordance with the memorandum of association of 東方藝術品, UEBL is committed to contribute approximately HK\$23,387,000 (equivalent to approximately RMB20,000,000) (31 December 2021: HK\$24,504,000 (equivalent to approximately RMB20,000,000)) as 20% registered share capital of 東方藝術品. At 30 June 2022, UEBL has not yet contributed any capital to 東方藝術品. In accordance with the memorandum of association of 東方藝術品, capital contribution shall be made to 東方藝術品 on or before 30 June 2045.

21. CONTINGENT LIABILITIES

- (a) As at 30 June 2022 and 31 December 2021, the Company issued various unlimited corporate guarantees in favour of the President of the Islamic Republic of Pakistan for providing United Energy Pakistan Limited (“UEPL”) with all necessary financial and other means to enable UEPL to fully perform its obligations as stipulated in the concession agreements.
- (b) As at 30 June 2022 and 31 December 2021, the Group had issued corporate guarantees granted to the collector of customs of Pakistan in case of any dispute arising on claim of exemptions of levies including custom duties and sales tax on import of machinery, equipment, materials, specialised vehicles, spares, chemicals and consumables under the petroleum concession agreement amounting to approximately HK\$1,753,000 (31 December 2021: HK\$2,269,000).
- (c) Certain subsidiaries of the Group had dispute with the Pakistan government on the applicability of windfall levy on its production of oil and condensate. On 27 December 2017, the government’s approval for the execution of windfall levy was granted and the windfall levy became applicable on the subsidiaries. Based on legal advice from external lawyers, the management believes that the applicability of the windfall levy is prospective, i.e. from the date of the government’s approval. If the applicability of windfall levy is retrospective, further provision for the windfall levy of approximately HK\$191,969,000 (31 December 2021: HK\$191,969,000) would be required to be made in the consolidated financial statements for the period ended 30 June 2022.
- (d) As at 30 June 2022, certain subsidiaries of the Group received various tax orders in an attempt to re-assess tax liability for prior years by the Pakistan tax department. The subsidiaries of the Group are currently appealing against these orders and the cumulative potential tax exposure for the pending tax cases was approximately HK\$704,094,000 (31 December 2021: HK\$749,171,000).
- (e) At the end of the reporting period, bank guarantees to the extent of approximately HK\$11,242,000 (equivalent to US\$1,441,000) (31 December 2021: HK\$10,850,000 (equivalent to US\$1,391,000)) in favour of the Directorate General Petroleum Concessions was obtained by certain subsidiaries of the Group to guarantee its performance and financial obligations as stipulated in the concession agreements.

22. RELATED PARTIES

- (a) Name and relationship with related parties:

<u>Name of the related party</u>	<u>Relationship</u>
東方集團產業發展有限公司 (Orient Group Industrial & Development Co., Ltd. (“Orient Group Industrial & Development”)) #	Mr. Zhang Hong Wei has significant influence over the Orient Group Industrial & Development
東方集團有限公司 (Orient Group Co., Ltd. (“Orient Group”))	Mr. Zhang Hong Wei has significant influence over the Orient Group
東方集團股份有限公司 (Orient Group Incorporation (“Orient Group Inc”))	Mr. Zhang Hong Wei has significant influence over the Orient Group Inc
北京大成飯店有限公司 (Beijing Dacheng Hotels Limited (“BDHL”)) #	BDHL is a subsidiary of Orient Group

The English translation of the company name is for reference only. The official name of the company is in Chinese.

- (b) At the end of the reporting period, Orient Group and Orient Group Industrial & Development has provided corporate guarantees to the bank for banking facilities granted to the associate of the Group, Orient Group Beijing Investment Holding Limited (“OGBIH”). Orient Group also entered into an entrusted guarantee agreement with OGBIH for the corporate guarantee services provided by Orient Group. Under the entrusted guarantee agreement, 2% service fee was charged at outstanding bank loan. During the period, Orient Group had waived such service charge of approximately HK\$4,367,000 to OGBIH (2021: HK\$5,287,000).
- (c) The executive directors of the Company, Mr. Zhang Hong Wei and Ms. Zhang Meiyong have provided joint personal guarantees to the bank loans made to the Group totaling approximately HK\$2,484,742,000 (31 December 2021: HK\$2,958,366,000).
- (d) The executive director of the Company, Mr. Zhang Hong Wei provided personal guarantees to the bank loans made to the Group totaling approximately HK\$644,160,000 (31 December 2021: HK\$798,852,000).
- (e) The executive director of the Company, Mr. Zhang Hong Wei provided personal guarantees to secure certain of the Group’s obligations under finance leases approximately HK\$219,421,000 (31 December 2021: HK\$256,549,000).
- (f) At 30 June 2022, the Group has provided an unlimited corporate guarantee in favour of its associate against the bank loans of approximately HK\$391,348,000 (31 December 2021: HK\$433,770,000) made to the associate of the Group.
- (g) For the period ended 30 June 2022, leases payments of approximately HK\$11,187,000 (2021: HK\$11,073,000) for leasing an office premises of the Group were paid to BDHL.
- (h) The details of the remuneration paid to the key management personnel are set out in note 9 to the condensed consolidated financial statements.

23. APPROVAL OF THE FINANCIAL STATEMENTS

The condensed consolidated financial statements for the six months ended 30 June 2022 has been approved for issue by the board of directors on 26 August 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, 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.

The global economic growth forecast for 2022 is a slow down to 3.2%, which was projected by the IMF, mainly depending on the downside risks, stemming from ongoing geopolitical tensions, the continued pandemic, rising inflation, aggravated supply chain issues, high sovereign debt levels in many regions and expected monetary tightening by central banks in developed countries. World oil demand growth in 2022 is forecast at 3.4 mmbbl/d year-on-year to average of 100.3 mmbbl/d in 2022, reported by the OPEC Monthly Oil Market Report of July 2022. The oil price rose sharply in 2022, as investors turned increasingly optimistic about the outlook for oil demand recovery and oil supply disruptions. Correspondingly, the average Brent Oil Price in the reporting period, is US\$107.20/bbl, which is 65.05% higher than US\$64.95/bbl for corresponding period of 2021, according to data from U.S. Energy Information Administration. The high international oil price and steadily increasing production were the main factors to the increase of net profit for the period, the Group reported a profit attributable to the owners of the Company for the reporting period of approximately HK\$1,510,248,000, representing an increase of 57.5% compared to corresponding period of approximately HK\$958,735,000.

Cost of sales and services rendered by the Group for the reporting period was approximately HK\$2,290,702,000, and the Group invested approximately HK\$1,858,048,000 of capital expenditure in oil exploration, development and production activities. The Group drilled 28 wells during the reporting period, including 13 wells in Pakistan Assets and 15 wells in MENA Assets.

Exploration, Development and Production

In the first half of 2022, the Group devoted continuous efforts in its oil and gas exploration. Adhering to the philosophy of value-driven and anchoring on exploration and discoveries of oil and gas fields, 7 commercial discoveries were achieved of which 6 were in Pakistan and 1 in Egypt.

For the six-month ended 30 June 2022, the Group's average daily gross production was approximately 165,338 boed (Pakistan Assets – 71,659 boed plus MENA Assets – 93,679 boed), a 8.4% increase compared to approximately 152,577 boed of the corresponding period, and gross accumulated production was approximately 29.93 mmboe, a 8.4% increase compared to approximately 27.62 mmboe of the corresponding period, at the same time, the Group's average working interest production was 100,107 boed (Pakistan Assets – 48,814 boed plus MENA Assets – 51,293 boed), a 9.5% increase compared to approximately 91,435 boed of last period, and working interest accumulated production was approximately 18.12 mmboe, a 9.5% increase compared to approximately 16.55 mmboe of the corresponding period. Both the accumulated gross production and working interest production were steadily increased with 8.4% and 9.5% respectively in the reporting period, mainly contributed by the existing wells and new wells with sound commercial discoveries. In the six-month ended 30 June 2022, the Group aggressively managed production profile of existing wells, at a relatively high level.

Pakistan

As of 30 June 2022, the Group holds interests in 5 areas dividing into 16 development concessions for oil and gas production in Pakistan.

For the six-month ended 30 June 2022, the Pakistan Assets achieved an average daily gross production of approximately 71,659 boed, increased by 4.9% compared to the corresponding period, and an average daily working interest production of approximately 48,814 boed, increased by 2.3% compared to the corresponding period. The Pakistan Assets have an oil and liquids ratio of 17.4% which was higher than the number of the corresponding period. The accumulated gross production and working interest production of the reporting period was approximately 12.97 mmboe and 8.84 mmboe respectively. The 6 commercial discoveries in Pakistan in the reporting period, will contribute to reserve base and production profile in the near future.

Iraq

The Group holds a 60% participating interest in the EDPSC of Block 9 in Iraq and is the Operator of this block. For the six-month ended 30 June 2022, the average daily gross production was approximately 54,070 boed, increased by 33.1% compared to the corresponding period, and the average daily working interest production was approximately 32,442 boed, increased by 33.1% compared to the corresponding period. The accumulated gross production and working interest production for the reporting period were approximately 9.79 mmboe and 5.87 mmboe respectively. Block 9 has an oil and liquids ratio of 100%. The significant increase in production is mainly due to efficient implementation of Block 9 FDP by the Group.

The Group holds a 30% participating interest in the GDPSC for the Siba contract area in Iraq and is the Operator of this block. The average daily gross production in the six-month ended 30 June 2022 was approximately 20,025 boed, increased by 0.8% compared to the corresponding period, and the average daily working interest production was approximately 6,007 boed, increased by 0.8% compared to the corresponding period. The accumulated gross and working interest production were approximately 3.62 mmboe and 1.09 mmboe respectively. Siba has an oil and liquids ratio of 66.5%.

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 the six-month ended 30 June 2022, the average daily gross production was approximately 19,584 boed, decreased by 17.7% compared to the corresponding period, and the average daily working interest production was approximately 12,844 boed, decreased by 4.0% compared to the corresponding period. The accumulated gross production and working interest production for the reporting period were approximately 3.54 mmboe and 2.32 mmboe respectively. The Egypt Assets has an oil and liquids ratio of 97.7%. The one commercial discovery in Egypt in the reporting period, will contribute to reserve base and production profile in the near future.

SALES AND MARKETING

Sales of Crude Oil

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

For the six-month ended 30 June 2022, the Group's total working interest crude and condensates selling volumes are 10.2 million barrels, representing a year-on-year increase of 20.3% and its average realised oil price (before government royalty, windfall levy and government take at working interest quantity) was approximately US\$104.18/bbl, representing a year-on-year increase of 65.2%, mainly due to the increase of Brent Oil Price.

Sales of Natural Gas

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

For the six-month ended 30 June 2022, the Group's total working interest natural gas selling volumes are 7.7 mmmboe, representing a year-on-year decrease of 3.1% and its average realised gas price (before government royalty, windfall levy and government take at working interest quantity) was approximately US\$29.40/boe, representing a year-on-year increase of 27.1%, mainly due to the increase of Brent Oil Price.

FINANCIAL RESULTS

Financial Review

For the six months ended 30 June 2022 (the “reporting period”), the Group reported a profit attributable to the owners of the Company of approximately HK\$1,510,248,000, representing an increase of 57.5% from the six months ended 30 June 2021 (the “corresponding period”) of approximately HK\$958,735,000. The increase in net profit was mainly due to geopolitical conflicts in Eastern Europe led to higher international oil price and the Group’s Iraqi assets has ramped up its production.

During the reporting period, the Group’s average daily working interest production was approximately 100,107 boed (Pakistan Assets of 48,814 boed plus MENA Assets of 51,293 boed), slightly increased compared to approximately 91,435 boed (Pakistan Assets of 47,729 boed plus MENA Assets of 43,706 boed) of the corresponding 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 quantity) was approximately US\$71.93/boe, compared to approximately US\$43.70/boe of the corresponding period, representing an increase of 64.6%.

Turnover

The Group’s turnover for the reporting period was approximately HK\$5,502,952,000, representing an increase of 59.2% as compared with the turnover of approximately HK\$3,456,367,000 of the corresponding period. The increase in turnover was mainly contributed by the effect of increase in realised sales prices during the reporting period.

Exploration and Production Category		Six months ended 30 June 2022	Six months ended 30 June 2021	Change
Oil and gas sales*	USD’000	1,296,535	721,001	+ 79.8%
Crude oil and liquids	USD’000	1,063,183	534,972	+ 98.7%
Natural gas	USD’000	227,012	184,360	+ 23.1%
LPG	USD’000	6,340	1,669	+ 279.9%
Sales Volume	mmboe	18.0	16.5	+ 1.5
Crude oil and liquids	mmboe	10.2	8.5	+ 1.7
Natural gas	mmboe	7.7	8.0	- 0.3
LPG	mmboe	0.1	0.0 [#]	+ 0.1
Realised prices*	US\$/boe	71.93	43.70	+ 64.6%
Crude oil and liquids	US\$/bbl	104.18	63.07	+ 65.2%
Natural gas	US\$/boe	29.40	23.13	+ 27.1%
LPG	US\$/boe	63.69	38.04	+ 67.4%

* 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) increased 4.5% to approximately HK\$578,326,000 in the first half of 2022, compared with approximately HK\$553,581,000 in the corresponding period. The operating expenses per boe (at working interest production) was approximately US\$4.1 in the reporting period, compared with approximately US\$4.3 in the corresponding period, decreased by 4.7%. For Pakistan Assets, operating expenses per boe was approximately US\$4.1, increased by 7.9% (2021: approximately US\$3.8 per boe); while for MENA Assets, operating expense per boe was approximately US\$4.1, decreased by 14.6% (2021: approximately US\$4.8 per boe).

Depreciation, depletion and amortisation

Included in the cost of sales and services rendered, the depreciation, depletion and amortisation was approximately HK\$1,697,699,000, representing an increase of 31.4% as compared with the amount of approximately HK\$1,291,694,000 in the corresponding period.

Gross profit

The Group's gross profit for the reporting period was approximately HK\$3,212,250,000 (gross profit ratio 58.4%) which represented an increase of 113.5% as compared with gross profit of approximately HK\$1,504,883,000 (gross profit ratio 43.5%) for the corresponding period. The significant increase in gross profit was mainly due higher international oil price during first half of 2022.

Exploration expenses

The Group's exploration expenses for the reporting period were approximately HK\$721,688,000 (2021: approximately HK\$3,662,000) which included the expenses for performance of geological and geophysical studies and surface use rights and written off loss of approximately HK\$715,614,000 arising from dry exploration wells.

Administrative expenses

The Group's administrative expenses for the reporting period were approximately HK\$204,697,000 (2021: approximately HK\$241,899,000) representing 3.7% (2021: 7.0%) of the turnover.

Finance costs

The Group's finance costs for the reporting period were approximately HK\$167,950,000, which represented an increase of 22.9% as compared with the finance costs of approximately HK\$136,663,000 for the corresponding period. The increase in finance costs was mainly due to the increase in average interest rate and average loan outstanding balance during the reporting period. The weighted average interest rate of borrowings for the reporting period was 6.35% (2021: 4.81%).

Income tax expense

The Group's income tax expense for the reporting period was approximately HK\$88,614,000. This included the current income tax of approximately HK\$524,570,000 and deferred tax income of approximately HK\$435,956,000, compared with current income tax of approximately HK\$146,905,000 and deferred tax expense of approximately HK\$59,994,000 for the corresponding period respectively. The Group's effective tax rate for the reporting period was approximately 5.5%, representing a decrease 12.2 percentage points as compared with 17.7% for the corresponding period.

EBITDA

EBITDA represents the profit before finance costs, income tax expense, depreciation and amortisation, property, plant and equipment written off, share of losses/profits of associates, share of loss in a joint venture, impairment losses on investment in associates, impairment losses for/reversals of impairment losses on trade receivables and reversals of impairment losses on/impairment losses for other receivables. It should 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\$4,829,722,000, increased by 85.4% from the corresponding period of approximately HK\$2,605,374,000. The increase in EBITDA was mainly attributable to the increase 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\$3,182,024,000, representing an increase of 159.0% as compared with the corresponding period of approximately HK\$1,228,692,000. This was primarily attributed to the continuous high Brent oil price resulting to the increase in sales inflow during the current period.

Cash used in investing activities

In the first half 2022, the Group's net cash used in investing activities increased by 185.3% to approximately HK\$2,593,123,000 compared to approximately HK\$908,942,000 in the corresponding period, mainly due to the development expenditure of approximately HK\$2,040,518,000 for the reporting period with an overall increase of 81.3% as compared to the corresponding period and increase in restricted bank deposits.

Cash used in financing activities

In the first half 2022, the net cash used in financing activities was approximately HK\$1,326,353,000, mainly due to the payment of special dividend of approximately HK\$1,051,597,000 and repayment of bank loans of approximately HK\$990,050,000 but netted off with the drawdown of bank loans of approximately HK\$766,622,000.

Dividend

The Board has not recommended the payment of interim dividend for the reporting period.

Business and market outlook

The global economy in 2022 is projected to rebound 3.2%, according to IMF forecast in July 2022. On the commodity front, global oil demand is forecast to increase by 3.4 mmbbl/d to average of 100.3 mmbbl/d, which is stated in OPEC Monthly Market Report of July 2022. Economy will continue slow recovery and commodity market will be fluctuated, with uncertainties from the war in Ukraine, elevated inflation, tackling inflation policies and rising interest rates. The oil and gas industry is expected to increase steadily and gradually.

For our 2022 plan, 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 the 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 the Group, gas demand is expected to increase from approximately 4.0 bcf/d in 2018 to approximately 4.3 bcf/d in 2024 and then stabilises around this level afterwards. On the supply side, the domestic production amounted to approximately 3 bcf/d in 2018 and is expected to decline quickly to below approximately 2 bcf/d 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 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 45,000 to 48,000 boed in 2022.

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 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 first half of 2022, United Energy has achieved outstanding operational and financial performance. Delicacy management greatly contributes to the desirable result. For the way forward, we will keep on ramping up production, optimizing 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\$2,738,523,000 as at 30 June 2022 (31 December 2021: approximately HK\$3,170,562,000).

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

	Principal amount outstanding at 30 June 2022	
	US\$	Equivalent to HK\$
Revolving loans	318,927,000	2,487,631,000
Term loans	215,104,000	1,677,811,000
Reserves-based borrowing	33,250,000	259,350,000
Finance leases	30,464,000	237,619,000
	597,745,000	4,662,411,000

As at 30 June 2022, the gearing ratio was approximately 18.5% (31 December 2021: 19.7%), based on borrowings and lease liabilities under current liabilities and non-current liabilities of approximately HK\$2,129,580,000 (31 December 2021: approximately HK\$1,868,474,000) and approximately HK\$2,575,233,000 (31 December 2021: approximately HK\$3,066,609,000) respectively and total assets of approximately HK\$25,372,928,000 (31 December 2021: approximately HK\$25,032,350,000). As at 30 June 2022, the current ratio was approximately 1.43 times (31 December 2021: approximately 1.51 times), based on current assets of approximately HK\$8,379,088,000 (31 December 2021: approximately HK\$7,668,588,000) and current liabilities of approximately HK\$5,864,595,000 (31 December 2021: approximately HK\$5,093,352,000).

As at 30 June 2022, the Group's total borrowings amounted to approximately HK\$4,415,130,000 (31 December 2021: approximately HK\$4,594,073,000), all of them are denominated in United States dollars. The weighted average interest rate of the borrowings as at 30 June 2022 was 6.23% (31 December 2021: 4.60%).

As at 30 June 2022, the Group's property, plant and equipment, right-of-use assets, trade receivable and bank balances, with total carrying value of approximately HK\$4,403,665,000 (31 December 2021: approximately HK\$3,834,155,000) and share charges in respect of the equity interests of certain subsidiaries were pledged to secure the Group's general banking facilities, finance lease and trade and other payables.

The Group is continuously exploring opportunities to optimise 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 5 of the Notes to Condensed Consolidated Financial Statements in this announcement.

Capital Structure

During the reporting period, there was no change of the issued share capital of the Company. The total number of issued shares of the Company was 26,289,928,786 shares as at 1 January 2022 and 30 June 2022.

Employees

As at 30 June 2022, the Group employed a total of 2,030 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 21 of the Notes to Condensed 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.

Sufficiency of Public Float

The Company has maintained a sufficient public float throughout the six months ended 30 June 2022.

Share Option Scheme

The Company's share option scheme (the "Old Scheme") with the maximum number of 9,598,537 shares of the Company to be issued upon on the exercise of share options under the Old Scheme (the "Old Scheme Limit") was adopted pursuant to the shareholders' resolution passed on 11 May 2006 for the primary purpose of providing opportunity to Directors, employees and consultants to acquire proprietary interests of the Group. On 3 December 2007, the Old Scheme Limit was approved to be refreshed to the maximum number of 1,277,709,163 shares of the Company to be issued upon on the exercise of share options under the Old Scheme by shareholders of the Company (the "Refreshed Old Scheme Limit"). The corresponding listing approval for the Refreshed Old Scheme Limit was granted by the Stock Exchange on 28 February 2008. The Old Scheme has been expired on 10 May 2016.

The new share option scheme of the Company (the "New Scheme") with the maximum number of 1,308,572,137 shares of the Company to be issued on the exercise of share options under the New Scheme (the "New Scheme Limit") was adopted pursuant to the shareholders' resolution passed on 27 May 2016 for the primary purpose of providing opportunity to Directors, employees and consultants to acquire proprietary interests of the Group.

The total number of shares in respect of which options may be granted under the New Scheme is not permitted to exceed 30% of the shares of the Company in issue from time to time. The number of shares issued and to be issued in respect of which options granted and may be granted to any individual is not permitted to exceed 10% of the shares of the Company in issue from time to time.

During the six months ended 30 June 2022, no share options were granted, exercised, lapsed or cancelled under both the Old Scheme and the New Scheme. As at 30 June 2022, 627,452,526 shares under the Refreshed Old Scheme Limit were not used for granting share option under the Old Scheme ("Unused Refreshed Old Scheme Limit") and the total adjusted outstanding share options granted under the Old Scheme but not exercised was 23,256,637 units of the share options ("Outstanding Option Not Exercised"). The ratio of Unused Refreshed Old Scheme Limit and the Outstanding Option Not Exercised to the total issued shares of the Company of 26,289,928,786 shares as at 30 June 2022 was 2.48%.

As at 30 June 2022, details of outstanding share options granted but not exercised under the Old Scheme are as follows.

Grant Date	Adjusted Exercise Price (Note) HK\$	Vesting Period	Exercisable Period	Adjusted Number of Share Options (Note)					
				As at 1.1.2022	Granted	Exercised	Lapsed	Cancelled	As at 30.6.2022
Employees									
29.8.2012	0.93	29.8.2012 to 28.8.2013	29.8.2013 to 28.8.2022	6,976,991	-	-	-	-	6,976,991
29.8.2012	0.93	29.8.2012 to 28.8.2014	29.8.2014 to 28.8.2022	4,651,327	-	-	-	-	4,651,327
29.8.2012	0.93	29.8.2012 to 28.8.2015	29.8.2015 to 28.8.2022	4,651,327	-	-	-	-	4,651,327
29.8.2012	0.93	29.8.2012 to 28.8.2016	29.8.2016 to 28.8.2022	6,976,992	-	-	-	-	6,976,992
Total				23,256,637	-	-	-	-	23,256,637

Note: Upon completion of Open Offer on 30 August 2016, the exercise price and the number of shares that can be subscribed for upon the exercise of the outstanding share options was adjusted from HK\$1.20 to HK\$0.93 and 18,000,000 shares to 23,256,637 shares respectively.

Disclosure of Interests

Director's interests and short positions in the securities of the Company and its associated corporations

As at 30 June 2022, the following Director had or was deemed to have interests or short positions in the shares, underlying shares or debentures of the Company and its associated corporations (within the meaning of Part XV of the SFO) (i) which were required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests or short positions which they were taken or deemed to have under such provisions of the SFO); or (ii) which were required, pursuant to section 352 of the SFO, to be entered in the register referred to therein; or (iii) which were otherwise required to notify the Company and the Stock Exchange pursuant to the Model Code:

Name of Director	Nature of interest	Number of Shares		Approximate % shareholding
		Long Position	Short Position	
Zhang Hong Wei (Note 1)	Attributable interest of controlled corporation	17,466,600,230	2,696,809,090	66.44% (L) 10.26% (S)
Zhang Meiying (Note 2)	Attributable interest of controlled corporation	1,287,700,000	800,000,000	4.90% (L) 3.04% (S)

Note:

- Out of the 17,466,600,230 shares (66.44%), 8,029,971,845 shares (30.55%) were beneficially held by He Fu International Limited, 5,787,539,821 shares (22.01%) were beneficially held by United Petroleum & Natural Gas Holdings Limited, and 3,649,088,564 shares (13.88%) were beneficially held by United Energy Holdings Limited. United Petroleum & Natural Gas Holdings Limited and United Energy Holdings Limited are companies wholly-owned by Million Fortune Enterprises Limited, which is in turn wholly-owned by Mr. Zhang Hong Wei. He Fu International Limited is wholly-owned by Huilan Investment Limited, which is owned by 东方集团有限公司 (92%) and 东方集团产业发展有限公司 (8%). 东方集团产业发展有限公司 is wholly-owned by 东方集团有限公司, which is 94% owned by 名泽东方投资有限公司, which is in turn wholly-owned by Mr. Zhang Hong Wei. Therefore, Mr. Zhang Hong Wei is deemed to be interested in those 17,466,600,230 shares (66.44%).
- 1,287,700,000 shares (4.9%) were beneficially held by Brand Master Group Limited which is wholly-owned by Ms. Zhang Meiying.
- (L) denotes long position and (S) denotes short position.

Save as disclosed above, as at 30 June 2022, none of the Directors and chief executive of the Company and their respective associates had or is deemed to have any interests or short positions in the Shares, underlying Shares or debentures of the Company or its associated corporations (within the meaning of Part XV of the SFO) (i) which were required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests or short positions which the Directors and chief executives of the Company are taken or deemed to have under such provisions of the SFO); or (ii) were required to be recorded in the register required to be kept by the Company pursuant to section 352 of the SFO; or (iii) which will be required, pursuant to the Model Code, to be notified to the Company and the Stock Exchange.

Substantial Shareholders

Persons who have an interest or short position which is discloseable under Divisions 2 and 3 of Part XV of the SFO and substantial Shareholders

So far as is known to the Directors, as at 30 June 2022, the following person (not being Directors or chief executive of the Company) had, or was deemed to have, interests or short positions in the Shares or underlying Shares which would fall to be disclosed to the Company and the Stock Exchange under the provisions of Divisions 2 and 3 of Part XV of the SFO or who were directly or indirectly interested in 5% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of any member of the Group:

Name	Capacity and nature of interest	Number of Shares	Approximate % shareholding
Zhang Hong Wei (Note a)	Attributable interest of controlled corporation	17,466,600,230 (L) 2,696,809,090 (S)	66.44% (L) 10.26% (S)
名泽东方投资有限公司 (Note a)	Attributable interest of controlled corporation	8,029,971,845 (L)	30.55% (L)
东方集团有限公司 (Note b)	Attributable interest of controlled corporation	8,029,971,845 (L)	30.55% (L)
东方集团产业发展有限公司 (Note c)	Attributable interest of controlled corporation	8,029,971,845 (L)	30.55% (L)
Huilan Investment Limited (Note d)	Attributable interest of controlled corporation	8,029,971,845 (L)	30.55% (L)
He Fu International Limited (Note e)	Beneficial owner	8,029,971,845 (L)	30.55% (L)
Million Fortune Enterprises Limited (Note a)	Attributable interest of controlled corporation	9,436,628,385 (L) 2,696,809,090 (S)	35.89% (L) 10.26% (S)
United Petroleum & Natural Gas Holdings Limited (Note f)	Beneficial owner	5,787,539,821 (L) 1,287,700,000 (S)	22.01% (L) 4.90% (S)
United Energy Holdings Limited (Note f)	Beneficial owner	3,649,088,564 (L) 1,409,109,090 (S)	13.88% (L) 5.36% (S)
Haitong Securities Co., Ltd. (Note g)	Attributable interest of controlled corporation	3,496,809,090 (L) 1,409,109,090 (S)	13.30% (L) 5.36% (S)
Haitong International Holdings Limited (Note g)	Attributable interest of controlled corporation	3,496,809,090 (L) 1,409,109,090 (S)	13.30% (L) 5.36% (S)

Haitong International Securities Group Limited <i>(Note g)</i>	Attributable interest of controlled corporation	3,496,809,090 (L) 1,409,109,090 (S)	13.30% (L) 5.36% (S)
Haitong International Securities Group (Singapore) Pte. Ltd. <i>(Note g)</i>	Attributable interest of controlled corporation	2,087,700,000 (L)	7.94% (L)
Haitong International Securities (Singapore) Pte. Ltd. <i>(Note g)</i>	Person having a security interest in shares	2,087,700,000 (L)	7.94% (L)

Note:

- (a) 名泽东方投资有限公司 and Million Fortune Enterprises Limited are wholly owned by Mr. Zhang Hong Wei.
- (b) 名泽东方投资有限公司 owns 94% shares of 东方集团有限公司.
- (c) 东方集团产业发展有限公司 is wholly-owned by 东方集团有限公司.
- (d) Huilan Investment Limited is 92% owned by 东方集团有限公司 and 8% owned by 东方集团产业发展有限公司.
- (e) He Fu International Limited is wholly owned by Huilan Investment Limited.
- (f) These companies are wholly owned by Million Fortune Enterprises Limited.
- (g) Haitong International Securities (Singapore) Pte. Ltd. is wholly owned by Haitong International Securities Group (Singapore) Pte. Ltd. Haitong International Securities Group (Singapore) Pte. Ltd. and HTI Financial Solutions Limited are wholly owned by Haitong International Securities Group Limited. Haitong International Holdings Limited has an interest in approximately 65.00% of the issued share capital of Haitong International Securities Group Limited and is wholly owned by Haitong Securities Co., Ltd. Therefore, each of Haitong International Securities Group Limited, Haitong International Holdings Limited and Haitong Securities Co., Ltd. is deemed or taken to be interested in 3,496,809,090 Shares which are owned by Haitong International Securities (Singapore) Pte. Ltd. (2,087,700,000 Shares) and HTI Financial Solutions Limited (1,409,109,090 Shares) as right to take the underlying Shares under the SFO.
- (h) (L) denotes long position and (S) denotes short position.

Save as disclosed above, as at 30 June 2022, the Directors were not aware of any other person (other than the Directors and the chief executive of the Company) who had, or was deemed to have, interests or short positions in the Shares or underlying Shares (including any interests in options in respect of such capital), which would fall to be disclosed to the Company and the Stock Exchange under the provisions of Divisions 2 and 3 of Part XV of the SFO, or who was directly or indirectly interested in 10% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of any member of the Group.

Corporate Governance

The Company has applied the principles and complied with the code provisions as set out in the Code on Corporate Governance Practices (the “Code”) contained in Appendix 14 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the “Listing Rules”) during the six months ended 30 June 2022 except that:

- 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.

Compliance with the Model Code of the Listing Rules

The Company has adopted the Model Code as set out in Appendix 10 of the Listing Rules (the “Model Code”). Having made specific enquiry with the Directors, all the Directors confirmed that they have complied with the required standard as set out in the Model Code during the six months ended 30 June 2022.

Audit Committee

The Audit Committee of the Company comprise three independent non-executive directors, namely Mr. Chau Siu Wai, Mr. San Fung and Ms. Wang Ying. The Audit Committee has reviewed the unaudited condensed consolidated interim financial statements for the six months ended 30 June 2022. The Audit Committee has also discussed with management and reviewed the accounting principles and practices adopted by the Group, as well as risk management, internal control and financial reporting matters, and found them to be satisfactory.

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 six months ended 30 June 2022.

Publication of interim report

A detailed interim report containing all the information required by paragraph 46(1) to 46(9) of Appendix 16 of the Listing Rules will be dispatched to the shareholders and available on the Company’s website at www.uegl.com.hk and the Stock Exchange’s website at www.hkexnews.hk in due course.

By Order of the Board
United Energy Group Limited
Zhang Hong Wei
Chairman

Hong Kong, 26 August 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.

GLOSSARY AND DEFINITION

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

General Terms:

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

Technical Terms:

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