UEG
联合能源

年 報
Annual Report
2015

聯合能源集團有限公司
UNITED ENERGY GROUP LIMITED

(於開曼群島註冊成立及於百慕達存續之有限公司)

(Incorporated in the Cayman Islands and continued in Bermuda with limited liability)

(股份代號 Stock Code : 0467)

CONTENTS

CORPORATE INFORMATION

Directors

Executive Directors

Zhang Hong Wei *(Chairman)*
Zhu Jun
Zhang Meiying

Independent Non-Executive Directors

San Fung
Chau Siu Wai
Zhu Chengwu

Company Secretary

Hung Lap Kay

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Two Pacific Place
88 Queensway
Hong Kong

Registered Office

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2 Church Street
Hamilton HM11
Bermuda

Principal Bankers

China Development Bank, Hong Kong Branch
Industrial and Commercial Bank of China (Asia) Ltd.
Bank of Communications Company Limited,
Hong Kong Branch
Hong Kong and Shanghai Banking Corporation Ltd.

Legal Adviser in Hong Kong

Baker Botts LLP
Simmons & Simmons
Michael Li & Co.
Angela Ho & Associates in association with
Lang Michener LLP

Auditors

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28 Yun Ping Road,
Causeway Bay,
Hong Kong

Bermuda Principal Share Registrar and Transfer Office

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2 Church Street,
Hamilton HM 11,
Bermuda

Hong Kong Branch Share Registrar and Transfer Office

Tricor Secretaries Limited
Level 22, Hopewell Centre,
183 Queen's Road East,
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Website

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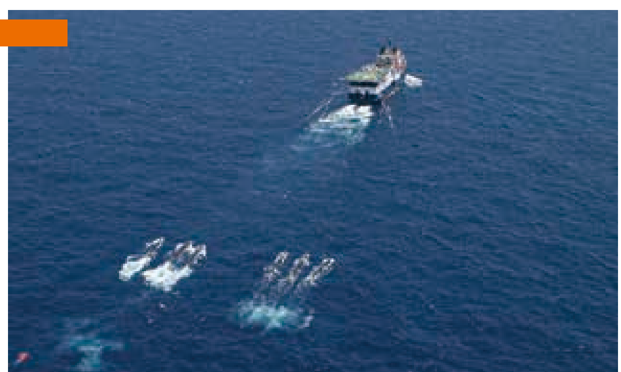


KEY FINANCIAL AND OPERATION SUMMARY

Financial Summary

	2015 HK$'000	2014 HK$'000	Change
Results			
Turnover	**5,417,885**	6,120,229	–11.5%
Gross profit	**2,792,827**	3,290,782	–15.1%
EBITDA(Note 1)	**4,044,047**	4,294,174	–5.8%
(Loss)/profit for the year	**(2,950,620)**	1,814,446	–262.6%
(Loss)/profit attributable to owners of the Company	**(2,943,674)**	1,827,887	–261.0%
Basic (loss)/earnings per share (HK cents)	**(22.51)**	14.00	–260.8%
Key items in Consolidated Statement of Financial Position			
Equity attributable to owners of the Company	**6,811,894**	9,778,958	–30.3%
Total assets	**13,713,810**	18,540,265	–26.0%
Net assets	**6,841,609**	9,817,372	–30.3%

Operation Summary

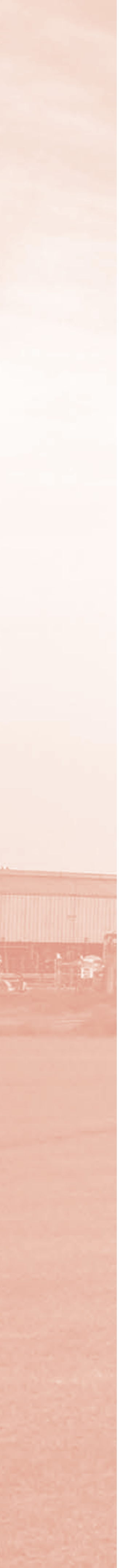
Pakistan Assets	2015	2014	Change
Operation			
Average Daily Net Production (boed)	**64,464**	47,091	+36.9%
Oil & Liquids Ratio(Note 2)	**22.4%**	32.2%	–9.8%
Reserve			
Net 1P Reserve at the year end (mmboe)	**95.0**	84.1	+13.0%
Net 1P Reserve Replacement Ratio	**146%**	183%	–37%
Exploration & Development Activity			
Rig Workovers	**8**	10	–20%
Exploration wells	**24**	23	+4.3%
Development wells	**7**	15	–53.3%
3D Seismic Data Acquired (Km^2)	**–**	1,442	–100%

Liaohe EOR Project, China	2015	2014	Change
Operation			
Average Daily Net Production Rate (bbld)	**1,434**	1,820	–21.2%
Oil & Liquids Ratio(Note 2)	**100%**	100%	–
Reserve			
Net 1P Reserve at the year end (mmbbl)	**11.9**	27.1	–56.1%
Development Activity			
Coverage of Fireflood Application at the year end	**46%**	44%	+2%
Rig Workovers	**6**	20	–70%

Notes:

1. EBITDA represents the loss/profit before finance costs, income tax credit/expense, depreciation and amortisation, impairment and written off losses on intangible assets and property, plant and equipment, allowances for inventories and trade and other receivables, gain on disposals of property, plant and equipment and gain on disposal of subsidiaries.

2. Oil & Liquids including Crude Oil, Condensate & LPG.



CHAIRMAN'S STATEMENT

CHAIRMAN'S STATEMENT

Year 2015 is a challenging year for upstream energy companies. The international commodity market volatility and the sharp decline in oil prices have brought tremendous challenge to operators in the industry. However, United Energy Group Limited (the "Company") or ("United Energy") and its subsidiaries (collectively referred to as the "Group") continued to execute the "reliable operation + rapid growth" business strategy. The Group has leveraged on the unique characteristics of its oil and gas operations to consolidate its position as a major oil and gas exploration and production company in the region. For the year ended 31 December 2015 (the "reporting period"), both production and sales volume of the Group recorded satisfactory growth. Together with the effective implementation of cost optimization measures, these contributions helped to reduce the impact of decline oil prices. Pakistan Assets continued to achieve considerable growth with average daily net production of approximately 64,464 boed, increased by 36.9% compared to the year ended 31 December 2014 ("Last Year"), contributed by new oil and gas discoveries as well as increased production capacity.

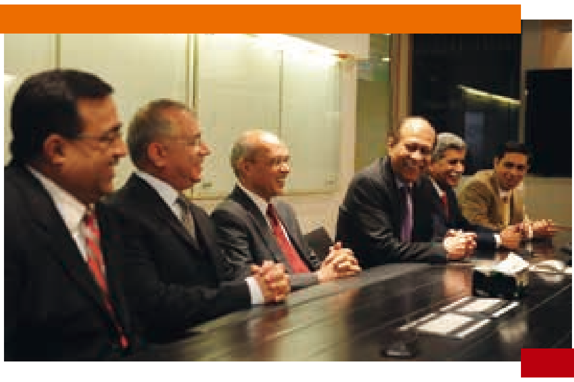
Taking the same stance as our peers, financial performance of the Group was affected by the macroeconomic environment and weak international oil prices. Nevertheless, the Group's EBITDA, which does not take into account of the impairment and written off losses, was approximately HK$4,044,047,000, only decreased slightly by 5.8% from Last Year. Impacted by the impairment and written off losses in relation to the Liaohe Enhancing Oil Recovery Project ("Liaohe EOR Project") in China and the dry and non-producing wells of Pakistan Assets, the Group reported a net loss attributable to the owners of the Company of approximately HK$2,943,674,000 for the reporting period as compared to a profit of approximately HK$1,827,887,000 in Last Year.

The Group's turnover for the reporting period was approximately HK$5,417,885,000, representing a decrease of 11.5% as compared with Last Year. The decline in turnover was mainly attributable to lower realised oil prices. For the year ended 31 December 2015, Net 1P reserve during the reporting period was 106.9 mmboe, represented 3.9% decrease as compared to Last Year. The decline in reserve was mainly caused by the fall in oil prices which has affected the commerciality of oil reserve for the Liaohe EOR Project. Notwithstanding, reserves of Pakistan Assets continued to record encouraging growth.

Production volume and reserves of Pakistan Assets achieved steady growth

In 2015, through the efforts of our management and staff, the Pakistan Assets has successfully implemented an intensive exploration and development programme and achieved good results. The production scale has significantly improved with expanded operation and increased productivity. The Pakistan Assets' average daily net production grew by 36.9% to approximately 64,464 boed during the reporting period, with an oil and liquids ratio of 22.4%. As at 31 December 2015, Net 1P reserve stood at 95.0 mmboe, with Net 1P reserve added during the reporting period amounted to 34.4 mmboe, representing a net 1P reserve replacement ratio of 146%.

Construction of the Naimat Phase 5 gas processing plant which consisted of two phases was duly completed in mid-2015, additional 160 mmcfd production capacity was added to the MKK Blocks and thus contributed to the remarkable increase in production in the second half of 2015. Construction speed of Naimat Phase 5 also marked an industrial record in Pakistan as the plant only took 13 months from planning and design, construction to completion and commencement of production. For the reporting period, the average daily net production for MKK Blocks has risen by 74.3% to 42,770 boed from Last Year. The Group will continue to keep its strategic focus on the exploration and development activities of the huge potential MKK block which will become a major source of growth for the Group in the future. This will also be conducive to the implementation of the Group's business plan in the MKK concession area.



Pakistan has faced severe energy shortage starting from 2010. Oil and gas accounted for over 80% of Pakistan's energy supply market. Current local production of oil and gas has far failed to meet the demand. In this connection, the government has a variety of incentives to encourage investment in oil and gas resources industry and has to devote substantial resources in the energy infrastructure sector. The Group, being one of the largest foreign energy companies in Pakistan with solid and reputed brand in the country, will accelerate its development pace to achieve steady growth in both production and reserves in the coming years. The Group continues to search for quality projects and opportunities to fully make use of its advantage in the sector.

Abandonment of Liaohe EOR Project

This operation encountered significant challenges during 2015 as international oil price plummeted to historical low. Realised oil price sinked by 45.3% to US$46.4 boe during the reporting period, directly contributed to the segmental loss. Under the adverse economic condition of 2015, average daily net production for the Liaohe EOR Project was 1,434 bbld, declined by 21.2% compared with Last Year which was in line with our strategic reduction in capital investment.

Impacted by the dramatic decline of international oil prices in 2015, the Group has strategically scaled down its capital investment for production and re-assessed the corresponding economic benefits under low oil prices. Taking into consideration of the current state of macro environment, the capital investment required and the economic return brought by the Liaohe EOR Project, the Board resolved that it is in the interest of the Group and its Shareholders to abandon the Liaohe EOR Project and direct resources to other core and potential businesses which can produce better returns. Therefore, on 23 February 2016, the Group issued a notice to China National Petroleum Corporation ("CNPC"), joint venture partner of the Liaohe EOR Project, to propose the abandonment of the Liaohe EOR Project. Accordingly, all of the non-current assets of Liaohe EOR Project were impaired in accordance with terms of the EOR contract and relevant financial reporting standards. The impairment represents accounting entries in the financial statements only and they do not have material impact on the cash flow position of the Company.

Oilfield Supporting Services

International oil prices play an important role to the application of fireflood technology. The Group will closely monitor the potential business risk of abated demand under weak international oil prices and seek potential business cooperation.

Health, Safety and Environment (HSE)

The Group remains steadfast to its values, of which the commitment to health, safety and environmental (HSE) performance is a core principle. All business is conducted in a safe, efficient manner with due regard to the interests of the diverse stakeholders involved and affected by operations. Compliance to HSE standards in the year 2015 was exemplary and all performance objectives were delivered. The Group continues to strive for excellence in HSE and other disciplines in order to remain at par with local as well as international standards.

Corporate Social Responsibility

The Group prides itself on its commitment to Corporate Social Responsibility. Along with meeting business objectives and production targets, the Group remains true to its underlying principles of operating as a conscientious corporate citizen.

The business strives to create a win-win situation for itself as well as local stakeholders, which include the government and local communities residing in our concession areas. The three strategic areas that are targeted through the Group allocated social investment funds are Healthcare, Education and Capacity building for sustainable and enhanced income generation. While Pakistan's economy received the much-needed energy to fuel its progress in 2015, the local communities in our areas of operations also benefited from sustainable social investment projects.

The year 2015 witnessed some landmark projects being initiated and delivered by the Group – some of these include schools made and managed in partnership with The Citizens Foundation, delivery of environmentally friendly solutions to facilitate access to potable water through solar powered water pumps in far flung and arid corners of our concessions and initiating a partnership with the credible Aga Khan Medical University to fund a landmark health center at MKK. The Group aims to be an agent of development and progress where it operates. There is a conscious effort to create a positive footprint in areas where we operate.

Outlook

As one of the major upstream oil and gas corporations listed on the Hong Kong Stock Exchange, the Group continues to search for opportunities to acquire and expand in the global oil and gas market. This, together with aggressive exploration and development of existing assets, will maximize returns for the shareholders. The Group possesses a professional team of employees and high-graded sustainable exploration and development assets. Net cash generated from operating activities during 2015 amounted to approximately HK$3.43 billion. With bank and cash balances of approximately HK$2.16 billion at the end of 2015, it should provide us with a solid foundation for outbound acquisitions. Together with the co-operation agreement of US$5 billion with China Development Bank, the Group can make use of this strong financial support to expand its asset base and operations, thereby achieving the best returns for shareholders.

As of early 2016, Brent oil prices dived further and the short term outlook of crude oil prices would remain weak through 2016 as supply still outpaces demand and global oil inventory continues to build up. Under this environment, the Group will adopt a stable output strategy and shift our focus towards building up oil reserve to cater for recovery of international oil market. For 2016, the Pakistan Assets' average daily net production is projected to be in the range of 62,000 to 66,000 boed, which is about the same level as 2015. 1P reserve replacement ratio of the Pakistan Assets is expected to be between 110% and 130%.

The Group will continue to implement cost optimisation measures to cautiously monitor its capital expenditure and operating expenses through measures such as optimisation of well design and drilling efficiencies, fine-tuning of operation workflows, and improving procurement management. These measures will further strengthen the Group's cost structure and enhance its competitiveness to cope with low oil prices.

In the past few years, United Energy's rapid development in Pakistan not only made a contribution to alleviate the energy crisis in Pakistan, but also enhance friendship, economic cooperation and cultural exchange between China and Pakistan. Chinese government and Pakistan government highly valued and appreciated the important role of the Group in the economic cooperation between China and Pakistan and gave utmost support to the Group in terms of business development. The Group expands its success in the "China-Pakistan Economic Corridor" and to promote oil and gas projects to be incorporated in the corridor planning. The Group also searches for oil and gas exploration assets and other cooperative opportunities in Pakistan in order to create synergy to the overall business of the Group.

Riding on the "Belt and Road" strategic development of Chinese government, the Group targets on new oil and gas exploration and development projects in those countries covered by the "Belt and Road" policy, strive to accelerate business development and eye on new growth and in-depth regional cooperation opportunities. New acquisitions can also diverse geographical concentration of our assets and revenue base in order to achieve risk diversification.

2015 has been a challenging year for all upstream oil and gas operators. The Group has undergone an uphill fight to deliver satisfactory results to our stakeholders, but inevitably encountered a year of retreat in financial performance as hindered by weak oil prices in the international market. Nevertheless, the Group continued to achieve strong production output, made several important discoveries in the Pakistan Assets and maintained a strong financial position. Despite the challenges ahead, we still hold a cautiously optimistic view on the outlook of the upstream oil and gas industry. The Group will adopt a stable output strategy for 2016 and cautiously monitor its cost structure to stay competitive. I, on behalf of the Board, would like to thank all the shareholders and investors for their continued support and all the employees for their contribution to the Group. We will uphold our promise to deliver sustainable growth and returns to our stakeholders.

Zhang Hong Wei
Chairman
8 March 2016

MANAGEMENT DISCUSSION AND ANALYSIS

MANAGEMENT DISCUSSION AND ANALYSIS

Financial Review

The Group reported a net loss attributable to the owners of the Company of approximately HK$2,943,674,000 for the year ended 31 December 2015 (the "reporting period") as compared to a profit of approximately HK$1,827,887,000 for the year ended 31 December 2014 ("Last Year"). The net loss was primarily attributable to the recognition of several non-cash impairment and written off losses in aggregate of approximately HK$5,821,284,000 in respect of the following items:

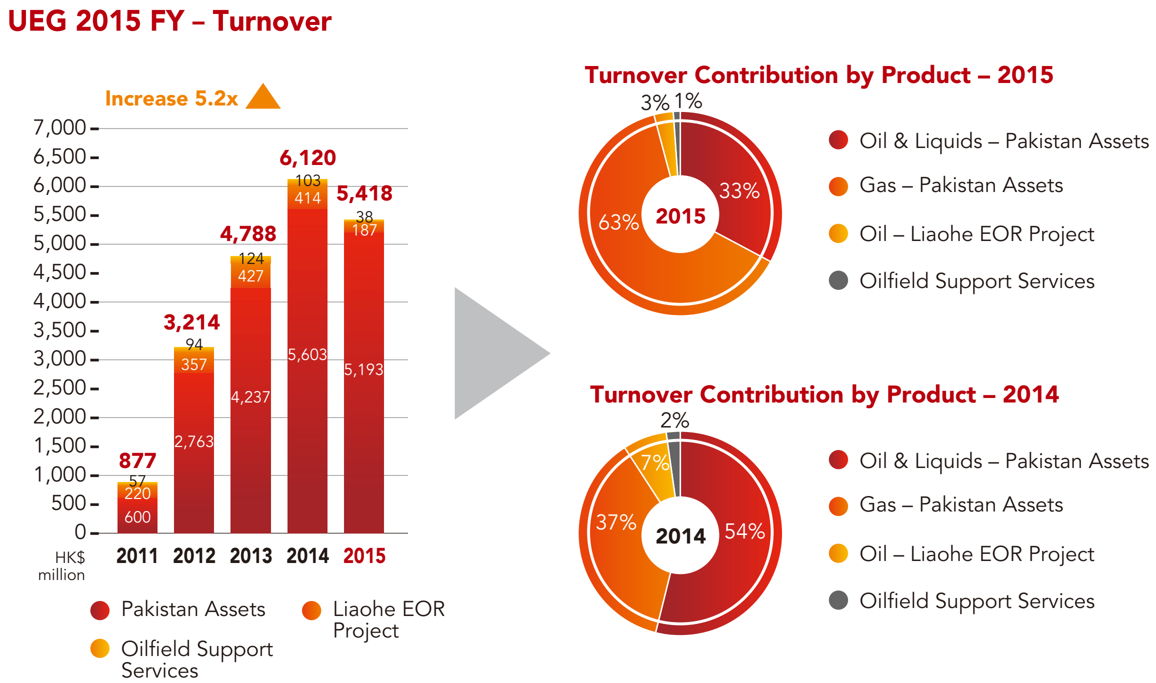
- Assets impairment in relation to the Liaohe Enhancing Oil Recovery Project ("Liaohe EOR Project") in China amounted to approximately HK$4,216,074,000. The impairment occurred as a result of the Group's decision to abandon the Liaohe EOR Project in view of the losses suffered in the oil exploitation segment due to the sharp fall of international oil prices. The Group has arrived at such decision after careful consideration of the macroeconomic environment, ongoing capital expenditure and the economic benefit that can be brought to the Group in this project. The Board is of the view that the abandonment is in the interest of the shareholders of the Company ("Shareholders") and enables the Group to have better utilisation of its resources in other core and potential businesses.

- Impairment and written off losses of the Pakistan Assets amounted to approximately HK$1,605,210,000 principally due to dry wells and non-productive fields.

Under the impact of weak international oil prices, financial performance of the Group were also affected by lower realized selling prices of oil and gas commodities but partially offset by the increase in overall production and sales volume. On the other hand, the Group's EBITDA, which does not take into account of the impairment and written off losses, was approximately HK$4,044,047,000, only decreased slightly by 5.8% from Last Year. The Pakistan Assets continued to achieve an encouraging growth in production during the reporting period with average daily net production grown by 36.9% to 64,464 barrels of oil equivalent ("boe") per day ("boed") from Last Year contributed by new discoveries and increased production capacity in our Pakistan Assets. As at 31 December 2015, 1P reserve of the Pakistan Assets increased to 95.0 million barrels of oil equivalent ("mmboe"), representing a reserves replacement ratio of approximately 146% for the reporting period. The Group believes that potential of the Pakistan Assets can be further unlocked should the market environment allow it to employ more capital investment in exploration.

Turnover

The Group's turnover for the reporting period was approximately HK$5,417,885,000, representing a decrease of 11.5% as compared with the turnover of approximately HK$6,120,229,000 for Last Year. The decline in turnover was mainly attributable to lower realised selling prices while the increase in sales volume of our Pakistan Assets has offset part of that effect.



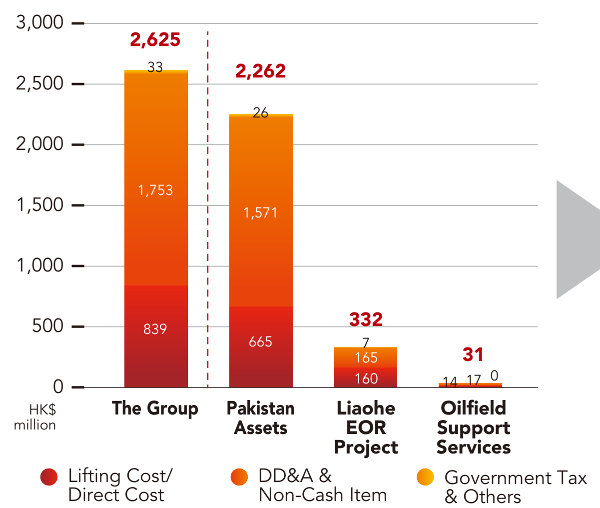
Note:

1. Turnover represent sales after government take.
2. UEG's Pakistan operation in 2011 only covers the period from 16 Sep 2011 to 31 Dec 2011.

Cost of sales and services rendered

Despite the increase in sales volume, the Group's cost of sales and services rendered went down from approximately HK$2,829,447,000 for Last Year to approximately HK$2,625,058,000 for the reporting period. This was attributable to effective cost saving measures as well as the decline in depreciation and amortisation expenses due to higher oil and gas reserve balances contributed by the new discoveries in Pakistan Assets during the year. The cost of sales and services rendered included depreciation and amortisation of approximately HK$1,753,213,000 (2014: approximately HK$1,855,078,000).

UEG 2015 FY – Cost of Sales & Services Rendered

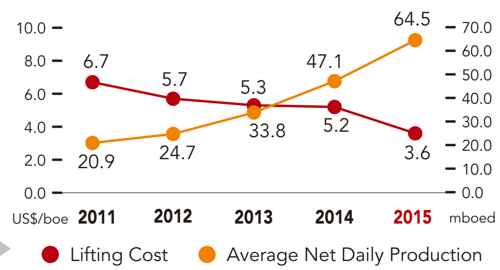


Notes:

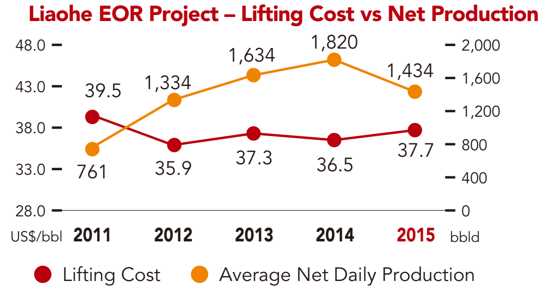
1. Lifting Cost represent Cost of Sales & Services Rendered excluding depreciation and amortization, sales expenses and government tax.

2. UEG's Pakistan operation in 2011 only covers the period from 16 Sep 2011 to 31 Dec 2011.

Pakistan Assets – Lifting Cost vs Net Production



Liaohe EOR Project – Lifting Cost vs Net Production



Gross profit

The Group's gross profit for the reporting period was approximately HK$2,792,827,000 (gross profit margin 51.5%) which represented a decrease of 15.1% as compared with gross profit for 2014 of approximately HK$3,290,782,000 (gross profit margin 53.8%). The decline in gross profit margin was mainly due to lower realised selling prices of oil and gas commodities.

Exploration expenses

The Group's exploration expenses for the reporting period was approximately HK$946,712,000 (2014: HK$272,085,000) which was primarily spent on 3D seismic, geological and geophysical studies in Pakistan Assets. The increase in exploration expenses was mainly due to the written off loss of approximately HK$866,518,000 (2014: Nil) arising from dry exploration wells in the Pakistan Assets.

Administrative expenses

The Group's administrative expenses for the reporting period was approximately HK$402,514,000 (2014: HK$481,109,000), representing 7.4% (2014: 7.9%) of turnover.

Finance costs

The Group's finance costs for the reporting period was approximately HK$253,815,000, representing a 6.4% increase as compared with the finance costs of approximately HK$238,506,000 for Last Year. The increase in finance costs was mainly attributable to higher interest expenses as a result of the issuance of S$100,000,000 medium term notes on 17 October 2014. The average interest rate of borrowings for the year was 5.07% (2014: 4.54%).

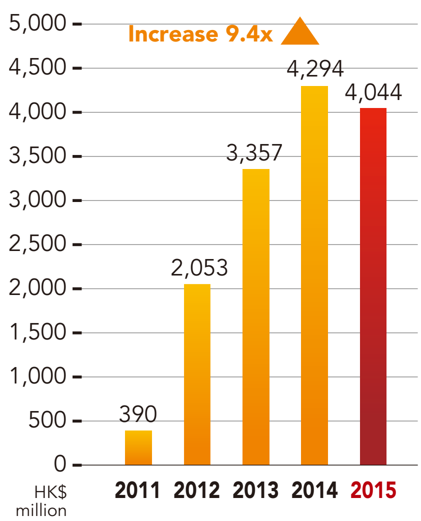
Income tax credit/expense

The Group's income tax credit for the reporting period was approximately HK$823,903,000 (2014: income tax expense of approximately HK$304,011,000). The income tax credit was mainly due to the reversal of deferred tax liabilities arising from the impairment losses on intangible assets of Liaohe EOR Project and the increase in allowance for price adjustments in Pakistan.

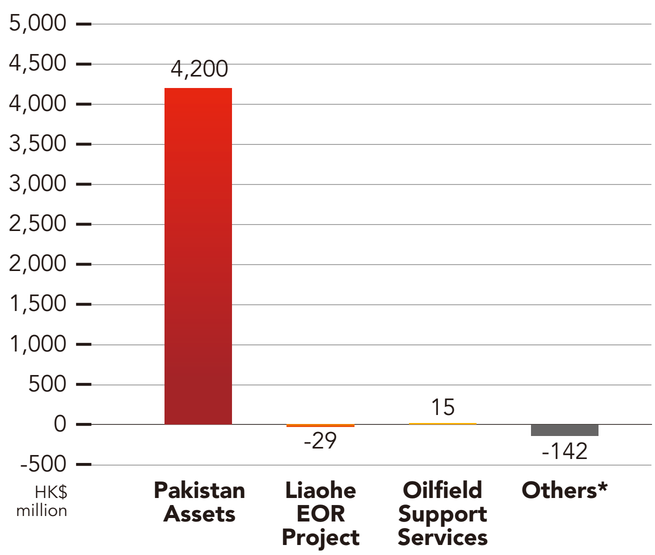
EBITDA

EBITDA represents the loss/profit before finance costs, income tax credit/expense, depreciation and amortisation, impairment and written off losses on intangible assets and property, plant and equipment, allowances for inventories and trade and other receivables, gain on disposals of property, plant and equipment and gain on disposal of subsidiaries. It shall be noted that EBITDA is not a measure 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 year was approximately HK$4,044,047,000, decreased by 5.8% from Last Year of approximately HK$4,294,174,000.

UEG 2015 FY – EBITDA



UEG 2015 FY – EBITDA by Assets



Notes:

1. EBITDA represents the loss/profit before finance costs, income tax credit / expense, depreciation and amortization, impairment and written off losses on intangible assets and property, plant and equipment, allowances for inventories and trade and other receivables, gain on disposals of property, plant and equipment and gain on disposal of subsidiaries.
2. *Others represent corporate and administrative expenses.
3. UEG's Pakistan operation in 2011 only covers the period from 16 Sep 2011 to 31 Dec 2011.

The Group's Audit Committee has reviewed the audited consolidated financial statements for the year ended 31 December 2015. The Audit Committee has reviewed with management 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.

Business Review

The Group is one of the largest listed upstream oil and gas corporations in Hong Kong, with business presence in South Asia. 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 the oil and gas exploration, the Group has successfully grown its business into one of the major players in the upstream oil and gas industry. In terms of net production volume, the Group is ranked as one of the largest independent upstream oil and gas operators listed on the Hong Kong Stock Exchange. The Board is pleased to announce that the Group has achieved its milestone that was set in 2012 to increase the average daily net production in Pakistan to above 60,000 boed, well ahead of its target of year 2017. The Group will continue to uphold its primary objective to deliver growth and sustainable returns to Shareholders and investors.

During 2015, international oil prices exacerbated its prior year loss with Brent Oil diving below US$40 per barrel, bringing significant challenges to upstream oil and gas operators. Weak oil price was impinged by the imbalance of global supply and demand, according to data published by the Organization of the Petroleum Exporting Countries in December 2015. Despite continuous improvement in overall production, the Group reported a net loss attributable to the owners of the Company of approximately HK$2,943,674,000 mainly caused by non-cash impairment and written off losses of approximately HK$5,821,284,000 recorded during the year. On the other hand, the Group's EBITDA that does not take into account of the impairment and written off losses was approximately HK$4,044,047,000 for the reporting period, only declined slightly by 5.8% from Last Year. The drop in EBITDA was in line with the sharp fall of international oil prices in 2015 which translated into lower realised selling prices but partially alleviated by the improvement in productivity from the Pakistan Assets and significant effort spent on cost control. The Group reported net cash generated from operating activities of approximately HK$3,434,776,000 during the reporting period and continued to maintain healthy financial position as at the end of 2015.

For the financial year ended 31 December 2015, Pakistan Assets recorded satisfactory production growth while production of the Liaohe EOR Project was strategically scaled down to narrow losses from the impact of weak oil prices. The Group delivered an average daily net production of approximately 65,898 boed during the reporting period, representing 34.7% increase from Last Year.

Cost of sales and services rendered by the Group for the reporting period was approximately HK$2,625,058,000 (Pakistan Assets: approximately HK$2,262,128,000, Liaohe EOR Project: approximately HK$331,692,000, Oilfield Support Services: approximately HK$31,238,000), and the Group invested approximately HK$2,623,841,000 of capital expenditure in oil exploration, development and production activities (Pakistan Assets: approximately HK$2,592,910,000, Liaohe EOR Project: approximately HK$30,931,000). The Group has drilled 31 new wells in Pakistan Assets and 6 side-track wells in Liaohe EOR Project.

Pakistan Assets:

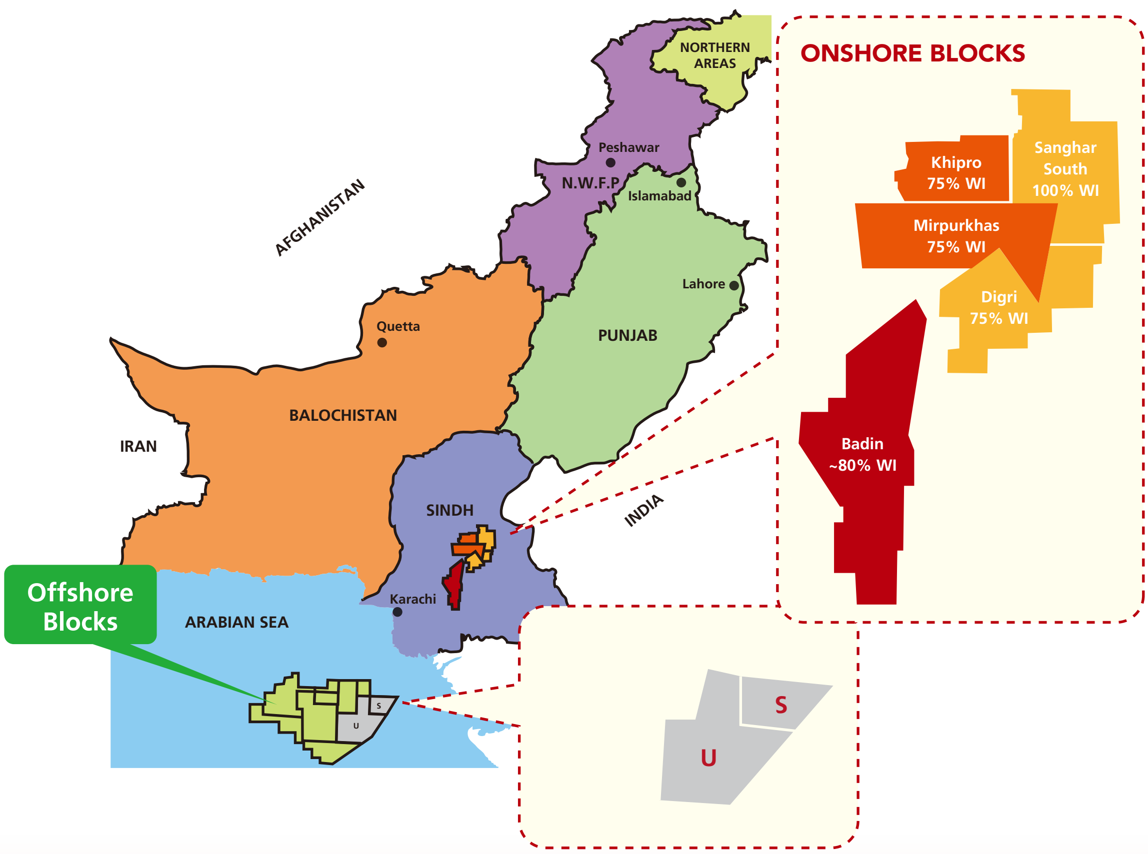
For the year ended 31 December 2015, the Pakistan Assets achieved an average daily net production of approximately 64,464 boed, grew by 36.9% compared to Last Year. The Pakistan Assets has an oil and liquids ratio of 22.4%. Composite Average Sales Price Before Government Take amounted to US$32.2 per boe, dropped by 33.6% compared to Last Year.

During the reporting period, the Group remains as one of the most-active oil and gas upstream operators in Pakistan and completed 24 exploration wells and 7 development wells. The Group has made 18 new oil and gas discoveries in Badin and MKK Blocks, representing a success rate of 75%. Net 1P reserve added during the year amounted to 34.4 mmboe, representing a net 1P reserve replacement ratio of 146%. In light of dropping oil prices, the Group implemented cost optimisation measures during the reporting period and effectively resulted in improvement in both capital and operating efficiency. Since June 2014, United Energy Pakistan Limited ("UEPL"), the operator of the Pakistan Asset of the Company and a wholly owned subsidiary of the Company, delivered its first export shipment of oil and condensate to the international oil market. For the reporting period, total exported oil and condensate was approximately 2,770,000 boe, representing a 77.6% increase from Last Year.

Construction of the Naimat Phase 5 gas processing plant which consisted of two phases was duly completed in mid-2015, additional 160 mmcfd production capacity was added to the MKK Blocks and thus contributed to the remarkable increase in production in the second half of 2015. Construction speed of Naimat Phase 5 also marked an industrial record in Pakistan as the plant only took 13 months to complete which was significantly shorter than similar projects in the industry. For the reporting period, the average daily net production for MKK Blocks has risen by 74.3% to 42,770 boed from Last Year and accounted for approximately 66.3% (2014: 52.1%) of the Pakistan Asset's annual production.

In 2015, the Group has undertaken a number of initiatives to maintain its rapid expansion and remained efficient despite the lower oil price environment. In order to minimise drilling costs, a number of exploration and development wells were successfully drilled using slimhole and monobore well completion. In addition, the Group has carried out a number of studies and tests to improve bit design, wellbore stability and pore pressure prediction which have significantly reduced drilling time and costs.

Pakistan Assets Location Map



Liaohe EOR Project, China:

The Group's Liaohe EOR Project was approved by National Development and Reform Commission to commence development stage in July 2010 and later entered production stage in February 2011. This operation encountered significant challenges during 2015 as international oil price plummeted to historical low. It reported a segmental loss for the reporting period even after excluding the impairment and written off losses. During 2015, average daily net production for the Liaohe EOR Project was 1,434 bbld, declined by 21.2% compared with Last Year which was in line with our strategic reduction in capital investment. Average Sales Price Before Government Take amounted to US$46.4 per bbl, representing a 45.3% decrease compared with Last Year. As at 31 December 2015, a total of 177 out of the 381 producing wells (representing 46% of total producing wells) have been converted into fireflood producers.

Impacted by the dramatic decline of international oil prices in 2015, the Group has strategically scaled down its capital investment for production and re-assessed the corresponding economic benefits under low oil prices. Taking into consideration of the current state of macro environment, the capital investment required and the economic return brought by the Liaohe EOR Project, the Board resolved that it is in the interest of the Group and its Shareholders to abandon the Liaohe EOR Project and direct resources to other core and potential businesses which can produce better returns. Therefore, on 23 February 2016, the Board has procured United Petroleum & Natural Gas Investments Limited ("United Petroleum"), a wholly-owned subsidiary of the Company, to issue a notice to China National Petroleum Corporation ("CNPC"), joint venture partner of the Liaohe EOR Project, to propose the abandonment of the Liaohe EOR Project. Accordingly, all of the non-current assets of Liaohe EOR Project were impaired in accordance with terms of the EOR contract and relevant financial reporting standards. The impairment represents accounting entries in the financial statements only and they do not have material impact on the cash flow position of the Company.

As at the date of this report, the Group is still pending the reply from CNPC. United Petroleum will engage in further discussion with CNPC to agree on and implement a plan of subsequent arrangement. The Company will keep Shareholders and potential investors updated should there be any material development in connection with the Liaohe EOR Project.

Oilfield Support Services:

As a leading fireflood technology company in China, the Group plans to maintain its leadership by conducting research in fireflood technology. Through providing patented technology support services to oilfields, the Group will contribute to enhancing the residual values of abolished or retiring oilfields through increasing their ultimate recovery ratios and thereby creating greater economic values.

Similar to the conventional oil and gas upstream operation, international oil prices play an important role to the application of fireflood technology. This is because oil price strongly correlates with the incremental returns generated from the application and hence affects the incentive of retiring oilfields to adopt its application. The Group will closely monitor the potential business risk of abated demand under weak international oil prices.

Business and Market Outlook

As of early 2016, international oil prices dived further with Brent oil breaking its 10-year low towards the 20s-level as market was clouded by supply glut concern. According to the US Energy Information Administration, the short-term outlook of crude oil prices would remain weak through 2016 as supply still outpaces demand and global oil inventory continues to build up. Under this environment, the Group will adopt a stable output strategy and shift our focus towards building up oil reserve to cater for recovery of international oil market. For 2016, the Pakistan Assets' average daily net production is projected to be in the range of 62,000 to 66,000 boed, which is about the same level as 2015. 1P reserve replacement ratio of the Pakistan Assets is expected to be between 110% and 130%.

The Group will continue to implement cost optimisation measures to cautiously monitor its capital expenditure and operating expenses through measures such as optimisation of well design and drilling efficiencies, fine-tuning of operation workflows, and improving procurement management. These measures will further strengthen the Group's cost structure and enhance its competitiveness to cope with low oil prices.

Benefited from production ramp-up, the Group continued to generate strong cash flow from operation for the financial year of 2015. As at 31 December 2015, total bank and cash balances of the Group stood at approximately HK$2,162 million. This provided certain liquidity buffer for the Group to support future capital investment and meet short-term debt obligations. Of course, the ability for us to remain financially liquid and sound would also rely on the past and ongoing support from our relationship with banks and investors, where we would like to take this occasion to express our sincere gratitude to them.

Riding on our strong financial strength, the Group is actively screening acquisition targets to replenish its reserve and fast track its expansion plan. New acquisition can also diversify the geographical concentration of our assets and revenue bases. Apart from acquisition, the Group is also evaluating the establishment of an oil commodity trading arm which should synergize with our existing upstream oil exploration and production business.

Pakistan Assets:

Demand for oil and gas energy in Pakistan remains strong as domestic supply shortage prevails. According to the Pakistan Energy Outlook 2015 report issued by Petroleum Institute of Pakistan, primary energy supply deficit in Pakistan is unlikely to be eradicated by 2020. The Group, being one of the largest foreign energy companies with solid and reputable brand in Pakistan, is in an advantageous position to capture the growing domestic demand.

As part of the 2016 strategies, we would place special focus on building up reserve to prepare for recovery of the international oil market. The Group plans to drill 19 exploration wells and 7 development wells in 2016 with aggregate capital expenditure of approximately US$150 million (equivalent to approximately HK$1,170 million). To further enhance our competitiveness, cost optimisation measures will be carried out through 2016 to reduce drilling cost and increase capital efficiency. As a result, Pakistan Assets' lifting cost and 1P reserve finding and development cost per boe is expected to be in the range of US$3.0 to US$3.5 and US$5.2 to US$7.2 respectively.

In terms of exploration efforts, the Group has made multiple breakthroughs in Badin and MKK during 2015. Advance reservoir characterisation studies have led to new oil and gas discoveries in Badin, specifically in Middle Sands of Cretaceous age. On the back of this success, a number of additional wells are planned in 2016 to target similar attribute plays. In MKK, detailed seismic sequence stratigraphic studies combined with seismic inversion work for Basal and Sembar Sands were completed and in the first phase three prospects were high graded for drilling. One of these prospects was drilled in late 2015 (namely Ali-2) and the drilling results are very promising. We believe that the success in stratigraphic plays will significantly increase exploration potential in MKK. Drilling of the remaining two prospects is planned for 2016 along with other play tests.

Liaohe EOR Project, China:

The Board expects that upon completion of abandoning the Liaohe EOR Project, the Group would be able to free up resources which can then be re-applied to existing or future projects to generate better returns for our Shareholders.

Conclusion

2015 has been a challenging year for all upstream oil and gas operators. The Group has undergone an uphill fight to deliver satisfactory results to our stakeholders, but inevitably encountered a year of retreat in financial performance as hindered by weak oil prices in the international market. Nevertheless, the Group continued to achieve strong production output, made several important discoveries in the Pakistan Assets and maintained a strong financial position. Despite the challenges ahead, we still hold a cautiously optimistic view on the outlook of the upstream oil and gas industry. The Group will adopt a stable output strategy for 2016 and cautiously monitor its cost structure to stay competitive. We also focus on building up reserve to cater for recovery of the international oil market while look for acquisition opportunities to fast-track our target and enrich our portfolios. In the meantime, we continue to uphold our promise to deliver growth and sustainable return to our stakeholders.

Material Acquisition and Disposal

On 28 August 2015, United Energy International Trading Limited ("UEIT"), a wholly-owned subsidiary of the Company, entered into the consortium agreement (the "Consortium Agreement") with CMBC International Holdings Limited ("CMBCI") and other co-investors in relation to the proposed subscription of 2,908,584,000 new ordinary share of Quam Limited (the "Subscription") and the mandatory cash offer for the 190,587,055 Quam shares, 5,597,575 Quam warrants and 504,051 Quam share options (the "Offer") with an aggregate investment sum of approximately HK$1,913,052,000. The share of Quam is listed on the Main Board of Stock Exchange. Details of the Subscription and the Offer are set out in the Company's circular dated 9 October 2015 (the "Circular").

As disclosed in the Circular, CMBCI Completion shall be conditional upon fulfillment and/or waiver of various conditions on or before the day falling on the sixth month after the date of the Subscription Agreement, i.e. on or before 28 February 2016 (the "Long Stop Date"), or such other date as the parties may agree in writing and the Co-investors Completion (including completion of the Subscription and the Offer by UEIT) is only conditional upon CMBCI Completion.

On 29 February 2016, as some conditions to CMBCI Completion cannot be fulfilled and UEIT has no intention to extend the Long Stop Date, UEIT shall not be bound to proceed with the Co-investors Subscription and UEIT shall have no liability to other parties whatsoever.

Segment Information

Particulars of the Group's segment information are set out in note 11 to the consolidated financial statements of this annual report.

Liquidity and Financial Resources

The Group maintained its strong financial position for the reporting period, with bank and cash balances amounting to approximately HK$2,161,630,000 as at 31 December 2015 (2014: approximately HK$2,494,348,000).

As at 31 December 2015, the outstanding balance of the bank loan from China Development Bank Corporation Hong Kong Branch for acquisition of the Pakistan upstream oilfield assets from British Petroleum in September 2011 was US$480,000,000, equivalent to approximately HK$3,744,000,000 (2014: US$560,000,000, equivalent to approximately HK$4,368,000,000).

On 25 June 2015, a facility letter was entered between UEIT, a wholly-owned subsidiary of the Company, as borrower (the "Borrower") and Haitong International Securities Company Limited as lender (the "Lender"), pursuant to which the Lender agreed to make available to the Borrower a loan facility of up to HK$150,000,000 (the "Facility") for subscription of a Haitong Multi-Tranche Investment Fund II S.P. (the "Fund") in the amount of HK$199,268,000. UEIT provided remaining balance of HK$50,000,000 from internal resources of the Group. The objective of the Fund is to generate capital gains. As at 31 December 2015, the outstanding amount of the loan was approximately HK$149,268,000.

On 22 July 2015, United Energy International Finance Limited ("UEIFL"), a wholly-owned subsidiary of the Company, entered into a facility agreement with Industrial and Commercial Bank of China Limited – Abu Dhabi Branch ("ICBC"). On 4 August 2015, United Petroleum & Natural Gas (Panjin) Limited ("United Petroleum (Panjin)"), a wholly-owned subsidiary of the Company, entered into a financing guarantee agreement with China Citic Bank (Shenyang Branch) ("Citic") in which United Petroleum (Panjin) deposited cash of approximately RMB122,300,000 (equivalent to approximately HK$146,038,000) as pledge for issuing a financing guarantee to ICBC. As such, ICBC granted UEIFL a one-year loan facility with limit of US$18,500,000 (equivalent to approximately HK$144,300,000) at fixed interest rate of 1.90% per annum. The purpose of this loan facility was for settlement of account payables of the Group. On 4 August 2015, UEIFL has drawdown the loan in the amount of US$18,500,000 (equivalent to approximately HK$144,300,000) for settlement of account payables of the Group with same value. As at 31 December 2015, the outstanding amount of the loan from ICBC was US$18,500,000 (equivalent to approximately HK$144,300,000).

On 8 October 2014, United Energy Financing (Bermuda) Limited ("UEFBL" or the "Issuer"), a wholly-owned subsidiary of the Company, has established the S$1,000,000,000 multicurrency medium term notes programme (the "Programme") under which it may issue the medium term notes (the "Notes") to institutional investors and/or professional investors, as applicable, in series of aggregate principal amount of up to S$1,000,000,000 (or its equivalent in other currencies). The Notes are expected to be issued by the Issuer and guaranteed by the Company. The Issuer has appointed CIMB Bank Berhad as arranger and dealer under the Programme. On 17 October 2014, the issue of the S$100,000,000, 6.85% per annum Notes due 17 October 2016 under the Programme (the "First Drawdown Notes") was completed. The First Drawdown Notes were admitted to the Official List of the Singapore Exchange Securities Trading Limited with effect on 20 October 2014. The net proceeds from the issue of the First Drawdown Notes under the Programme, after deducting the costs and expenses relating to the issue of the First Drawdown Notes, will be used for general corporate purposes of the Group. As at 31 December 2015, the outstanding amount of the First Drawdown Notes was S$100,000,000 (equivalent to approximately HK$542,656,000).

As at 31 December 2015, the gearing ratio was approximately 33.4% (2014: approximately 27.4%), based on borrowings under current liabilities and non-current liabilities of approximately HK$1,460,224,000 (2014: approximately HK$768,310,000) and HK$3,120,000,000 (2014: approximately HK$4,317,593,000) respectively and total assets of approximately HK$13,713,810,000 (2014: approximately HK$18,540,265,000). As at 31 December 2015, the current ratio was approximately 1.69 times (2014: approximately 1.71 times), based on current assets of approximately HK$5,039,985,000 (2014: approximately HK$4,751,846,000) and current liabilities of approximately HK$2,976,627,000 (2014: approximately HK$2,784,981,000).

As at 31 December 2015, the Group's total borrowings amounted to approximately HK$4,580,224,000 (2014: approximately HK$5,085,903,000), including secured bank loans of approximately HK$3,888,300,000 (2014: approximately HK$4,512,310,000), medium term notes of approximately HK$542,656,000 (2014: approximately HK$573,593,000) and other secured loans of approximately HK$149,268,000 (2014: Nil). The carrying value of the secured bank loans is denominated in United States dollars and the carrying value of the medium term notes is denominated in Singapore dollars. The secured bank loans are arranged at floating interest rates as at 31 December 2015 and the average effective interest rate as at 31 December 2015 was 4.74% (2014: 4.61%). The medium term notes are at fixed interest rate of 6.85% per annum.

Capital Structure

During the reporting period, the changes of the share capital structure of the Company are as follows:

On 2 July 2015, the Company issued and allotted 10,363,845 new ordinary shares to Pakistan employees under the Deferred Annual Bonus Scheme, the Executive Performance Share Scheme and the Performance Share Scheme adopted by the Company on 31 January 2013. The Company has no funds raised in this issue. Details of this issue are set out in the Company's Announcement dated 24 June 2015.

On 23 October 2015, the Company resolved to award 7,229,030 new ordinary shares as the scheme shares to 638 Pakistan employees under the Share Match Scheme approved and adopted by the Company for Pakistan employees on 16 September 2011. The objectives of the Share Match Scheme were to provide Pakistan employees with incentives in order to retain them for the continual operation and development of the newly acquired Pakistan business and to attract suitable personnel for the growth and further development of the Group. The allotment of the 7,229,030 scheme shares was completed on 3 November 2015. The Company raised approximately HK$3,217,000 from employees' contribution. Details of this issue are set out in the Company's announcement dated 23 October 2015.

During the reporting period, 2,000,000 units of share options granted and vested under the Company's Share Option Schemes adopted on 11 May 2006 were lapsed. As at 31 December 2015, the outstanding balance of the outstanding share options granted and vested under the Company's Share Option Schemes adopted on 11 May 2006 was 18,000,000 units of share options.

After completion of the above allotment of shares during the reporting period, the total number of issued shares of the Company was increased from 13,068,128,502 shares as at 1 January 2015 to 13,085,721,377 shares as at 31 December 2015.

On 24 April 2015, the Board intends to put forward for approval by the Shareholders at the annual general meeting of the Company a proposal to reduce the entire amount standing to the credit of the share premium account of the Company in the sum of approximately HK$13,312,566,000 (as of 31 March 2015) with the credit arising therefrom to be entirely transferred to the contributed surplus reserve of the Company (the "Proposed Share Premium Reduction"). The Board considers that the Proposed Share Premium Reduction will give the Company greater flexibility to declare dividends or make distribution to the Shareholders in the future as and when the Board considers appropriate. The Board therefore considers that the Proposed Share Premium Reduction is in the interests of the Company and the Shareholders as a whole. The implementation of the Proposed Share Premium Reduction does not involve any reduction in the authorised or issued share capital of the Company nor does it involve any reduction in the nominal value of the ordinary shares or the trading arrangements concerning the ordinary shares. In the annual general meeting held on 29 May 2015, the Proposed Share Premium Reduction was approved by Shareholders and became effective. The balance of the share premium account of the Company was reduced by an amount of approximately HK$13,312,566,000.

Employees

As at 31 December 2015, the Group employed a total of 1,117 full time employees, located in Hong Kong, the PRC and Pakistan. Employees' remuneration packages have been reviewed periodically and determined with reference to the performance of the individual and prevailing market practices. Remuneration packages include base salaries, year-end bonuses, medical benefits and a contributory provident fund.

Contingent Liabilities

Particulars of the Group's contingent liabilities are set out in note 38 to the consolidated financial statements of this annual report.

Exposure to Fluctuations in Exchange Rates and Related Hedges

The Group's monetary assets and transactions are mainly denominated in Hong Kong dollars, United States dollars, Singapore dollars, Renminbi, Pakistan Rupee and British Pound. As the exchange rate of United States dollars against Hong Kong dollars was relatively stable, the exchange rate risk of British Pound and Pakistan Rupee for the Group is relatively insignificant and the Pakistan sales and purchase transactions are mainly settled in United States dollars, the Group did not use financial instruments for hedging purposes during the reporting period but the Group will keep closely monitoring on the effect on the fluctuation of the exchange rates of Singapore dollars, Renminbi and Pakistan Rupee and apply appropriate action to prevent any impact to the Group.

Major Customers and Suppliers

In 2015, the Group's five largest customers represented 96.5% of total turnover (2014: 85.6%) and the Group's five largest suppliers represented 47.8% of total cost of sales and services rendered (2014: 34.3%).

SUPPLEMENTARY INFORMATION ON OIL AND GAS EXPLORATION, DEVELOPMENT AND PRODUCTION ACTIVITIES

This section provides supplemental information on oil and gas activities in accordance with the Chapter 18 of Listing Rules of the Stock Exchange of Hong Kong Limited.

A. INFORMATION ON CRUDE OIL AND NATURAL GAS RESERVES

The Group has adopted the SPE/WPC/AAPG/SPEE Petroleum Resources Management System ("SPE-PRMS") in reserves estimation. Reserves are determined through analysis of geological and engineering data which appear, with reasonable certainty, to be economically producible in the future from known and discovered oil and natural gas reservoirs under existing economic and operating conditions. Both deterministic and probabilistic methods are used in reserves estimation. When probabilistic method is used, there should be at least a 90% probability (for Proved Reserve or "1P") that the quantities actually recovered will equal or exceed the estimate. The estimation of reserves is based on the estimation of production for future years from existing wells and new development wells. The estimation is subject to economic limit test to satisfy the commerciality requirements of SPE-PRMS. The selling prices for oil, condensate and LPG used in the economic limit test are based on the forecast of market Brent oil price in future years, subject to discount or premium derived from historical realized price in reporting period applicable to the particular fields. The gas prices in Pakistan Assets are regulated by Government Authority. The selling prices for gas used in the economic limit test are projected based on the historical realized gas price of each field in reporting period.

For the year ended 31 December 2015, the Group engaged an independent third party consulting firm ("Consulting Firm") to perform audit and review on the reserves estimates. The Consulting Firm has audited 15 major fields in Pakistan assets and the Group's oil field in Liaohe Enhance Oil Recovery ("EOR") Project, China, in total representing over 86% of the Group's total 1P reserves. The Consulting Firm also completed a high level review of the reasonableness of the process used by the Group on the remaining 115 fields in Pakistan assets and its opinion stated that the estimates are reasonable.

The following table set out the estimates of Group's net interest reserves.

	Pakistan Assets			Liaohe EOR Project
Net proved reserves	**Oil, Condensate and LPG** (MMbbl)	**Sales Gas** (Bcf)	**Total** (MMboe)	**Oil** (MMbbl)
As at 31 December 2014	20.2	371.0	84.1	27.1
Production	(5.3)	(105.9)	(23.5)	(0.5)
Discoveries & revisions	1.3	192.1	34.4	(14.7)
As at 31 December 2015	16.2	457.2	95.0	11.9

Notes:

1. Boe is calculated using a conversion ratio of 5,800 Scf/Boe.

2. The forecast of Brent oil price used in the estimation is provided in following table:

	Brent Market Crude (US$/Bbl)
2016	47.58
2017	60.00
2018	70.00
2019	71.40
2020	72.83
Thereafter	Escalated at 2% p.a.

3. The Group's net interest reserves represent the Group's net entitlement under fiscal and contractual terms in various Concession Agreements in Pakistan and the Enhanced Oil Recovery Agreement in China.

B. MAJOR EXPLORATION, DEVELOPMENT AND PRODUCTION ACTIVITIES

The following table summarized the major exploration, development and production activities during the reporting period:

	Pakistan Assets	**Liaohe EOR Project**
Exploration activities:	• 24 Exploration wells	Nil
Development activities:	• 7 Development wells • 8 Rig workovers	• 6 Rig workovers/Side-Track Wells
Production activities:	• Average daily net production of 64,464 boed	• Average daily net production of 1,434 bbld

C. GROUP'S SHARE OF COSTS INCURRED ON EXPLORATION, DEVELOPMENT AND PRODUCTION ACTIVITIES

The following table summarized the Group's share of costs incurred on exploration, development and production activities for the year ended 2015:

	Pakistan Assets (HK$'000)	**Liaohe EOR Project** (HK$'000)	**Total** (HK$'000)
Exploration costs	1,043,760	–	1,043,760
Development costs	1,658,160	30,931	1,689,091
Production costs(Note)	685,099	151,716	836,815

Note: Production costs recognized in cost of sales excluding depreciation & amortization and government tax & selling expenses.

CORPORATE GOVERNANCE REPORT

Sound corporate governance practices are crucial to the smooth, effective and transparent operation of a company and its ability to attract investment, protect rights of shareholders and stakeholders, and enhance shareholder value. The Company is committed to maintain good corporate governance standard and procedures to ensure the integrity, transparency, open and accountable to our shareholders. This Corporate Government Report is prepared in material compliance of the reporting requirements as contained in Appendix 14 of the Rules Governing the Listing of Securities (the "Listing Rules") on The Stock Exchange of Hong Kong Limited (the "Stock Exchange").

Corporate Governance Practices

For the year ended 31 December 2015, 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.

1. The Code A.2.1 – the Company has the post of chief executive officer but it was still vacant;

2. 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; and

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 and non-executive Director 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.

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 2015.

Directors and Officers Insurance

Appropriate insurance covers on Directors' and officers' liabilities have been in force to protect the Directors and officers of the Group from their risk exposure arising from the business of the Group.

Board of Directors

Composition

The Board of Directors (the "Board") of the Company comprises six members and Mr. Zhang Hong Wei acts as the Chairman of the Board. The other executive Directors are Mr. Zhu Jun and Ms. Zhang Meiying. The Company has three independent non-executive Directors, Mr. Chau Siu Wai, Mr. San Fung and Mr. Zhu Chengwu, one of whom namely, Mr. Zhu Chengwu has appropriate professional accounting experience and expertise.

Board Members	Board of Directors	Audit Committee	Remuneration Committee	Nomination Committee
Executive Directors				
Mr. Zhang Hong Wei	C			
Mr. Zhu Jun	M			
Ms. Zhang Meiying	M		M	M
Independent Non-executive Directors				
Mr. Chau Siu Wai	M	M	M	M
Mr. San Fung	M	C	C	C
Mr. Zhu Chengwu	M	M		

Notes:

C – Chairman of the Board or relevant Board committees

M – Member of the Board or relevant Board committees

All Directors have distinguished themselves in their field of expertise, and have exhibited high standards of personal and professional ethics and integrity. The biographical details of each Director are disclosed on pages 41 of this annual report.

During the year ended 31 December 2015, the Board has at all times met the requirements of the Listing Rules relating to the appointment of at least three independent non-executive Directors (representing at least one-third of the Board), with at least one independent non-executive Director possessing appropriate professional qualifications and accounting and related financial management expertise.

Each independent non-executive Director has pursuant to the Rule 3.13 of the Listing Rules, confirmed that he is independent of the Company and the Company also considers that they are independent.

Save as the family relationship between Mr. Zhang Hong Wei, chairman of the Board, and Ms. Zhang Meiying, executive Director and daughter of the chairman, there are no relationships among members of the board. Except for the above, the Board considers that all Directors are free from any relationship that interfere the exercise of individual independent judgment.

Function

The Board, led by the Chairman, is responsible for formulation and approval of the Group's development and business strategies, key operational proposals, financial control procedures, material acquisition and disposal of investments, major funding decisions, financial announcements, interim report, annual reports, share issuance/repurchase, nomination of Directors, appointment of key management personnel, related party transactions, remuneration to Directors and key management, ensures appropriate human and financial resources are appropriately applied and the performance for the achievement of results is evaluated periodically and other significant transactions in accordance with the rules governing the meeting of the Board, Bye-laws and rules governing the meeting of shareholders.

The executive Directors are responsible for day-to-day management of the Company's operations. These executive Directors conduct regular meetings with the senior management of the Company, its subsidiaries and associated companies, at which operational issues and financial performance are evaluated.

The Bye-laws of the Company contain description of responsibilities and operation procedures of the Board. The Board holds regular meeting to discuss and consider significant matters relating to existing operations and proposals of new operations and projects. Board meetings formally hold at least 4 times a year.

The Chairman ensures that board meetings are being held whenever necessary. Though the Chairman is responsible to set the board meeting agenda, all board members are encouraged to participate to include matters in the agenda. The Board conducts meeting on a regular basis and extra meetings are convened when circumstances require. The Bye-Laws of the Company allow a board meeting to be conducted by way of a tele-conference.

There are 16 meetings being held during the financial year for the year ended 31 December 2015 and the attendance of individual Directors is as follows:

	Board Meetings
Zhang Hong Wei	16/16
Zhu Jun	16/16
Zhang Meiying	16/16
Chau Siu Wai	16/16
San Fung	16/16
Zhu Chengwu	16/16

The attendance record of individual Directors of the Annual General Meeting held on 29 May 2015 ("AGM") is set out below:

	AGM
Zhang Hong Wei	1/1
Zhu Jun	1/1
Zhang Meiying	1/1
Chau Siu Wai	1/1
San Fung	1/1
Zhu Chengwu	1/1

Training and Support for Directors

Directors keep abreast of responsibilities as a Director of the Company and of the conduct, business activities and development of the Company.

Each newly appointed Director receives induction on the first occasion of his/her appointment, so as to ensure that he/she has appropriate understanding of the business and operations of the Company and that he/she is fully aware of his/her responsibilities and obligations under the Listing Rules and relevant regulatory requirements. Such induction is normally supplemented with visits to the Group's key business sites and/or meetings with the senior management of the Company.

Under code provision A.6.5, Directors should participate in appropriate continuous professional development to develop and refresh their knowledge and skills to ensure that their contribution to the Board remains informed and relevant. Internally facilitated briefings for Directors will be arranged and reading material on relevant topics will be issued to Directors where appropriate. All Directors are encouraged to attend relevant training courses at the Company's expenses.

During the year ended 31 December 2015, the Company provided reading materials on corporate governance, Directors' duties and responsibilities and regulatory update on the Listing Rules amendments to all the Directors for their reference and studying. Besides, all Directors attended other seminars and training sessions arranged by other professional firms/institutions. All Directors had provided the Company their training records for the reporting period. The Directors and officers are indemnified under a Directors' and officers' liability insurance against any liability incurred by them in discharge of their duties while holding office as the Directors and officers of the Company. The Directors and officers shall not be indemnified where there is any fraud, breach of duty or breach of trust proven against them.

Responsibilities

In the course of discharging their duties, the Directors act in good faith, with due diligence and care, and in the best interests of the Company and its shareholders. Their responsibilities include (1) regular board meetings focusing on business strategy, operational issues and financial performance; (2) monitoring the quality, timeliness, relevance and reliability of internal and external reporting; (3) monitoring and managing potential conflicts of interest of management, board members and shareholders, including misuse of corporate assets and abuse in connected transaction; and (4) ensuing processes are in place to maintain the overall integrity of the Company, including financial statements, relationships with suppliers, customers and other stakeholders, and compliance with all laws and ethics.

Director's Responsibilities for the Financial Statement

The Directors acknowledge their responsibilities for the preparation of the financial statements of the Group and ensure that the financial statements of the Group and ensure that the financial statements are accordance with statutory requirements and applicable accounting standards. The Directors also ensure the timely publication of the financial statements of the Group. In preparing the accounts for the year ended 31 December 2015, the Directors have, among other things:

- Selected suitable accounting policies and applied them consistently;
- Approved adoption of all Hong Kong Financial Reporting Standards ("HKFRSs") which are in conformity with the International Financial Reporting Standards ("IFRSs"); and
- Made judgments and estimates that are prudent and reasonable; and have prepared the accounts on the going concern basis.

The Directors confirm that, to the best of their knowledge, information and belief, having made all reasonable enquiries, they are not aware of any material uncertainties relating to events or conditions that may cast significant doubt upon the Company's ability to continue as a going concern.

Delegation by the Board

The Board has established Board committees, namely Audit Committee, Remuneration Committee and Nomination Committee to overseas particular aspects of the Company's affairs and to assist in sharing the Board's responsibilities. All the Board committees have clear written terms of reference and have to report to the Board regularly on their decisions and recommendations. The day-to-day running of the Company, including implementation of the strategies and plans adopted by the Board and its committees, is delegated to the management with divisional heads responsible for different aspects of the business.

Audit Committee

The Company formulated written terms of reference for the Audit Committee in accordance with the requirements of the Listing Rules. The Audit Committee consists of the all independent non-executive Directors, namely Messrs. Chau Siu Wai, San Fung and Zhu Chengwu. It is chaired by Mr. San Fung.

The Audit Committee reports directly to the Board and reviews the matters relating to the work of the external auditor, financial statements, risk management and internal controls. The Audit Committee meets with the Company's external auditor to ensure the objectivity and credibility of financial reporting, risk management and internal control procedures as well as to maintain an appropriate relationship with the external auditors of the Company.

During the financial year for the year ended 31 December 2015, there are 3 audit committee meetings being held and the external auditor of the Company has attended 3 audit committee meetings. The individual attendance of each member is as follows:

	Audit Committee Meetings
Chau Siu Wai	3/3
San Fung	3/3
Zhu Chengwu	3/3

The members of Audit Committee have full access to and co-operation from the management and they have full discretion to invite any Director or executive to attend the meeting. The Audit Committee has performed the following function during the financial year for the year ended 31 December 2015: (1) reviewed the annual audit plan of external auditors, their audit reports and matters incidental thereto; (2) the appointment of external auditors including the terms of engagement; (3) discussed the risk management and internal control issues; (4) examined the application of funds; (5) reviewed the interested party transactions; and (6) reviewed the periodic financial statements of the Company and made commendation to the Board for approval and evaluated the performance and independent of the external auditors.

Remuneration Committee

With effect from 17 July 2006, a remuneration committee has been set up with written terms of reference to review the remuneration package, performance-based remuneration and termination compensation of Directors and senior management of the Group. The Remuneration Committee comprises Mr. Chau Siu Wai, Mr. San Fung and Ms. Zhang Meiying. It is chaired by Mr. San Fung.

The major responsibilities of the Remuneration Committee are to make recommendation to the Board on the Company's policy and structure for remuneration of Directors and senior management, to determine remuneration packages of all executive Directors and senior management including benefits in kind, pension rights and compensation payments. The Remuneration Committee takes into consideration on factors such as salaries paid by comparable companies, time commitment and responsibilities of the Directors and senior management.

The Remuneration Committee held 1 meeting in 2015 at which all committee members were present. At the meeting, the Remuneration Committee reviewed and discussed the remuneration policy, the remuneration package and bonus arrangements.

Nomination Committee

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 the Board Diversity Policy 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 Nomination Committee held 1 meeting in 2015 at which all committee members were present. At the meeting, the Nomination Committee: (1) reviewed the structure, size and composition of the Board; (2) reviewed the Company's board diversity policy; (3) discussed the causal vacancies for the resigned Directors during the year; and (4) assessed the independent of independent non-executive Directors.

Responsibilities and Remuneration of External Auditors

The statement of the external auditors of the Company, Messrs. RSM Hong Kong, about their reporting responsibilities on the consolidated financial statements of the Group is set out in the Independent Auditor's Report on pages 43 to 44.

During the year, remuneration paid to the Company's auditors, Messrs. RSM Hong Kong and other RSM network firms, is as follows:

Services rendered:	HK$
– audit services	2,045,000
– interim financial review	110,000
– non-audit services	248,000

Risk Management and Internal Control

The Board is responsible for maintaining an adequate system of risk management and internal controls within the Group and for reviewing their effectiveness. The system of risk management and internal controls is designed to facilitate effective and efficient operations, to safeguard assets and to ensure the quality of internal and external reporting and compliance with applicable laws and regulations. It is also designed to provide reasonable, but not absolute, assurance that material misstatement or loss can be avoided, and to manage and minimize risks of failure in operation systems. The Company committed to implement a stricter and more regulated risk management and internal control procedures in the new financial year.

In the future, the Group will conduct regular review of the Group's risk management and internal control systems and its effectiveness to ensure the interest of shareholders is safeguarded.

Company Secretary

Mr. Hung Lap Kay is the company secretary of the Company since March 2010. During the year ended 31 December 2015, Mr. Hung has taken no less than 15 hours of relevant professional trainings to update his skill and knowledge.

Communication with Shareholders

The objective of shareholder communication is to provide our shareholders with detailed information about the Company so that they can exercise their rights as shareholders in an informed manner.

The Company uses a range of communication tools to ensure its shareholders are kept well informed of key business imperatives. These include general meeting, annual report, various notices, announcements, circulars and via the Company's website to provide an electronic means of communication. The poll voting procedures and the rights of shareholders to demand a poll were included in all circulars accompanying notice convening general meeting and the details procedures for conducting a poll has been read out by the chairman at general meeting.

The annual general meeting provides a useful forum for shareholders to exchange views with the Board. The Chairman, Directors, Board Committees' Chairman/Members and external auditor, where appropriate, are available to answer questions at the meeting.

To safeguard shareholders' interests and rights, separate resolutions are proposed at shareholders' meetings on each substantial issue, including the election of individual Directors, for shareholders' consideration and voting. Besides, pursuant to the Articles of Association, shareholder(s) holding not less than one-tenth of the paid-up capital of the Company carrying the right of voting at general meetings may request the Company to convene an extraordinary general meeting by sending a written requisition to the Board or the Company Secretary. The objects of the meeting must be stated in the written requisition.

Shareholders may send written enquiries to the Company for putting forward any enquiries or proposals to the Board of the Company. Contact details are as follows:

Address: Suite 2505, 25/F, Two Pacific Place, 88 Queensway, Admiralty, Hong Kong
(For the attention of the General Manager of the Investor Relations Department)
Fax: 852–2522 6938
Email: ir@uegl.com.hk

For the avoidance of doubt, shareholder(s) must deposit and send the original duly signed written requisition, notice or statement, or enquiry (as the case may be) to the above address and provide their full name, contact details and identification in order to give effect thereto. Shareholders' information may be disclosed as required by law.

During the reporting period, the Company has not made any changes to its Articles of Association. An up to date version of the Articles of Association is available on the Company's website and the Stock Exchange's website. Shareholders may refer to the Articles of Association for further details of their rights.

All resolutions put forward at shareholders' meetings will be voted by poll pursuant to the Listing Rules and the poll voting results will be posted on the websites of the Stock Exchange (www.hkexnews.hk) and the Company (www.uegl.com.hk) immediately after the relevant general meetings.

REPORT OF THE DIRECTORS

The Directors present their annual report and the audited consolidated financial statements for the year ended 31 December 2015.

Principal Activities

The Company acts as an investment holding company. The principal activities of its subsidiaries are set out in note 42 to the consolidated financial statements of this annual report.

Business Review

General

For the review of the business of the Group including the future development in the Group's business and the analysis of financial key performance indicators, please refer to the section headed "Management Discussion and Analysis" on pages 10 to 23 of this report.

Principal risks and uncertainties facing the Group

The following section lists out the key risks and uncertainties faced by the Group. It is a non-exhaustive list and there may be other risks and uncertainties further to the key risk areas outlined below. Besides, this annual report does not constitute a recommendation or an advice for anyone to invest in the securities of the Company and investors are advised to make their own judgment or consult their own investment advisors before making any investment in the securities of the Company.

Risks pertaining to the changes in oil price in international market

Prices for crude oil and natural gas may fluctuate widely in response to changes in the supply and demand for crude oil and natural gas, overall economic and political instability, natural disasters and weather conditions that are beyond our control. Changes in oil and gas prices could have a material effect on the Group's cash flows and earnings. The prolonged low oil price may also result in the impairment of our oil and gas properties.

Risks pertaining to the oil & gas market in Pakistan and the PRC

The Group's financial performance is subject to tax and fiscal regime applicable to oil and gas industry in Pakistan and the PRC. Any changes in the tax and fiscal regime in these countries may increase our tax burden and have an adverse effect on our financial performance. The Group's business may also be affected by the economic, political and environmental conditions of the countries that beyond our control.

Risks pertaining to exploration and replacement of reserves

Our exploration and development activities have inherent risk of not discovering commercial oil and gas reserves. Exploration and development of reserves are capital intensive. Failure in discovery of reserves may result in written off or impairment of the costs incurred. The reliability of reserve estimates depends on the quality and quantity of technical and economic data, the production performance of reservoir, the market prices of oil and natural gas, extensive engineering judgements, consistency in tax and fiscal regime. Many of the factors, assumptions and variables involved in estimating reserves are beyond our control. The quantities of crude oil and reserves that are ultimately recovered could materially differ from the Group's reserve estimates.

Risks pertaining to operation

The Group's exploration, development and production activities involve numerous health, safety, security and environment risks that are common among upstream oil and gas companies. Accidents may happen despite systems and policies set up for their prevention which may lead to financial loss, operation interruption and litigation.

The Group is subject to extensive environmental protection laws and regulations of countries with operation. If there are changes in the environmental protection laws and regulations, we may incur additional costs for environmental compliance matters.

Risks pertaining to mergers and acquisitions

The Group may require acquisitions of new assets under its business development plans to continue its business expansion. There is no assurance that mergers and acquisitions may succeed due to various reasons, such as the availability of external financings and outcomes differing from key assumptions.

Past performance and forward looking statements

The performance and the results of operation of the Group as set out in this annual report are historical in nature and past performance is not a guarantee of future performance. This annual report may contain forward-looking statements and opinions that involve risks and uncertainties. Actual results may also differ materially from expectations discussed in such forward-looking statements and opinions. Neither the Group nor the Directors, employees or agents of the Group assume any obligations or liabilities in the event that any of the forward-looking statements or opinions does not materialize or turns out to be incorrect.

Environmental policies and performance

The Group remains steadfast to its values, of which the commitment to health, safety and environmental (HSE) performance is a core principle. All operations are conducted in a safe and efficient manner governing by our HSE policy. Key HSE performance indicators are included in the performance appraisal scheme. During the reporting period, all HSE performance objectives were delivered. The Group continues to strive for excellence in HSE in order to remain at par with local as well as international standards.

Compliance with Laws and Regulations

The Group continues to update the requirement of the relevant laws and regulations in various countries, particularly in Pakistan, the PRC, Hong Kong and Bermuda, applicable to it to ensure compliance. Substantially a majority of the Group's operations are in Pakistan and the PRC. The Group was listed on the Stock Exchange of Hong Kong on 8 April 1992. During the reporting period, the Group complied with the relevant laws and regulations in various countries applicable to it in all material respects.

Key relationship with major stakeholders

The Group places value to develop mutually beneficial relationships with its stakeholders, including its shareholders, employees, government and local communities, customers and suppliers. Details of communication with shareholders are included in Corporate Governance Report of this annual report on page 32.

Employees are remunerated equitably and competitively. Continuing training and development opportunities are provided to equip them to deliver their performance.

The Group's business strives to create a win-win situation with government and local communities. Our strategic plan to explore new reserves can partially ease the energy supply deficit problem in Pakistan. The local communities also benefit from our sustainable social investment projects. During the reporting period, our strategic areas in the social investment projects were healthcare, education and capacity building.

The Group's major customers are state-owned enterprise. Sales agreement is entered with customers and gas is delivery to customer through pipeline connected to our facilities.

The Group uses suppliers that reflect it value and commitment on HSE performance. Site visit and panel discussion have always been conducted in exchange of technical knowledge and skills.

Results and Dividends

The results of the Group for the year ended 31 December 2015 and the state of affairs of the Group at that date are set out in the consolidated financial statements on pages 45 to 121 of this annual report. No dividend has been paid or declared by the Company during the year ended 31 December 2015.

Major Customers and Suppliers

The information in respect of the sales and purchases attributable to the major customers and suppliers of the Group respectively during the financial year is as follows:

	Percentage of the Group's total	
	Sales	Purchases
The largest customer	62.7%	N/A
Five largest customers	96.5%	N/A
The largest supplier	N/A	20.0%
Five largest suppliers	N/A	47.8%

At no time during the year have the Directors, their associates or any shareholder of the Company (which to the best knowledge of the Directors, owns more than 5% of the Company's issued share capital) had any interest in these major customers and suppliers.

Share Premium and Reserves

Details of movements in the share premium and reserves and a statement of the reserves available for distribution to shareholders of the Company and the Group during the reporting period are set out in note 34 to the consolidated financial statements and page 49 of this annual report.

Segment Information

The segment information of the Group for the year ended 31 December 2015 is set out in note 11 to the consolidated financial statements of this annual report.

Financial Summary

A summary of the results and of the assets, liabilities and non-controlling interests of the Group for the last five financial years, as extracted from the audited consolidated financial statements, is set out on page 122 of this annual report. This summary is for information only and does not form part of the audited consolidated financial statements.

Property, Plant and Equipment

Details of movements in property, plant and equipment of the Group during the reporting period are set out in note 18 to the consolidated financial statements of this annual report.

Bank Loans and Other Borrowings

Details of bank loans and other borrowings during the reporting period are set out in note 29 to the consolidated financial statements of this annual report.

Permitted Indemnity Provision

Under the Bye-laws of the Company, generally, the Directors shall be indemnified out of the assets and profits of the Company from and against all actions, costs, charges, losses, damages and expenses for acts done, concurred in or omitted in when discharging their duties in the affairs of the Company, other than any matter in respect of any fraud or dishonesty.

In addition, the Company has taken out and maintained insurance for the Directors against liabilities to third parties that maybe incurred in the course of performing their duties as at the date of this report.

Directors and Directors' Service Contracts

The Directors of the Company during the year and up to the date of this report were:

Executive Directors:

Zhang Hong Wei – *Chairman*
Zhu Jun
Zhang Meiying

Independent non-executive Directors:

Chau Siu Wai
San Fung
Zhu Chengwu

Pursuant to Bye-laws 87(1) and 87(2) of the Bye-laws, Mr. Zhu Jun and Mr. San Fung shall retire by rotation and being eligible, will offer themselves for re-election at the Annual General Meeting to be held in 2016.

There is no service contract entered into between the Company and independent non-executive Directors and they are not appointed for a specific term. However, all Directors are subject to retirement by rotation at least once every three years pursuant to the Bye-laws of the Company.

Share Option Scheme

The Company's share option scheme (the "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 Scheme (the "Scheme Limit") was adopted pursuant to the shareholders' resolution passed on 11 May 2006 for the primary purpose of providing opportunity to qualified employees (within the meaning in the share option scheme of the Company) to acquire proprietary interests of the Group and will expire on 10 May 2016. On 3 December 2007, the 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 Scheme by shareholders of the Company (the "Refreshed Scheme Limit"). The corresponding listing approval for the Refreshed Scheme Limit was granted by the Stock Exchange on 28 February 2008.

The total number of shares in respect of which options may be granted under the 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 reporting period, 2,000,000 units of share options granted and vested under the Company's Share Option Schemes adopted on 11 May 2006 were lapsed. As at 31 December 2015, 632,709,163 shares under the Refreshed Scheme Limit were not used for granting share option under the Scheme ("Unused Refreshed Scheme Limit") and the total outstanding share options granted under the Scheme but not exercised was 18,000,000 units of the share options ("Outstanding Option Not Exercised"). The ratio of Unused Refreshed Scheme Limit and Outstanding Option Not Exercised to the total issued shares of the Company of 13,085,721,377 shares as at 31 December 2015 was 4.97%.

Details of share options granted under the scheme are as follows:

Grant Date	Exercise Price HK$	Vesting Period	Exercisable Period	Number of Share Options As at 1.1.2015	Granted	Exercised	Lapsed	Cancelled	As at 31.12.2015
Employees									
31.12.2010	1.55	31.12.2010 to 30.12.2011	31.12.2011 to 30.12.2015	600,000	–	–	(600,000)	–	–
31.12.2010	1.55	31.12.2010 to 30.12.2012	31.12.2012 to 30.12.2015	400,000	–	–	(400,000)	–	–
31.12.2010	1.55	31.12.2010 to 30.12.2013	31.12.2013 to 30.12.2015	400,000	–	–	(400,000)	–	–
31.12.2010	1.55	31.12.2010 to 30.12.2014	31.12.2014 to 30.12.2015	600,000	–	–	(600,000)	–	–
29.8.2012	1.20	29.8.2012 to 28.8.2013	29.8.2013 to 28.8.2022	5,400,000	–	–	–	–	5,400,000
29.8.2012	1.20	29.8.2012 to 28.8.2014	29.8.2014 to 28.8.2022	3,600,000	–	–	–	–	3,600,000
29.8.2012	1.20	29.8.2012 to 28.8.2015	29.8.2015 to 28.8.2022	3,600,000	–	–	–	–	3,600,000
29.8.2012	1.20	29.8.2012 to 28.8.2016	29.8.2016 to 28.8.2022	5,400,000	–	–	–	–	5,400,000
Total				20,000,000	–	–	(2,000,000)	–	18,000,000

Disclosure of Interests

Directors' Interests in Shares and Underlying Shares of the Company

As at 31 December 2015, the Directors and their associates had the following interests or short positions in shares, underlying shares and debentures of the Company or any of its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance (the "SFO")) as recorded in the register required to be kept under Section 352 of the SFO or as otherwise notified to the Company and The Stock Exchange of Hong Kong Limited (the "Stock Exchange") pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code"):

Name of Director	Name of Company	Nature of interest	Number of Shares Long Position	Short Position	Approximate % shareholding
Zhang Hong Wei	The Company	Attributable interest of controlled corporation	9,377,150,115	–	71.66 (Note 1)
Zhu Jun	The Company	Beneficial owner	1,443,000	–	0.01

Note:

1. Out of the 9,377,150,115 shares, 5,328,879,125 shares were beneficially held by He Fu International Limited, 2,223,726,708 shares were beneficially held by United Petroleum & Natural Gas Holdings Limited, and 1,824,544,282 shares were beneficially held by United Energy Holdings Limited. He Fu International Limited, United Petroleum & Natural Gas Holdings Limited and United Energy Holdings Limited are companies wholly-owned by Mr. Zhang Hong Wei. Therefore, Mr. Zhang Hong Wei is deemed to be interested in those 9,377,150,115 shares.

Save as disclosed above, at no time during the reporting period, none of the Directors and chief executives 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) 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 and short positions which the Directors and chief executives of the Company are taken or deemed to have under such provisions of the SFO), or were required to be recorded in the register required to be kept by the Company pursuant to section 352 of the SFO, or which will be required, pursuant to the Model Code, to be notified to the Company and the Stock Exchange.

Substantial Shareholders

As at 31 December 2015, the following persons or corporations, other than the Directors or chief executives of the Company as disclosed above, had interests or short positions in the shares and underlying shares of the Company as recorded in the register required to be kept by the Company pursuant to Section 336 of the SFO:

Name	Name of Company	Capacity and nature of interest	Number of Shares	Approximate % shareholding
He Fu International Limited[Note]	The Company	Beneficial owner	5,328,879,125	40.72
United Petroleum & Natural Gas Holdings Limited[Note]	The Company	Beneficial owner	2,223,726,708	17.00
United Energy Holdings Limited[Note]	The Company	Beneficial owner	1,824,544,282	13.94

Note: These companies are wholly-owned by Mr. Zhang Hong Wei.

All the interests stated above represent long positions. As at 31 December 2015, no short position were recorded in the register kept by the Company under Section 336 of the SFO.

Save as disclosed in this report, the Company has not been notified by any persons or corporations, other than the Directors or chief executives of the Company, who had interests or short positions in the shares or underlying shares of the Company as recorded in the register required to be kept by the Company pursuant to Section 336 of the SFO as at 31 December 2015.

Share Capital

Particulars of the Company's share capital are set out in note 32 to the consolidated financial statements of this annual report. Details of newly issued shares of the Company during the reporting period are set out in the section headed "Management Discussion and Analysis — Capital Structure" on page 22 to 23 of this annual report.

Arrangements to Purchase Shares or Debentures

At no time during the reporting period was the Company, its subsidiary or holding company, a party to any arrangements to enable the Directors of the Company to acquire benefits by means of acquisition of shares in, or debt securities (including debentures) of, the Company or any other body corporate.

Directors' Material Interests in Transactions, Arrangements and Contracts of Significance

No transactions, arrangements and contracts of significance in relation to the Group's business to which the Company, its subsidiaries or holding company was a party and in which a Director of the Company had a material interest, whether directly or indirectly, subsisted at the end of the period of at any time during the reporting period, except as announced.

Emolument Policy

The emolument policy for the employees of the Group is set up by the Board on the basis of their merit, qualifications and competence. The Company has adopted the share option scheme as an incentive to qualified employees (with the meanings in the share option scheme of the Company). Details of the scheme are set out in the section headed "Share Option Scheme" on page 36 to 37 and note 35 to the consolidated financial statements this annual report.

The emoluments of the Directors of the Company are decided by the Board, having regard to the Company's operating results, individual performance and comparable market statistics. Details of the remuneration of the Directors and those of the five highest paid individuals are set out in note 15 to the consolidated financial statements of this annual report. There has been no arrangement under which any Director has waived or agreed to waive any emoluments.

Management Contracts

Other than Directors' service contracts and employment contracts with the Group's senior management in full-time employment, no contracts concerning the management and administration of the whole or any substantial part of the business of the Group were entered into or in existence during the year ended 31 December 2015.

Directors' Interests in Competing Business

During the year ended 31 December 2015, none of the Directors or their respective associates had engaged in or had any interest in any business which competes or may compete with the business of the Group.

Pre-Emptive Rights

There are no provisions for pre-emptive rights under the Company's Bye-laws or the laws of Bermuda, which would oblige the Company to offer new shares on a pro-rata basis to existing shareholders.

Appointment of Independent Non-Executive Directors

The Company has received, from each of the independent non-executive Directors, an annual confirmation of his independent pursuant to Rule 3.13 of the Rules Governing the Listing Securities on The Stock Exchange of Hong Kong Limited. The Company considers all of the independent non-executive Directors are independent.

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. 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 throughout the financial year for the year ended 31 December 2015.

The Company has also established written guidelines regarding securities transaction on no less exacting terms of the Model Code for senior management and specific individual who may have access to price sensitive information in relation to the securities of the Company.

Related Party Transactions

The related party transactions conducted during the reporting period are set out in note 37 to the consolidated financial statements of this annual report

Save as disclosed below under the paragraph "Connected Transactions", the related party transactions as set out in note 37 to the consolidated financial statements of this annual report do not fall under the definition of "connected transactions" or "continuing connected transactions" under Chapter 14A of the Listing Rules during the year ended 31 December 2015.

Connected Transactions

Save as disclosed below, the Group had not entered into any connected transactions or continuing connected transactions which are required to be disclosed in compliance with the requirements of Chapter 14A of the Listing Rules during the year ended 31 December 2015.

On 16 March 2015, United Energy Pakistan Limited ("UEPL"), a wholly-owned subsidiary of the Company, entered into the short-term loan agreement with UEP Wind Power (PVT.) Limited ("UEP Wind Power"), which its substantial shareholder is Mr. Zhang Hong Wei, the Chairman and Executive Director of the Company for short-term financing the wind power project in Pakistan to be operated by UEP Wind Power. The maximum loan amount is HK$62,400,000 (equivalent to US$8,000,000), bearing interest rate of 6.85% per annum and repayable on 31 December 2015. For the year ended 31 December 2015, UEPL received loan interest income of approximately HK$2,741,000 (equivalent to approximately US$351,000) (2014: Nil) from UEP Wind Power and the short-term loan has been fully repaid.

Corporate Governance

In the opinion of the Directors, the Company has complied throughout the financial year for the year ended 31 December 2015 with the Code on Corporate Governance Practices, except for code provisions A.2.1 and A.4.1 as set out in the Code of Corporate Governance Practices contained in Appendix 14 to the Listing Rules. Please refer to the Corporate Governance Report on pages 26 to 32 for details.

Details of the audit committee, remuneration committee and nomination committee are set out in the Corporate Governance Report.

Closure of Register of Members

The register of members of the Company will be closed from 24 May 2016 to 27 May 2016, both days inclusive, in order to determine the identity of the Shareholders who are entitled to attend the forthcoming annual general meeting to be held on 27 May 2016 (the "Annual General Meeting"). In order to be eligible to attend and vote at the forthcoming Annual General Meeting, all transfer accompanied by the relevant share certificates and transfer forms must be lodged with the Company's share registrar in Hong Kong, Tricor Secretaries Limited, at Level 22, Hopewell Centre, 183 Queen's Road East, Hong Kong before 4:30 p.m. on 23 May 2016.

Sufficiency of Public Float

Based on the information that is publicly available to the Company and within the knowledge of the Directors, the Company has maintained a sufficient public float throughout the financial year ended for the year ended 31 December 2015.

Purchase, Sale or Redemption of Shares

The Company has not redeemed any of its shares nor any or its subsidiaries has purchased or sold any of the Company's shares during the year ended 31 December 2015.

Events After Reporting Period

Particulars of the Group's events after the reporting period are set out in note 44 to the consolidated financial statements of this annual report.

Auditors

At the Company's last AGM held on 29 May 2015, RSM Nelson Wheeler was re-appointed as auditor of the Company. On 26 October 2015, our auditor changed the name under which it practices to RSM Hong Kong and accordingly has signed its report under its new name.

RSM Hong Kong retires, and, being eligible, offers themselves for re-appointment. A resolution for the re-appointment of RSM Hong Kong will be put at the forthcoming Annual General Meeting.

By order of the Board
United Energy Group Limited

Zhang Hong Wei
Chairman
Hong Kong, 8 March 2016

BIOGRAPHY OF DIRECTORS AND SENIOR MANAGEMENT

Executive Directors

Mr. Zhang Hong Wei, aged 61, joined the Company on 27 February 1998. Mr. Zhang is the Chairman of the Group. Mr. Zhang is also the chairman and president of Orient Group Inc. and the Deputy Chairman of China Minsheng Banking Corporation Ltd., a joint-stock bank listed on the Shanghai Exchange and on the Stock Exchange of Hong Kong Limited. Mr. Zhang has 30 more years of experience in management in the PRC. As at the date of this annual report, Mr. Zhang is beneficially interested in 9,377,150,115 shares of the Company, representing approximately 71.66% of the existing issued share capital of the Company, and is the controlling shareholder of the Company. Mr. Zhang is the father of Ms. Zhang Meiying, an executive Director appointed on 19 June 2006.

Mr. Zhu Jun, aged 50, joined the Company on 20 October 2005 as an executive Director. Mr. Zhu is currently an executive director of China Infrastructure Holdings Limited, the shares of which are listed on The Singapore Exchange Securities Trading Limited. After graduation from the Peking University with a bachelor degree and a master degree in economics, Mr. Zhu has had over 22 years of experience in corporate finance, investment and management. As at the date of this annual report, Mr. Zhu directly holds 1,443,000 shares of the Company, representing approximately 0.01% of the existing issued share capital of the Company.

Ms. Zhang Meiying, aged 37, joined the Company on 19 June 2006 as an executive Director. Ms. Zhang previously worked in Citigroup Investment Banking Division (Hong Kong), China Minsheng Banking Corporation Limited and America Orient Group, Inc. and has over 12 years of experience in banking and financial management. Ms. Zhang Meiying holds a BBA degree in Finance and International Business from the George Washington University, USA. Ms. Zhang has not held any directorship with other listed companies in the last 3 years. Ms. Zhang is the daughter of Mr. Zhang Hong Wei, the Chairman, executive Director and controlling shareholder of the Company.

Independent Non-executive Directors

Mr. San Fung, aged 51, joined the Company on 9 November 2004 as an independent non-executive Director. Mr. San completed a course in Master of Business Administration from the International Eastwestern University of the United States and a course of EMBA from Cheung Kong Graduate School of Business and was awarded a master degree. Mr. San specialized in financial analysis in infrastructure project and has over 18 years of experience in management and business operation. Mr. San is currently the chairman of Shenzhen Jin Xun Investment Development Company Limited.

Mr. Chau Siu Wai, aged 46, joined the Company on 9 November 2004 as an independent non-executive Director. Mr. Chau is a university graduate with a bachelor degree in law. He further obtained a master degree in business administration from Murdoch University in Australia. Mr. Chau has over 12 years of experience in financial reporting and investment analysis and is now the managing director of an investment company.

Mr. Zhu Chengwu, aged 46, joined the Company on 5 December 2005 is an independent non-executive Director. Mr. Zhu is currently the chief financial officer of the Shanghai head office of Everbright Securities Company Limited. After graduation from the Lanzhou Commercial College with a bachelor degree in finance, Mr. Zhu had held senior financial positions in several PRC companies including Shenzhen Techo Telecom Co., Ltd. ("Shenzhen Techo"), a PRC company whose shares are listed on the Shenzhen Stock Exchange. Mr. Zhu was the director and had assumed the role of the chief financial officer of Shenzhen Techo. Through his past experience, in particular, as the director of Shenzhen Techo, Mr. Zhu has gained much experience in (a) preparing and conducting review and internal audit of financial statements and reports; and (b) internal control and procedures for financial reporting in respect of public companies and possesses such knowledge, experience and expertise of an independent non-executive Director as required under Rule 3.10(2) of the Listing Rules. Mr. Zhu acquired the intermediate-level accountant certificate jointly issued by the Ministry of Finance and the Ministry of Personnel of the People's Republic of China on 30 May 2000. Mr. Zhu is considered to be an independent non-executive Director under Rule 3.13 of the Listing Rules.

Senior Management

Mr. Song Yu, aged 40, joined the Company in October 2009 as Investment Controller and promoted as Chief Operation Officer of the Company in October 2011. Before joining the Company, Mr. Song previously worked in different subsidiaries of Sinopec Group during the period from July 2004 to October 2009. He worked in Winfield Euro Asia Oil Service Company (Russia), a wholly-owned subsidiary of Sinopec Group in Moscow, as General Director and focused on oil trading, procurement and technical services in relation to petroleum exploration and production in Euro-Asia. Mr. Song also worked in Sinopec International Petroleum E&P Corporation ("SIPC") in Beijing and SIPC Russia and Central Asia Regional Company as In House Legal Consultant and Head of Legal respectively. Mr. Song graduated from the Tsinghua University and obtained a bachelor degree of Physics and master degree of Law in International Economic Law.

INDEPENDENT AUDITOR'S REPORT

TO THE SHAREHOLDERS OF
UNITED ENERGY GROUP LIMITED
(Incorporated in the Cayman Islands and continued in Bermuda with limited liability)

We have audited the consolidated financial statements of United Energy Group Limited (the "Company") and its subsidiaries (collectively referred to as the "Group") set out on pages 45 to 121, which comprise the consolidated statement of financial position as at 31 December 2015, and the consolidated statement of profit or loss, the consolidated statement of profit or loss and other comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

Directors' Responsibility for the Consolidated Financial Statements

The directors of the Company are responsible for the preparation of consolidated financial statements that give a true and fair view in accordance with Hong Kong Financial Reporting Standards issued by the Hong Kong Institute of Certified Public Accountants and the disclosure requirements of the Hong Kong Companies Ordinance, and for such internal control as the directors determine is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audit and to report our opinion solely to you, as a body, in accordance with section 90 of the Companies Act 1981 of Bermuda and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report. We conducted our audit in accordance with Hong Kong Standards on Auditing issued by the Hong Kong Institute of Certified Public Accountants. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation of consolidated financial statements that give a true and fair view in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the consolidated financial statements give a true and fair view of the financial position of the Group as at 31 December 2015, and of the Group's financial performance and cash flows for the year then ended in accordance with Hong Kong Financial Reporting Standards and have been properly prepared in compliance with the disclosure requirements of the Hong Kong Companies Ordinance.

RSM Hong Kong
Certified Public Accountants
Hong Kong

8 March 2016

CONSOLIDATED STATEMENT OF PROFIT OR LOSS

For the year ended 31 December 2015

	Note	2015 HK$'000	2014 HK$'000
Turnover	8	**5,417,885**	6,120,229
Cost of sales and services rendered		**(2,625,058)**	(2,829,447)
Gross profit		**2,792,827**	3,290,782
Investment and other income	9	**40,498**	34,890
Other gains and losses	10	**(4,899,808)**	(54,560)
Exploration expenses		**(946,712)**	(272,085)
Administrative expenses		**(402,514)**	(481,109)
Other operating expenses		**(104,999)**	(160,955)
(Loss)/profit from operations		**(3,520,708)**	2,356,963
Finance costs	12	**(253,815)**	(238,506)
(Loss)/profit before tax		**(3,774,523)**	2,118,457
Income tax credit/(expense)	14	**823,903**	(304,011)
(Loss)/profit for the year	13	**(2,950,620)**	1,814,446
Attributable to:			
Owners of the Company		**(2,943,674)**	1,827,887
Non-controlling interests		**(6,946)**	(13,441)
		(2,950,620)	1,814,446
(Loss)/earnings per share	16		
Basic (cents per share)		**(22.51)**	14.00
Diluted (cents per share)		**(22.51)**	14.00

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the year ended 31 December 2015

	2015 HK$'000	2014 HK$'000
(Loss)/profit for the year	**(2,950,620)**	1,814,446
Other comprehensive income after tax:		
Items that may be reclassified to profit or loss:		
Exchange differences on translating foreign operations	**8,993**	(635)
Exchange gains reclassified to profit or loss on disposal of subsidiaries	**(54,158)**	–
Other comprehensive income for the year, net of tax	**(45,165)**	(635)
Total comprehensive income for the year	**(2,995,785)**	1,813,811
Attributable to:		
Owners of the Company	**(2,987,086)**	1,827,557
Non-controlling interests	**(8,699)**	(13,746)
	(2,995,785)	1,813,811

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 31 December 2015

	Note	2015 HK$'000	2014 HK$'000
Non-current assets			
Property, plant and equipment	18	**5,479,120**	6,165,932
Intangible assets	19	**2,781,833**	7,330,911
Advances, deposits and prepayments	20	**98,213**	79,516
Pledged bank deposits	26(b)	**146,038**	–
Deferred tax assets	31	**168,621**	212,060
		8,673,825	13,788,419
Current assets			
Restricted deposits	21	**412,001**	–
Inventories	22	**223,703**	305,605
Trade and other receivables	23	**1,704,047**	1,539,017
Held-to-maturity investments	24	**–**	151,284
Financial assets at fair value through profit or loss	25	**201,831**	3,145
Current tax assets		**305,215**	251,403
Pledged bank deposits	26(b)	**31,558**	7,044
Bank and cash balances	26(a)	**2,161,630**	2,494,348
		5,039,985	4,751,846
Current liabilities			
Trade and other payables	27	**1,495,940**	1,996,362
Due to directors	28	**8,324**	7,593
Borrowings	29	**1,460,224**	768,310
Current tax liabilities		**12,139**	12,716
		2,976,627	2,784,981
Net current assets		**2,063,358**	1,966,865
Total assets less current liabilities		**10,737,183**	15,755,284
Non-current liabilities			
Trade and other payables	27	**89,859**	–
Borrowings	29	**3,120,000**	4,317,593
Provisions	30	**287,696**	306,073
Deferred tax liabilities	31	**398,019**	1,314,246
		3,895,574	5,937,912
NET ASSETS		**6,841,609**	9,817,372

	Note	2015 HK$'000	2014 HK$'000
Capital and reserves			
Share capital	32	**130,857**	130,681
Reserves	34(a)	**6,681,037**	9,648,277
Equity attributable to owners of the Company		**6,811,894**	9,778,958
Non-controlling interests		**29,715**	38,414
TOTAL EQUITY		**6,841,609**	9,817,372

Approved by the Board of Directors on 8 March 2016 and are signed on its behalf by:

Zhang Hong Wei
Director

Zhu Jun
Director

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended 31 December 2015

	Attributable to owners of the Company										
	Share capital (note 32) HK$'000	Share premium account (note 34(c)) HK$'000	Merger reserve (note 34(c)) HK$'000	Contributed surplus reserve (note 34(c)) HK$'000	Capital reserve (note 34(c)) HK$'000	Foreign currency translation reserve (note 34(c)) HK$'000	Share-based capital reserve (note 34(c)) HK$'000	Accumulated losses HK$'000	Total HK$'000	Non-controlling interests HK$'000	Total equity HK$'000
At 1 January 2014	130,532	13,296,015	(2,286,000)	–	155,580	76,058	16,936	(3,458,350)	7,930,771	52,160	7,982,931
Total comprehensive income for the year	–	–	–	–	–	(330)	–	1,827,887	1,827,557	(13,746)	1,813,811
Recognition of share-based payments	–	–	–	–	–	–	3,930	–	3,930	–	3,930
Forfeiture of share-based payments	–	–	–	–	–	–	(6,608)	6,608	–	–	–
Issue of shares under employees performance share schemes (note 32(a))	91	10,116	–	–	–	–	–	–	10,207	–	10,207
Issue of shares under share match scheme (note 32(b))	58	6,435	–	–	–	–	–	–	6,493	–	6,493
Changes in equity for the year	149	16,551	–	–	–	(330)	(2,678)	1,834,495	1,848,187	(13,746)	1,834,441
At 31 December 2014	130,681	13,312,566	(2,286,000)	–	155,580	75,728	14,258	(1,623,855)	9,778,958	38,414	9,817,372
At 1 January 2015	**130,681**	**13,312,566**	**(2,286,000)**	**–**	**155,580**	**75,728**	**14,258**	**(1,623,855)**	**9,778,958**	**38,414**	**9,817,372**
Total comprehensive income for the year	**–**	**–**	**–**	**–**	**–**	**(43,412)**	**–**	**(2,943,674)**	**(2,987,086)**	**(8,699)**	**(2,995,785)**
Recognition of share-based payments	**–**	**–**	**–**	**–**	**–**	**–**	**1,906**	**–**	**1,906**	**–**	**1,906**
Expired of share-based payments	**–**	**–**	**–**	**–**	**–**	**–**	**(2,043)**	**2,043**	**–**	**–**	**–**
Transfer	**–**	**(13,312,566)**	**–**	**13,312,566**	**–**	**–**	**–**	**–**	**–**	**–**	**–**
Release upon the disposal of subsidiaries (note 36(b))	**–**	**–**	**–**	**–**	**(155,580)**	**–**	**–**	**155,580**	**–**	**–**	**–**
Issue of shares under employees performance share schemes (note 32(a))	**104**	**11,579**	**–**	**–**	**–**	**–**	**–**	**–**	**11,683**	**–**	**11,683**
Issue of shares under share match scheme (note 32(b))	**72**	**6,361**	**–**	**–**	**–**	**–**	**–**	**–**	**6,433**	**–**	**6,433**
Changes in equity for the year	**176**	**(13,294,626)**	**–**	**13,312,566**	**(155,580)**	**(43,412)**	**(137)**	**(2,786,051)**	**(2,967,064)**	**(8,699)**	**(2,975,763)**
At 31 December 2015	**130,857**	**17,940**	**(2,286,000)**	**13,312,566**	**–**	**32,316**	**14,121**	**(4,409,906)**	**6,811,894**	**29,715**	**6,841,609**

CONSOLIDATED STATEMENT OF CASH FLOWS

For the year ended 31 December 2015

	Note	2015 HK$'000	2014 HK$'000
CASH FLOWS FROM OPERATING ACTIVITIES			
(Loss)/profit before tax		**(3,774,523)**	2,118,457
Adjustments for:			
Allowance for inventories		**4,872**	–
Allowance for trade and other receivables		**19,326**	–
Depreciation and amortisation		**1,805,246**	1,908,950
Fair value losses on financial assets at fair value through profit or loss		**515**	431
Finance costs		**253,815**	238,506
Gain on disposals of property, plant and equipment		**(31,816)**	(13,428)
Gain on disposal of subsidiaries	36(b)	**(54,158)**	–
Impairment losses on advances, deposits and prepayments		**271**	–
Impairment losses on intangible assets		**3,864,048**	41,689
Impairment losses on property, plant and equipment		**693,323**	–
Investment income		**(25,948)**	(17,728)
Share-based payments		**10,754**	10,655
Written off of intangible assets		**134,567**	–
Written off of property, plant and equipment		**1,129,075**	–
Operating profit before working capital changes		**4,029,367**	4,287,532
Decrease/(increase) in inventories		**76,443**	(5,080)
Decrease/(increase) in trade and other receivables		**143,093**	(45,461)
Increase in advances, deposits and prepayments		**(18,169)**	(4,445)
Decrease in trade and other payables		**(443,384)**	(103,239)
Increase/(decrease) in due to directors		**731**	(264)
Decrease in provisions		**(14,597)**	(885)
Cash generated from operations		**3,773,484**	4,128,158
Interest paid		**(244,500)**	(226,876)
Income taxes paid		**(94,208)**	(450,937)
Net cash generated from operating activities		**3,434,776**	3,450,345
CASH FLOWS FROM INVESTING ACTIVITIES			
Decrease/(increase) in term deposits		**27,347**	(194,976)
Increase in pledged bank deposits		**(177,895)**	(2,614)
Placement of restricted deposits		**(412,001)**	–
Redemption/(purchases) of held-to-maturity investments		**154,803**	(151,356)
Purchases of property, plant and equipment		**(2,661,896)**	(2,592,966)
Proceeds from disposals of property, plant and equipment		**183**	13
Subscription of unlisted investment fund	36(a)	**(50,000)**	–
Interest received		**20,117**	17,567
Net cash used in investing activities		**(3,099,342)**	(2,924,332)

	Note	2015 HK$'000	2014 HK$'000
CASH FLOWS FROM FINANCING ACTIVITIES			
Proceeds from issue of shares under share match scheme		**6,433**	6,493
Dividends received		**164**	161
Bank loans raised		**144,300**	210,885
Repayment of bank loans		**(768,310)**	(730,217)
Proceeds from issue of medium term notes, net of issuance costs		**–**	595,301
Net cash (used in)/generated from financing activities		**(617,413)**	82,623
NET (DECREASE)/INCREASE IN CASH AND CASH EQUIVALENTS		**(281,979)**	608,636
Effect of foreign exchange rate changes		**(16,155)**	(18,908)
CASH AND CASH EQUIVALENTS AT 1 JANUARY		**2,299,372**	1,709,644
CASH AND CASH EQUIVALENTS AT 31 DECEMBER		**2,001,238**	2,299,372
ANALYSIS OF CASH AND CASH EQUIVALENTS			
Bank and cash balances		**2,161,630**	2,494,348
Less: term deposits matured over 3 months but within 1 year		**(160,392)**	(194,976)
Cash and cash equivalents	26(a)	**2,001,238**	2,299,372

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, 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. The principal activities of its subsidiaries are set out in note 42 to the consolidated financial statements.

In the opinion of the directors of the Company, Mr. Zhang Hong Wei is the ultimate controlling party of the Company.

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).

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

(a) Application of new and revised HKFRSs

In the current year, the Group has adopted all the new and revised HKFRSs issued by the HKICPA that are relevant to its operations and effective for its accounting year beginning on 1 January 2015:

Amendment to HKAS 16 and HKAS 38 (Annual Improvements to HKFRSs 2010–2012 Cycle)

The amendment clarifies how the gross carrying amount and the accumulated depreciation/amortisation are treated where an entity uses the revaluation model. As the Group does not use the revaluation model, there was no effect on its consolidated financial statements.

Amendment to HKAS 24 (Annual Improvements to HKFRSs 2010–2012 Cycle)

The amendment clarifies how payments to entities providing key management personnel services are to be disclosed. This amendment had no effect on the Group's consolidated financial statements.

Amendment to HKFRS 3 (Annual Improvements to HKFRSs 2011–2013 Cycle)

The amendment clarifies that HKFRS 3 excludes from its scope the accounting for the formation of any joint arrangement in the financial statements of the joint arrangement itself. This had no effect on the Group's consolidated financial statements.

Amendment to HKFRS 8 (Annual Improvements to HKFRSs 2010–2012 Cycle)

The amendment requires disclosure of the judgements made by management in applying the aggregation criteria to operating segments, and clarifies that reconciliations of the total of the reportable segments' assets to the entity's assets are required only if the segment assets are reported regularly. These clarifications had no effect on the Group's consolidated financial statements.

3. ADOPTION OF NEW AND REVISED HONG KONG FINANCIAL REPORTING STANDARDS AND REQUIREMENTS (CONTINUED)

(a) Application of new and revised HKFRSs (Continued)

Amendment to HKFRS 13 (Annual Improvements to HKFRSs 2011–2013 Cycle)

The amendment clarifies that the portfolio exception in HKFRS 13 – allowing an entity to measure the fair value of a group of financial assets and financial liabilities on a net basis – applies to all contracts (including non-financial) within the scope of HKAS 39/HKFRS 9. This had no effect on the Group's 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 on 1 January 2015. The directors anticipate that the new and revised HKFRSs will be adopted in the Group's consolidated financial statements when they become effective. The Group is in the process of assessing, where applicable, the potential effect of all new and revised HKFRSs that will be effective in future periods but is not yet in a position to state whether these new and revised HKFRSs would have a material impact on its results of operations and financial position.

List of new and revised HKFRSs in issue but not yet effective

HKFRS 9	Financial Instruments[1]
HKFRS 15	Revenue from Contracts with Customers[1]
Amendments to HKFRS 11	Accounting for Acquisitions of Interests in Joint Operations[2]
Amendments to HKAS 1	Disclosure Initiative[2]
Amendments to HKAS 16 and HKAS 38	Clarification of Acceptable Methods of Depreciation and Amortisation[2]
Amendments to HKAS 27	Equity Method in Separate Financial Statements[2]
Amendments to HKFRS 10 and HKAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture[3]
Amendments to HKFRS 10, HKFRS 12 and HKAS 28	Investment Entities: Applying the Consolidation Exception[2]
Amendments to HKFRSs	Annual Improvements to HKFRSs 2012–2014 Cycle[2]

1 Effective for annual periods beginning on or after 1 January 2018, with earlier application permitted.
2 Effective for annual periods beginning on or after 1 January 2016, with earlier application permitted.
3 Effective for annual periods beginning on or after a date to be determined. Early adoption is permitted.

(c) New Hong Kong Companies Ordinance (Cap. 622)

The requirements of Part 9 "Accounts and Audit" of the new Hong Kong Companies Ordinance (Cap. 622) came into operation during the financial year. As a result, there are changes to presentation and disclosures of certain information in the consolidated financial statements.

(d) Amendments to the Rules Governing the Listing of Securities on the Stock Exchange

The Stock Exchange in April 2015 released revised Appendix 16 of the Rules Governing the Listing of Securities in relation to disclosure of financial information in annual reports that are applicable for accounting periods ending on or after 31 December 2015, with earlier application permitted. The Company has adopted the amendments resulting in changes to the presentation and disclosures of certain information in the consolidated financial statements.

4. SIGNIFICANT ACCOUNTING POLICIES

These consolidated financial statements have been prepared under the historical cost convention, unless mentioned otherwise in the accounting policies below (e.g. financial instruments that are measured at fair value).

The preparation of financial statements in conformity with HKFRS requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the Group's accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the consolidated financial statements are disclosed in note 5.

The significant accounting policies applied in the preparation of these consolidated financial statements are set out below.

(a) Consolidation

The consolidated financial statements include the financial statements of the Company and its subsidiaries made up to 31 December. Subsidiaries are entities over which the Group has control. The Group controls an entity when it is exposed, or has rights, to variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. The Group has power over an entity when the Group has existing rights that give it the current ability to direct the relevant activities, i.e. activities that significantly affect the entity's returns.

When assessing control, the Group considers its potential voting rights as well as potential voting rights held by other parties. A potential voting right is considered only if the holder has the practical ability to exercise that right.

Subsidiaries are consolidated from the date on which control is transferred to the Group. They are de-consolidated from the date the control ceases.

The gain or loss on the disposal of a subsidiary that results in a loss of control represents the difference between (i) the fair value of the consideration of the sale plus the fair value of any investment retained in that subsidiary and (ii) the Company's share of the net assets of that subsidiary plus any remaining goodwill and any accumulated foreign currency translation reserve relating to that subsidiary.

Intragroup transactions, balances and unrealised profits are eliminated. Unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the asset transferred. Accounting policies of subsidiaries have been changed where necessary to ensure consistency with the policies adopted by the Group.

Non-controlling interests represent the equity in subsidiaries not attributable, directly or indirectly, to the Company. Non-controlling interests are presented in the consolidated statement of financial position and consolidated statement of changes in equity within equity. Non-controlling interests are presented in the consolidated statement of profit or loss and consolidated statement of profit or loss and other comprehensive income as an allocation of profit or loss and total comprehensive income for the year between the non-controlling shareholders and owners of the Company.

4. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(a) Consolidation (Continued)

Profit or loss and each component of other comprehensive income are attributed to the owners of the Company and to the non-controlling shareholders even if this results in the non-controlling interests having a deficit balance.

Changes in the Company's ownership interest in a subsidiary that do not result in a loss of control are accounted for as equity transactions (i.e. transactions with owners in their capacity as owners). The carrying amounts of the controlling and non-controlling interests are adjusted to reflect the changes in their relative interests in the subsidiary. Any difference between the amount by which the non-controlling interests are adjusted and the fair value of the consideration paid or received is recognised directly in equity and attributed to the owners of the Company.

(b) Business combination and goodwill

The acquisition method is used to account for the acquisition of a subsidiary in a business combination. The consideration transferred in a business combination is measured at the acquisition-date fair value of the assets given, equity instruments issued, liabilities incurred and any contingent consideration. Acquisition-related costs are recognised as expenses in the periods in which the costs are incurred and the services are received. Identifiable assets and liabilities of the subsidiary in the acquisition are measured at their acquisition-date fair values.

The excess of the sum of the consideration transferred over the Group's share of the net fair value of the subsidiary's identifiable assets and liabilities is recorded as goodwill. Any excess of the Group's share of the net fair value of the identifiable assets and liabilities over the sum of the consideration transferred is recognised in consolidated profit or loss as a gain on bargain purchase which is attributed to the Group.

In a business combination achieved in stages, the previously held equity interest in the subsidiary is remeasured at its acquisition-date fair value and the resulting gain or loss is recognised in consolidated profit or loss. The fair value is added to the sum of the consideration transferred in a business combination to calculate the goodwill.

The non-controlling interests in the subsidiary are initially measured at the non-controlling shareholders' proportionate share of the net fair value of the subsidiary's identifiable assets and liabilities at the acquisition date.

After initial recognition, goodwill is measured at cost less accumulated impairment losses. For the purpose of impairment testing, goodwill acquired in a business combination is allocated to each of the cash-generating units ("CGUs") or groups of CGUs that is expected to benefit from the synergies of the combination. Each unit or group of units to which the goodwill is allocated represents the lowest level within the Group at which the goodwill is monitored for internal management purposes. Goodwill impairment reviews are undertaken annually, or more frequently if events or changes in circumstances indicate a potential impairment. The carrying value of the CGU containing the goodwill is compared to its recoverable amount, which is the higher of value in use and the fair value less costs of disposal. Any impairment is recognised immediately as an expense and is not subsequently reversed.

4. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(c) Joint arrangements

A joint arrangement is an arrangement of which two or more parties have joint control. Joint control is the contractually agreed sharing of control of an arrangement, which exists only when decisions about the relevant activities require the unanimous consent of the parties sharing control. Relevant activities are activities that significantly affect the returns of the arrangement. When assessing joint control, the Group considers its potential voting rights as well as potential voting rights held by other parties. A potential voting right is considered only if the holder has the practical ability to exercise that right.

A joint arrangement is either a joint operation or a joint venture. A joint operation is a joint arrangement whereby the parties that have joint control of the arrangement have rights to the assets, and obligations for the liabilities, relating to the arrangement. A joint venture is a joint arrangement whereby the parties that have joint control of the arrangement have rights to the net assets of the arrangement.

In relation to its interest in a joint operation, the Group recognises in its consolidated financial statements in accordance with the HKFRSs applicable to the particular assets, liabilities, revenues and expenses: its assets, including its share of any assets held jointly; its liabilities, including its share of any liabilities incurred jointly; its revenue from the sale of its share of the output arising from the joint operation; its share of the revenue from the sale of the output by the joint operation; and its expenses, including its share of any expenses incurred jointly.

(d) Foreign currency translation

(i) Functional and presentation currency

Items included in the financial statements of each of the Group's entities are measured using the currency of the primary economic environment in which the entity operates (the "functional currency"). The consolidated financial statements are presented in Hong Kong dollars, which is the Company's functional and presentation currency.

(ii) Transactions and balances in each entity's financial statements

Transactions in foreign currencies are translated into the functional currency on initial recognition using the exchange rates prevailing on the transaction dates. Monetary assets and liabilities in foreign currencies are translated at the exchange rates at the end of each reporting period. Gains and losses resulting from this translation policy are recognised in profit or loss.

Non-monetary items that are measured at fair value in foreign currencies are translated using the exchange rates at the dates when the fair values are determined.

When a gain or loss on a non-monetary item is recognised in other comprehensive income, any exchange component of that gain or loss is recognised in other comprehensive income. When a gain or loss on a non-monetary item is recognised in profit or loss, any exchange component of that gain or loss is recognised in profit or loss.

4. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(d) Foreign currency translation (Continued)

(iii) Translation on consolidation

The results and financial position of all the Group entities that have a functional currency different from the Company's presentation currency are translated into the Company's presentation currency as follows:

– Assets and liabilities for each statement of financial position presented are translated at the closing rate at the date of that statement of financial position;

– Income and expenses are translated at average exchange rates for the period (unless this average is not a reasonable approximation of the cumulative effect of the rates prevailing on the transaction dates, in which case income and expenses are translated at the exchange rates on the transaction dates); and

– All resulting exchange differences are recognised in other comprehensive income and accumulated in the foreign currency translation reserve.

On consolidation, exchange differences arising from the translation of monetary items that form part of the net investment in foreign entities are recognised in other comprehensive income and accumulated in the foreign currency translation reserve. When a foreign operation is sold, such exchange differences are reclassified to the consolidated profit or loss as part of the gain or loss on disposal.

(e) Property, plant and equipment (other than oil and gas properties)

Property, plant and equipment held for use in the production or supply of goods or services, or for administrative purposes (other than freehold land, construction in progress and spare parts as described below), are stated in the consolidated statement of financial position at cost, less subsequent accumulated depreciation and subsequent accumulated impairment losses, if any.

Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. All other repairs and maintenance are recognised in profit or loss during the year in which they are incurred.

Depreciation of property, plant and equipment is calculated at rates sufficient to write off their cost less their residual values over the estimated useful lives on a straight-line basis. The principal annual rates are as follows:

Buildings	5%
Leasehold improvements	5%
Motor vehicles	25%
Furniture, fixtures and equipment	20%–33.33%
Plant and machinery	20%

4. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(e) Property, plant and equipment (other than oil and gas properties) (Continued)

The residual values, useful lives and depreciation method are reviewed and adjusted, if appropriate, at the end of each reporting period.

Freehold land is stated at cost less subsequent accumulated impairment losses, if any.

Construction in progress represents plant and machinery pending installation and costs of oil wells under construction, and is stated at cost less impairment losses. Depreciation begins when the relevant assets are available for use.

Spare parts are classified as property, plant and equipment rather than inventories when they meet the definition of property, plant and equipment. Upon utilisation, capital spares and serving equipment are depreciated as part of the principal asset.

The gain or loss on disposal of property, plant and equipment is the difference between the net sales proceeds and the carrying amount of the relevant asset, and is recognised in profit or loss.

(f) Oil and gas properties

Oil and gas properties are accounted for using the successful efforts method of accounting. Under this method, all costs for development wells, support equipment and facilities, and proved mineral interests in oil and gas properties are capitalised. Geological and geophysical costs are expensed when incurred. Exploratory expenses are capitalised as construction in progress pending determination of whether the exploratory wells find commercial reserves. Commercial reserves are the estimated quantities of crude oil and natural gas which geological and engineering data demonstrate with reasonable certainty to be recoverable in future years from known reservoirs under existing economic and operating conditions, i.e., prices and costs as of the date the estimate is made.

Exploratory wells in areas not requiring major capital expenditures are evaluated for economic viability within one year of completion of drilling. The related well costs are expensed as dry holes if it is determined that such economic viability is not attained. Otherwise, the related well costs are reclassified to oil and gas properties and subject to impairment review. For exploratory wells that are found to have economically viable reserves in areas where major capital expenditure will be required before production can commence, the related well costs remain capitalised only if additional drilling is under way or firmly planned. Otherwise the related well costs are expensed as dry holes.

Oil and gas properties are stated at cost less subsequent accumulated depreciation and any subsequent impairment losses. The cost of oil and gas properties (including decommissioning cost and future capital expenditures) is depreciated at the field level based on the unit-of-production method over the proved and probable reserves of petroleum (2014: over the proved reserves of petroleum).

4. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(g) Decommissioning cost

Decommissioning cost represents cost for the future abandonment of oil and gas production facilities, representing the legal obligations, at the end of their economic lives. Decommissioning activities may include facility decommissioning and dismantling, removal or treatment of waste materials, land rehabilitation, and site restoration.

The Group makes provision for its share of the full decommissioning cost on the declaration of commercial discovery of the reserves of each field, to fulfil the legal obligation. The amount recognised as part of the cost of oil and gas properties is the estimated cost of decommissioning, discounted to its net present value. The timing and amount of future expenditure are reviewed annually together with the interest rate to be used in discounting the cash flows. Any change in the present value of the estimated expenditure is dealt with prospectively and reflected as an adjustment to the provision and a corresponding adjustment to property, plant and equipment – oil and gas properties.

Decommissioning costs are depreciated as part of the cost of oil and gas properties using the unit-of-production method over the proved and probable reserves (2014: over the proved reserves). The unwinding of discount of the provision of decommissioning cost is recognised as finance costs in the consolidated profit or loss.

(h) Leases

Leases that do not substantially transfer to the Group all the risks and rewards of ownership of assets are accounted for as operating leases. Lease payments (net of any incentives received from the lessor) are recognised as an expense on a straight-line basis over the lease term.

(i) Research and development expenditure

Expenditure on research activities is recognised as an expense in the period in which it is incurred.

(j) Intangible assets

Intangible assets that are acquired in business combinations are recognised at fair value on initial recognition. After initial recognition, intangible assets are carried at cost less subsequent accumulated amortisation and any subsequent accumulated impairment losses.

Amortisation of intangible assets with finite useful lives is charged to consolidated profit or loss on a straight-line basis over the assets' estimated useful lives, except for oil exploitation rights and concession and lease rights which are amortised using the unit-of-production method over the proved and probable reserves of petroleum.

The following intangible assets with finite useful lives are amortised from the date they are available for use and their estimated useful lives are as follows:

	Estimated useful lives
Technical know-how	8 years
Contractual rights in oil exploitation projects	3 years

Both the period and method of amortisation are reviewed annually.

4. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(k) Inventories

Inventories are stated at the lower of cost and net realisable value. Costs of inventories represent purchase or production cost of goods and are determined using the weighted average basis. Net realisable value is the estimated selling price in the ordinary course of business, less the estimated costs of completion and the estimated costs necessary to make the sale.

(l) Recognition and derecognition of financial instruments

Financial assets and financial liabilities are recognised in the consolidated statement of financial position when the Group becomes a party to the contractual provisions of the instruments.

Financial assets are derecognised when the contractual rights to receive cash flows from the assets expire; the Group transfers substantially all the risks and rewards of ownership of the assets; or the Group neither transfers nor retains substantially all the risks and rewards of ownership of the assets but has not retained control on the assets. On derecognition of a financial asset, the difference between the asset's carrying amount and the sum of the consideration received and the cumulative gain or loss that had been recognised in other comprehensive income is recognised in profit or loss.

Financial liabilities are derecognised when the obligation specified in the relevant contract is discharged, cancelled or expires. The difference between the carrying amount of the financial liability derecognised and the consideration paid is recognised in profit or loss.

(m) Financial assets

Financial assets are recognised and derecognised on a trade date basis where the purchase or sale of an financial asset is under a contract whose terms require delivery of the financial assets within the timeframe established by the market concerned, and are initially measured at fair value, plus directly attributable transaction costs except in the case of financial assets at fair value through profit or loss.

The Group classifies its financial assets in the following categories: at fair value through profit or loss, loans and receivables and held-to-maturity. The classification depends on the purpose for which the financial assets were acquired. Management determines the classification of its financial assets at initial recognition.

(i) Financial assets at fair value through profit or loss

Financial assets at fair value through profit or loss are either financial assets classified as held for trading or designated as at fair value through profit or loss upon initial recognition. These financial assets are subsequently measured at fair value. Gains or losses arising from changes in fair value of these financial assets are recognised in profit or loss.

(ii) Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. These assets are carried at amortised cost using the effective interest method (except for short-term receivables where interest is immaterial) minus any reduction for impairment or uncollectibility. Typically trade and other receivables, bank balances and cash are classified in this category.

4. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(m) Financial assets (Continued)

(iii) Held-to-maturity investments

Held-to-maturity investments are non-derivative financial assets with fixed or determinable payments and fixed maturity that the Group has the positive intention and ability to hold to maturity. Held-to-maturity investments are subsequently measured at amortised cost using the effective interest method, less any impairment losses.

(n) Trade and other receivables

Trade receivables are amounts due from customers for merchandise sold or services performed in the ordinary course of business. If collection of trade and other receivables is expected in one year or less (or in the normal operating cycle of the business if longer), they are classified as current assets. If not, they are presented as non-current assets.

Trade and other receivables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method, less allowance for impairment.

(o) Cash and cash equivalents

For the purpose of the consolidated statement of cash flows, cash and cash equivalents represent cash at bank and on hand, demand deposits with banks and other financial institutions, and short-term highly liquid investments which are readily convertible into known amounts of cash and subject to an insignificant risk of change in value. Bank overdrafts which are repayable on demand and form an integral part of the Group's cash management are also included as a component of cash and cash equivalents.

(p) Financial liabilities and equity instruments

Financial liabilities and equity instruments are classified according to the substance of the contractual arrangements entered into and the definitions of a financial liability and an equity instrument under HKFRSs. An equity instrument is any contract that evidences a residual interest in the assets of the Group after deducting all of its liabilities. The accounting policies adopted for specific financial liabilities and equity instruments are set out below.

(q) Borrowings

Borrowings are recognised initially at fair value, net of transaction costs incurred, and subsequently measured at amortised cost using the effective interest method.

Borrowings are classified as current liabilities unless the Group has an unconditional right to defer settlement of the liability for at least 12 months after the reporting period.

(r) Financial guarantee contract liabilities

Financial guarantee contract liabilities are measured initially at their fair value and are subsequently measured at the higher of:

- the amount of the obligations under the contracts, as determined in accordance with HKAS 37 "Provisions, Contingent Liabilities and Contingent Assets"; and

- the amount initially recognised less cumulative amortisation recognised in profit or loss on a straight-line basis over the terms of the guarantee contracts.

4. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(s) Trade and other payables

Trade and other payables are recognised initially at their fair value and subsequently measured at amortised cost using the effective interest method unless the effect of discounting would be immaterial, in which case they are stated at cost.

(t) Equity instruments

Equity instruments issued by the Company are recorded at the proceeds received, net of direct issue costs.

(u) Revenue recognition

Revenue is measured at the fair value of the consideration received or receivable and is recognised when it is probable that the economic benefits will flow to the Group and the amount of revenue can be measured reliably.

Revenue from the sales and production of crude oil, condensate, gas and liquefied petroleum gas and provision of patented technology support services to oilfield in which the Group has an interest with other producers is recognised based on the Group's working interest and the terms of the relevant production sharing contracts/petroleum concession agreements and on the transfer of significant risks and rewards of ownership, which generally coincides with the time when the crude oil, condensate, gas and liquefied petroleum gas are delivered and the title has passed to the customers. This generally occurs when crude oil, condensate, gas and liquefied petroleum gas are physically transferred into an oil tanker, pipe or other delivery mechanism.

Interest income is recognised on a time-proportion basis using the effective interest method.

Dividend income is recognised when the shareholders' rights to receive payment are established.

Management fee income is recognised when the management services are rendered.

(v) Employee benefits

(i) Employee leave entitlements

Employee entitlements to annual leave and long service leave are recognised when they accrue to employees. A provision is made for the estimated liability for annual leave and long service leave as a result of services rendered by employees up to the end of the reporting period.

Employee entitlements to sick leave and maternity leave are not recognised until the time of leave.

(ii) Pension obligations

The Group contributes to defined contribution retirement schemes which are available to all employees. Contributions to the schemes by the Group and employees are calculated as a percentage of employees' basic salaries. The retirement benefit scheme cost charged to profit or loss represents contributions payable by the Group to the funds.

(iii) Termination benefits

Termination benefits are recognised at the earlier of the dates when the Group can no longer withdraw the offer of those benefits and when the Group recognises restructuring costs and involves the payment of termination benefits.

4. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(w) Share-based payments

The Group issues equity-settled and cash-settled share-based payments to certain employees and consultants.

Equity-settled share-based payments to employees are measured at the fair value (excluding the effect of non-market based vesting conditions) of the equity instruments at the date of grant. The fair value determined at the grant date of the equity-settled share-based payments is expensed on a straight-line basis over the vesting period, based on the Group's estimate of shares that will eventually vest and adjusted for the effect of non-market based vesting conditions.

Equity-settled share-based payments to consultants are measured at the fair value of the services rendered or, if the fair value of the services rendered cannot be reliably measured, at the fair value of the equity instruments granted. The fair value is measured at the date the Group receives the services and is recognised as an expense.

For cash-settled share-based payments, the Group measures the goods or services acquired and the liability incurred at the fair value of the liability. At the end of each reporting period, the liability is remeasured at its fair value until the liability is settled, with any changes in fair value recognised in profit or loss.

(x) Borrowing costs

Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, which are assets that necessarily take a substantial period of time to get ready for their intended use or sale, are capitalised as part of the cost of those assets, until such time as the assets are substantially ready for their intended use or sale. Investment income earned on the temporary investment of specific borrowings pending their expenditure on qualifying assets is deducted from the borrowing costs eligible for capitalisation.

To the extent that funds are borrowed generally and used for the purpose of obtaining a qualifying asset, the amount of borrowing costs eligible for capitalisation is determined by applying a capitalisation rate to the expenditures on that asset. The capitalisation rate is the weighted average of the borrowing costs applicable to the borrowings of the Group that are outstanding during the period, other than borrowings made specifically for the purpose of obtaining a qualifying asset.

All other borrowing costs are recognised in profit or loss in the period in which they are incurred.

(y) Taxation

Income tax represents the sum of the current tax and deferred tax.

The tax currently payable is based on taxable profit for the year. Taxable profit differs from profit recognised in profit or loss because of items of income or expense that are taxable or deductible in other years and items that are never taxable or deductible. The Group's liability for current tax is calculated using tax rates that have been enacted or substantively enacted by the end of the reporting period.

4. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(y) Taxation (Continued)

Deferred tax is recognised on differences between the carrying amounts of assets and liabilities in the consolidated financial statements and the corresponding tax bases used in the computation of taxable profit. Deferred tax liabilities are generally recognised for all taxable temporary differences and deferred tax assets are recognised to the extent that it is probable that taxable profits will be available against which deductible temporary differences, unused tax losses or unused tax credits can be utilised. Such assets and liabilities are not recognised if the temporary difference arises from goodwill or from the initial recognition (other than in a business combination) of other assets and liabilities in a transaction that affects neither the taxable profit nor the accounting profit.

Deferred tax liabilities are recognised for taxable temporary differences arising on investments in subsidiaries and interests in joint arrangements, except where the Group is able to control the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future.

The carrying amount of deferred tax assets is reviewed at the end of each reporting period and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered.

Deferred tax is calculated at the tax rates that are expected to apply in the period when the liability is settled or the asset is realised, based on tax rates that have been enacted or substantively enacted by the end of the reporting period. Deferred tax is recognised in profit or loss, except when it relates to items recognised in other comprehensive income or directly in equity, in which case the deferred tax is also recognised in other comprehensive income or directly in equity.

The measurement of deferred tax assets and liabilities reflects the tax consequences that would follow from the manner in which the Group expects, at the end of the reporting period, to recover or settle the carrying amount of its assets and liabilities.

Deferred tax assets and liabilities are offset when there is a legally enforceable right to set off current tax assets against current tax liabilities and when they relate to income taxes levied by the same taxation authority and the Group intends to settle its current tax assets and liabilities on a net basis.

(z) Related parties

A related party is a person or entity that is related to the Group.

(A) A person or a close member of that person's family is related to the Group if that person:

(i) has control or joint control over the Group;

(ii) has significant influence over the Group; or

(iii) is a member of the key management personnel of the Company.

4. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(z) Related parties (Continued)

(B) An entity is related to the Group if any of the following conditions applies:

(i) The entity and the Company are members of the same group (which means that each parent, subsidiary and fellow subsidiary is related to the others).

(ii) One entity is an associate or joint venture of the other entity (or an associate or joint venture of a member of a group of which the other entity is a member).

(iii) Both entities are joint ventures of the same third party.

(iv) One entity is a joint venture of a third entity and the other entity is an associate of the third entity.

(v) The entity is a post-employment benefit plan for the benefit of employees of either the Group or an entity related to the Group. If the Group is itself such a plan, the sponsoring employers are also related to the Group.

(vi) The entity is controlled or jointly controlled by a person identified in (A).

(vii) A person identified in (A)(i) has significant influence over the entity or is a member of the key management personnel of the entity.

(aa) Impairment of non-financial assets

The carrying amounts of non-financial assets are reviewed at each reporting date for indications of impairment and where an asset is impaired, it is written down as an expense through the consolidated statement of profit or loss to its estimated recoverable amount. The recoverable amount is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or groups of assets. If this is the case, recoverable amount is determined for the cash-generating unit to which the asset belongs. Recoverable amount is the higher of value in use and the fair value less costs of disposal of the individual asset or the cash-generating unit.

Value in use is the present value of the estimated future cash flows of the asset/cash-generating unit. Present values are computed using pre-tax discount rates that reflect the time value of money and the risks specific to the asset/cash-generating unit whose impairment is being measured.

Impairment losses for cash-generating units are allocated first against the goodwill of the unit and then pro rata amongst the other assets of the cash-generating unit. Subsequent increases in the recoverable amount caused by changes in estimates are credited to profit or loss to the extent that they reverse the impairment.

4. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(bb) Impairment of financial assets

At the end of each reporting period, the Group assesses whether its financial assets (other than those at fair value through profit or loss) are impaired, based on objective evidence that, as a result of one or more events that occurred after the initial recognition, the estimated future cash flows of the (group of) financial asset(s) have been affected.

For trade receivables that are assessed not to be impaired individually, the Group assesses them collectively for impairment, based on the Group's past experience of collecting payments, an increase in the delayed payments in the portfolio, observable changes in economic conditions that correlate with default on receivables, etc.

Only for trade receivables, the carrying amount is reduced through the use of an allowance account and subsequent recoveries of amounts previously written off are credited against the allowance account. Changes in the carrying amount of the allowance account are recognised in profit or loss.

For all other financial assets, the carrying amount is directly reduced by the impairment loss.

For financial assets measured at amortised cost, if the amount of the impairment loss decreases in a subsequent period and the decrease can be related objectively to an event occurring after the impairment was recognised, the previously recognised impairment loss is reversed (either directly or by adjusting the allowance account for trade receivables) through profit or loss. However, the reversal must not result in a carrying amount that exceeds what the amortised cost of the financial asset would have been had the impairment not been recognised at the date the impairment is reversed.

(cc) Provisions and contingent liabilities

Provisions are recognised for liabilities of uncertain timing or amount when the Group has a present legal or constructive obligation arising as a result of a past event, it is probable that an outflow of economic benefits will be required to settle the obligation and a reliable estimate can be made. Where the time value of money is material, provisions are stated at the present value of the expenditures expected to settle the obligation.

Where it is not probable that an outflow of economic benefits will be required, or the amount cannot be estimated reliably, the obligation is disclosed as a contingent liability, unless the probability of outflow is remote. Possible obligations, whose existence will only be confirmed by the occurrence or non-occurrence of one or more future events are also disclosed as contingent liabilities unless the probability of outflow is remote.

(dd) Events after the reporting period

Events after the reporting period that provide additional information about the Group's position at the end of the reporting period are adjusting events and are reflected in the consolidated financial statements. Events after the reporting period that are not adjusting events are disclosed in the notes to the consolidated financial statements when material.

5. CRITICAL JUDGEMENTS AND KEY ESTIMATES

Critical judgements in applying accounting policies

In the process of applying the accounting policies, the directors have made the following judgement that has the most significant effect on the amounts recognised in the consolidated financial statements (apart from those involving estimations, which are dealt with below).

Joint control assessment

The Group holds more than 50% of the interests in most of its joint arrangements (note 43). The directors have determined that the Group has joint control over these arrangements as under the contractual agreements, it appears that unanimous consent is required from all parties to the agreements for all relevant activities.

Key sources of estimation uncertainty

The key assumptions concerning the future, and other key sources of estimation uncertainty at the end of the reporting period, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year, are discussed below.

(a) Estimation of crude oil and gas reserves

Crude oil and gas reserves are key elements in the Group's investment decision-making process. They are also an important element in determining the amount of amortisation of the oil exploitation rights and concession and lease rights included in intangible assets and depreciation of oil and gas properties included in property, plant and equipment, and in testing for impairment. Changes in proved and probable oil and gas reserves will affect unit-of-production amortisation, depreciation and depletion recorded in the Group's consolidated financial statements for the oil exploitation rights, concession and lease rights and oil and gas properties related to oil and gas production activities.

Proved and probable reserve estimates are subject to revision, either upward or downward, based on new information, such as from development drilling and production activities or from changes in economic factors, including product prices, contract terms, evolution of technology or development plans. In general, changes in the technical maturity of oil and gas reserves resulting from new information becoming available from development and production activities tend to be the most significant cause of annual revisions.

(b) Property, plant and equipment and depreciation

The Group determines the estimated useful lives, residual values and related depreciation charges for the Group's property, plant and equipment other than oil and gas properties. This estimate is based on the historical experience of the actual useful lives and residual values of property, plant and equipment of similar nature and functions. The Group will revise the depreciation charge where useful lives and residual values are different to those previously estimated, or it will write-off or write-down technically obsolete or non-strategic assets that have been abandoned.

The carrying amount of property, plant and equipment other than oil and gas properties as at 31 December 2015 was approximately HK$1,907,830,000 (2014: HK$2,450,352,000).

5. CRITICAL JUDGEMENTS AND KEY ESTIMATES (CONTINUED)

Key sources of estimation uncertainty (Continued)

(c) Estimated impairment of property, plant and equipment and intangible assets

Property, plant and equipment and intangible assets are reviewed for possible impairment when events or changes in circumstances indicate that the carrying amount may not be recoverable. Determination as to whether and how much an asset is impaired involves management estimates and judgements such as future prices of crude oil or gas and production profile. The impairment reviews and calculation are based on assumptions that are consistent with the Group's business plans. Favourable changes to some assumptions may allow the Group to avoid the need to impair any assets in these years or reverse previous impairments, whereas unfavourable changes may cause the assets to be impaired.

As at 31 December 2015, impairment loss for intangible assets and property, plant and equipment amounted to approximately HK$3,864,048,000 (2014: HK$41,689,000) and HK$693,323,000 (2014: Nil) respectively.

(d) Decommissioning cost

Provision is recognised for the future decommissioning and restoration of oil and gas properties. The amounts of the provision recognised are the present values of the estimated future expenditures. The ultimate decommissioning costs are uncertain and cost estimates can vary in response to many factors including changes to relevant legal requirements, discount rates, inflation factor, the emergence of new restoration techniques or experience at other production sites. The expected timing and amount of expenditure can also change, for example, in response to changes in reserves or changes in laws and regulations or their interpretation. As a result, there could be significant adjustments to the provisions established which would affect future financial results.

The carrying amount of decommissioning cost provisions as at 31 December 2015 was approximately HK$287,276,000 (2014: HK$305,653,000).

(e) Allowance for trade and other receivables

The Group recognises allowance for trade and other receivables based on assessments of the recoverability of the trade and other receivables, including the current creditworthiness and the past collection history of each debtor. Impairments arise where events or changes in circumstances indicate that the balances may not be collectible. The identification of bad and doubtful debts requires the use of judgement and estimates. Where the actual result is different from the original estimate, such difference will impact the carrying value of the trade and other receivables and doubtful debt expenses in the year in which such estimate has been changed.

Allowance for trade and other receivables of approximately HK$19,326,000 (2014: Nil) was made for the year ended 31 December 2015.

(f) Income tax

The Group is subject to income taxes in several jurisdictions. Significant estimates are required in determining the provision for income taxes. There are many transactions and calculations for which the ultimate tax determination is uncertain during the ordinary course of business. Where the final tax outcome of these matters is different from the amounts that were initially recorded, such differences will impact the income tax and deferred tax provisions in the period in which such determination is made.

During the year, approximately HK$823,903,000 of income tax was credited to profit or loss based on the estimated loss whereas approximately HK$304,011,000 of income tax was charged to profit or loss based on the estimated profit for the year ended 31 December 2014.

5. CRITICAL JUDGEMENTS AND KEY ESTIMATES (CONTINUED)

Key sources of estimation uncertainty (Continued)

(g) Allowance for slow-moving inventories

Allowance for slow-moving inventories is made based on the ageing and estimated net realisable value of inventories. The assessment of the allowance amount involves judgement and estimates. Where the actual outcome in future is different from the original estimate, such difference will impact the carrying value of inventories and allowance charge/write-back in the period in which such estimate has been changed.

Allowance for slow-moving inventories of approximately HK$4,872,000 (2014: Nil) was made for the year ended 31 December 2015.

(h) Estimation of future capital expenditure

Future capital expenditure represents the future development costs which will be incurred by the Group to access the undeveloped reserves. Such costs are considered for the amortisation of intangible assets and depreciation of oil and gas properties which are being amortised and depreciated using the unit-of-production method over the proved and probable reserves of petroleum. The ultimate future development costs are uncertain and cost estimates can vary in response to many factors including discount rates, inflation factor, changes in economic factors, including contract terms, evolution of technology or development plans. The expected timing and amount of expenditure can also change and as a result, there could be a significant change in the amortisation and depreciation which would affect future financial results.

6. FINANCIAL RISK MANAGEMENT

The Group's activities expose it to a variety of financial risks: interest rate risk, liquidity risk, credit risk, price risk and foreign currency risk. The Group's overall risk management programme focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the Group's financial performance.

(a) Interest rate risk

The Group's exposure to interest rate risk arises from its bank deposits, pledged bank deposits, restricted deposits and borrowings.

The Group's pledged bank deposits, restricted deposits, certain loans and medium term notes bear interests at fixed interest rates and therefore are subject to fair value interest rate risks.

Certain Group's bank deposits and bank loans bear interests at variable rates varied with the then prevailing market condition and therefore are subject to cash flow interest rate risks.

At 31 December 2015, if interest rates at that date had been 50 basis points lower/higher with all other variables held constant, consolidated loss after tax for the year would have been approximately HK$12,314,000 lower/higher and accumulated losses as at 31 December 2015 would have been approximately HK$12,314,000 lower/higher, arising mainly as a result of lower/higher interest expenses on the bank loans bearing interest at variable rates.

At 31 December 2014, if interest rates at that date had been 50 basis points lower/higher with all other variables held constant, consolidated profit after tax for the year would have been approximately HK$16,406,000 higher/lower and accumulated losses as at 31 December 2014 would have been approximately HK$16,406,000 lower/higher, arising mainly as a result of lower/higher interest expenses on the bank loans bearing interest at variable rates.

6. FINANCIAL RISK MANAGEMENT (CONTINUED)

(b) Liquidity risk

The Group's policy is to regularly monitor current and expected liquidity requirements to ensure that it maintains sufficient reserves of cash to meet its liquidity requirements in the short and longer term.

The maturity analysis based on contractual undiscounted cash flows of the Group's financial liabilities is as follows:

	Carrying amount HK$'000	Total contractual undiscounted cash outflow HK$'000	On demand or less than 1 month HK$'000	Less than 1 year HK$'000	Between 1 and 2 years HK$'000	Between 2 and 5 years HK$'000	Over 5 years HK$'000
At 31 December 2015							
Trade and other payables	**1,582,073**	**1,582,073**	**–**	**1,492,214**	**89,859**	**–**	**–**
Due to directors	**8,324**	**8,324**	**8,324**	**–**	**–**	**–**	**–**
Borrowings (note)	**4,580,224**	**5,247,436**	**149,268**	**1,528,012**	**773,997**	**2,142,160**	**653,999**
At 31 December 2014							
Trade and other payables	1,430,612	1,430,612	–	1,430,612	–	–	–
Due to directors	7,593	7,593	7,593	–	–	–	–
Borrowings (note)	5,085,903	5,914,851	144,310	847,573	1,414,452	2,191,012	1,317,504

Note: Borrowings with a repayment on demand clause are included in the 'on demand or less than 1 month' time band in the above maturity analysis. As at 31 December 2015, the aggregate undiscounted principal amounts of these borrowings amounted to approximately HK$149,268,000 (2014: HK$144,310,000). Taking into account the Group's financial position, the directors do not believe that it is probable that the banks will exercise their discretionary rights to demand immediate repayment. The directors believe that such borrowings will be repaid after the end of the reporting period in accordance with the scheduled repayment dates or conditions set out in the loan agreements. At that time, the aggregate principal and interest cash outflows will amount to approximately HK$156,731,000 (2014: HK$146,307,000).

(c) Credit risk

As at 31 December 2015, approximately 92% (2014: 53%) of the Group's trade receivables were due from the largest customer within exploration and production segment in Pakistan. The Group has policies and procedures to monitor the collection of the trade receivables to limit the exposure to non-recoverable of the receivables and there is no history of default for this Group's largest customer.

The Group has no significant concentrations of credit risks on other receivables. The credit quality of the counterparties in respect of other receivables is assessed by taking into account their financial position, credit history and other factors. Given the constant repayment history, the directors are of the opinion that the risk of default by these counterparties is low.

The credit risk on bank and cash balances and pledged bank deposits is limited because the counterparties are banks with high credit-ratings assigned by international credit-rating agencies and PRC large state-controlled banks.

The credit risk on restricted deposits and financial assets at fair value through profit or loss are limited because the counterparty is a well-established securities broker firm in Hong Kong.

6. FINANCIAL RISK MANAGEMENT (CONTINUED)

(d) Price risk

The Group's financial assets at fair value through profit or loss is measured at fair value at the end of each reporting period. Therefore, the Group is exposed to equity price risk. The directors manage this exposure by maintaining a portfolio of investments with different risk profiles.

The sensitivity analyses below have been determined based on the exposure to equity price risk at the end of the reporting period.

At 31 December 2015, if equity prices had been 10% higher/lower, consolidated loss after tax for the year and accumulated losses as at 31 December 2015 would have been lower/higher by approximately HK$20,183,000. This is mainly due to the changes in fair value of listed equity securities and unlisted investment fund.

At 31 December 2014, if equity prices had been 10% higher/lower, consolidated profit after tax for the year would have been higher/lower by approximately HK$315,000 and accumulated losses as at 31 December 2014 would have been approximately HK$315,000 lower/higher. This is mainly due to the changes in fair value of listed equity securities.

(e) Foreign currency risk

The Group has certain exposure to foreign currency risk as most of its business transactions, assets and liabilities are principally denominated in Hong Kong dollars ("HK$"), United States dollars ("US$"), Renminbi ("RMB"), Singapore dollars ("S$") Pakistani Rupees ("PKR") and British Pound ("GBP"), while the functional currencies of the principal operating Group entities are HK$, US$ and RMB. The Group currently does not have a foreign currency hedging policy in respect of foreign currency transactions, assets and liabilities. The Group monitors its foreign currency exposure closely and will consider hedging significant foreign currency exposure should the need arise.

At 31 December 2015, if the HK$ had weakened/strengthened by 5 per cent against the PKR with all other variables held constant, consolidated loss after tax for the year would have been approximately HK$9,422,000 higher/lower and accumulated losses as at 31 December 2015 would have been approximately HK$9,422,000 higher/lower, arising mainly as a result of the foreign exchange loss/gain on bank and cash balances, trade and other receivables and trade and other payables denominated in PKR.

At 31 December 2014, if the HK$ had weakened/strengthened by 5 per cent against the PKR with all other variables held constant, consolidated profit after tax for the year would have been approximately HK$4,320,000 lower/higher and accumulated losses as at 31 December 2014 would have been approximately HK$4,320,000 higher/lower, arising mainly as a result of the foreign exchange loss/gain on bank and cash balances, trade and other receivables and trade and other payables denominated in PKR.

At 31 December 2015, if the HK$ had weakened/strengthened by 5 per cent against the S$ with all other variables held constant, consolidated loss after tax for the year would have been approximately HK$27,405,000 lower/higher and accumulated losses as at 31 December 2015 would have been approximately HK$27,405,000 higher/lower, arising mainly as a result of the foreign exchange loss/gain on bank and cash balances, other receivables and medium term notes denominated in S$.

6. FINANCIAL RISK MANAGEMENT (CONTINUED)

(e) Foreign currency risk (Continued)

The director of the Company consider that the foreign currency exposure in respect of S$ for the year ended 31 December 2014 is insignificant to the Group and therefore no sensitivity analysis is presented thereon.

At 31 December 2015, if the HK$ had weakened/strengthened by 5 per cent against the RMB with all other variables held constant, consolidated loss after tax for the year would have been approximately HK$16,902,000 higher/lower and accumulated losses as at 31 December 2015 would have been approximately HK$16,902,000 higher/lower, arising mainly as a result of the foreign exchange loss/gain on bank and cash balances, trade and other receivables and trade and other payables denominated in RMB.

At 31 December 2014, if the HK$ had weakened/strengthened by 2 per cent against the RMB with all other variables held constant, consolidated profit after tax for the year would have been approximately HK$4,431,000 lower/higher and accumulated losses as at 31 December 2014 would have been approximately HK$4,431,000 higher/lower, arising mainly as a result of the foreign exchange loss/gain on bank and cash balances, trade and other receivables and trade and other payables denominated in RMB.

The directors of the Company consider that the foreign currency exposure in respect of US$ and GBP for the years ended 31 December 2015 and 2014 are insignificant to the Group and therefore no sensitivity analysis is presented thereon.

(f) Categories of financial instruments at 31 December

	2015 **HK$'000**	2014 HK$'000
Financial assets:		
Financial assets at fair value through profit or loss:		
Held for trading	**201,831**	3,145
Held-to-maturity investments	**–**	151,284
Loans and receivables (including cash and cash equivalents)	**4,450,647**	4,061,968
Financial liabilities:		
Financial liabilities at amortised cost	**6,170,621**	6,524,108

(g) Fair value

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

7. FAIR VALUE MEASUREMENT

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.

(a) Disclosures of level in fair value hierarchy at 31 December 2015:

Description	Fair value measurements using: Level 1 HK$'000	Level 3 HK$'000	Total 2015 HK$'000
Recurring fair value measurements:			
Financial assets			
Financial assets at fair value through profit or loss			
Listed equity securities	**2,630**	**–**	**2,630**
Unlisted investment fund	**–**	**199,201**	**199,201**
Total	**2,630**	**199,201**	**201,831**

Description	Fair value measurements using: Level 1 HK$'000	Total 2014 HK$'000
Recurring fair value measurements:		
Financial assets		
Financial assets at fair value through profit or loss		
Listed equity securities	3,145	3,145
Total	3,145	3,145

7. FAIR VALUE MEASUREMENT (CONTINUED)

(b) Reconciliation of assets measured at fair value based on level 3:

Description	Unlisted investment fund HK$'000
At 1 January 2015	–
Purchases	199,268
Exchange differences	(67)
At 31 December 2015	199,201

As there was no fair value change between the date of acquisition and at the end of reporting period, no gain or loss of unlisted investment fund was recognised in profit or loss for the year.

(c) Disclosure of valuation process used by the Group and valuation techniques and inputs used in fair value measurements at 31 December 2015:

Fair values of the Group's financial instruments which are categorised into Level 3 of the fair value hierarchy were valued by the directors with the reference to the redeemed price of the unlisted investment fund.

Level 3 fair value measurements

Description	Valuation technique	Unobservable inputs	Range	Effect on fair value for increase of inputs	Fair value 2015 HK$'000	Fair value 2014 HK$'000
Unlisted Investment Fund	Net asset value	Net asset value per unit	HK$780 (equivalent to US$100)	Increase	199,201	–

During the two years, there were no changes in the valuation techniques used.

8. TURNOVER

The Group's turnover which represents sales and production of crude oil, condensate, gas and liquefied petroleum gas and provision of patented technology support services to oilfields are as follows:

	2015 HK$'000	2014 HK$'000
Sales and production of crude oil, condensate, gas and liquefied petroleum gas	5,380,232	6,017,204
Provision of patented technology support services to oilfields	37,653	103,025
	5,417,885	6,120,229

The turnover from sales and production of crude oil, condensate, gas and liquefied petroleum gas are net of sales tax, royalty to government and sales discounts amounting to approximately HK$725,414,000 (2014: HK$473,450,000), HK$698,315,000 (2014: HK$757,459,000) and HK$16,106,000 (2014: HK$110,683,000) respectively.

9. INVESTMENT AND OTHER INCOME

	2015 HK$'000	2014 HK$'000
Dividends income from listed equity investments	**164**	161
Interest income on bank deposits	**20,117**	17,567
Investment income from held-to-maturity investments	**5,667**	–
Liquefied petroleum gas processing fees charged to concessions, net	**5,122**	4,659
Management fees income	**6,065**	6,477
Others	**3,363**	6,026
	40,498	34,890

10. OTHER GAINS AND LOSSES

	2015 HK$'000	2014 HK$'000
Allowance for trade and other receivables	**(19,326)**	–
Fair value losses on financial assets at fair value through profit or loss	**(515)**	(431)
Gain on disposals of property, plant and equipment	**31,816**	13,428
Gain on disposal of subsidiaries	**54,158**	–
Impairment losses on advances, deposits and prepayments	**(271)**	–
Impairment losses on intangible assets	**(3,864,048)**	(41,689)
Impairment losses on property, plant and equipment	**(693,323)**	–
Net foreign exchange losses	**(11,175)**	(25,868)
Written off of intangible assets	**(134,567)**	–
Written off of property, plant and equipment	**(262,557)**	–
	(4,899,808)	(54,560)

11. SEGMENT INFORMATION

The Group has three operating segments as follows:

1. Exploration and production – activities relating to the exploration and production of crude oil and natural gas in Pakistan.

2. Oil exploitation – activities relating to the production of crude oil in PRC utilising production enhancement technology.

3. Oilfield support services – activities relating to the provision of oilfield support services using patented technology.

The Group's operating segments are strategic business units that offer different products and services. They are managed separately because each business requires different technology and marketing strategies.

The accounting policies of the operating segments are the same as those described in note 4 to the consolidated financial statements.

11. SEGMENT INFORMATION (CONTINUED)

Segment profit or loss does not include the following items:

- unallocated investment and other income
- unallocated other gains and losses
- unallocated corporate expenses
- finance costs (except for provisions – unwinding of discounts included in the exploration and production segment)

Segment assets do not include the following items:

- deferred tax assets
- restricted deposits
- financial assets at fair value through profit or loss
- held-to-maturity investments
- current tax assets
- pledged bank deposits
- bank and cash balances
- other unallocated assets

Segment liabilities do not include the following items:

- due to directors
- borrowings
- current tax liabilities
- provisions (except for provision for decommissioning costs included in the exploration and production segment)
- other unallocated liabilities

11. SEGMENT INFORMATION (CONTINUED)

Information about operating segment profit or loss, assets and liabilities:

	Exploration and production HK$'000	Oil exploitation HK$'000	Oilfield support services HK$'000	Total HK$'000
Year ended 31 December 2015				
Turnover from external customers	5,193,370	186,862	37,653	5,417,885
Segment profit/(loss)	906,245	(3,474,893)	(18,720)	(2,587,368)
Interest revenue	5,873	4,753	477	11,103
Interest expenses	8,792	–	–	8,792
Depreciation and amortisation	1,606,002	166,175	31,089	1,803,266
Income tax expense/(credit)	88,475	(941,332)	(2)	(852,859)
Other material non-cash items:				
Allowance for inventories	–	4,872	–	4,872
Allowance for trade and other receivables	16,610	–	2,716	19,326
Impairment losses on advances, deposits and prepayments	–	271	–	271
Impairment losses on intangible assets	239,456	3,624,592	–	3,864,048
Impairment losses on property, plant and equipment	102,112	591,211	–	693,323
Written off of intangible assets	134,567	–	–	134,567
Written off of property, plant and equipment	1,129,075	–	–	1,129,075
Additions to segment non-current assets	2,606,673	45,952	22,089	2,674,714
As at 31 December 2015				
Segment assets	10,125,530	63,193	68,489	10,257,212
Segment liabilities	2,014,310	162,522	17,948	2,194,780

11. SEGMENT INFORMATION (CONTINUED)

Information about operating segment profit or loss, assets and liabilities (Continued):

	Exploration and production HK$'000	Oil exploitation HK$'000	Oilfield support services HK$'000	Total HK$'000
Year ended 31 December 2014				
Turnover from external customers	5,603,586	413,618	103,025	6,120,229
Segment profit/(loss)	2,242,308	73,620	(38,332)	2,277,596
Interest revenue	2,379	6,529	392	9,300
Interest expenses	8,928	711	479	10,118
Depreciation and amortisation	1,769,622	92,913	45,866	1,908,401
Income tax expense/(credit)	293,362	(8,734)	(5,907)	278,721
Other material non-cash item:				
Impairment losses on intangible assets	–	–	41,689	41,689
Additions to segment non-current assets	2,474,329	117,362	21,554	2,613,245
As at 31 December 2014				
Segment assets	10,632,297	4,648,695	127,168	15,408,160
Segment liabilities	2,091,484	1,409,196	31,810	3,532,490

11. SEGMENT INFORMATION (CONTINUED)

Reconciliations of operating segment profit or loss, assets and liabilities:

	2015 HK$'000	2014 HK$'000
Profit or loss		
Total (loss)/profit of operating segments	**(2,587,368)**	2,277,596
Unallocated amounts:		
Investment and other income	**14,931**	11,151
Other gains and losses	**81,017**	(1,052)
Corporate expenses	**(214,177)**	(243,672)
Finance costs (except for provisions – unwinding of discounts included in the exploration and production segment)	**(245,023)**	(229,577)
Consolidated (loss)/profit for the year	**(2,950,620)**	1,814,446
Assets		
Total assets of operating segments	**10,257,212**	15,408,160
Unallocated amounts:		
Other receivables and other assets	**29,704**	12,821
Deferred tax assets	**168,621**	212,060
Restricted deposits	**412,001**	–
Financial assets at fair value through profit or loss	**201,831**	3,145
Held-to-maturity investments	**–**	151,284
Current tax assets	**305,215**	251,403
Pledged bank deposits	**177,596**	7,044
Bank and cash balances	**2,161,630**	2,494,348
Consolidated total assets	**13,713,810**	18,540,265
Liabilities		
Total liabilities of operating segments	**2,194,780**	3,532,490
Unallocated amounts:		
Other liabilities	**76,314**	83,771
Due to directors	**8,324**	7,593
Borrowings	**4,580,224**	5,085,903
Current tax liabilities	**12,139**	12,716
Provisions (except for provision for decommissioning costs included in the exploration and production segment)	**420**	420
Consolidated total liabilities	**6,872,201**	8,722,893

11. SEGMENT INFORMATION (CONTINUED)

Geographical information:

The Group's turnover from external customers by location of operations and information about its non-current assets (excluding deferred tax assets) by location of assets are detailed below:

	Turnover		Non-current assets	
	2015	2014	**2015**	2014
	HK$'000	HK$'000	**HK$'000**	HK$'000
Hong Kong	**–**	–	**12,059**	82
PRC except Hong Kong	**224,515**	516,643	**217,279**	4,695,202
Pakistan	**5,193,370**	5,603,586	**8,275,866**	8,881,075
Consolidated total	**5,417,885**	6,120,229	**8,505,204**	13,576,359

Turnover from major customers:

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

	2015	2014
	HK$'000	HK$'000
Exploration and production segment		
Customer A	**3,397,200**	2,290,355
Customer B (note i)	**N/A**	1,358,846
Customer C (note ii)	**933,636**	N/A
Customer D (note i)	**N/A**	651,318

(i) Customers B and D did not contribute over 10% of the total turnover of the Group for the year ended 31 December 2015.

(ii) Customer C is a new customer of the Group for the year ended 31 December 2015.

12. FINANCE COSTS

	2015	2014
	HK$'000	HK$'000
Interest on bank loans	**198,979**	219,827
Interest on medium term notes	**46,044**	9,751
Interest on other borrowings	**29,101**	–
Provisions – unwinding of discounts (note 30)	**8,792**	8,928
	282,916	238,506
Amount capitalised (note 18)	**(29,101)**	–
	253,815	238,506

13. (LOSS)/PROFIT FOR THE YEAR

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

	2015 HK$'000	2014 HK$'000
Depreciation and amortisation (note a)	**1,805,246**	1,908,950
Auditors' remuneration		
– Current	**3,983**	3,561
– Over-provision in prior year	**(10)**	(20)
	3,973	3,541
Cost of inventories sold (note b)	**2,553,231**	2,689,129
Operating lease charges		
– Hire of office equipment, machineries and motor vehicles	**36,643**	31,335
– Land and buildings	**29,631**	39,149
	66,274	70,484
Research and development expenditures	**–**	441
Staff costs excluding directors' emoluments		
– Salaries, bonuses and allowances	**312,100**	315,314
– Retirement benefits scheme contributions	**37,784**	42,233
– Share-based payments	**13,573**	13,466
	363,457	371,013
Allowance for inventories	**4,872**	–
Allowance for trade and other receivables	**19,326**	–
Impairment losses on advances, deposits and prepayments	**271**	–
Impairment losses on intangible assets	**3,864,048**	41,689
Impairment losses on property, plant and equipment (note c)	**693,323**	–
Written off of intangible assets	**134,567**	–
Written off of property, plant and equipment (included in other gains and losses of approximately HK$262,557,000 and exploration expenses of approximately HK$866,518,000)	**1,129,075**	–

Note a: Depreciation and amortisation charges include the amortisation charges on intangible assets of approximately HK$550,422,000 (2014: HK$535,633,000) which are included in the costs of sales and services rendered.

Note b: Cost of inventories sold includes staff costs, depreciation and amortisation, operating lease charges, allowance for inventories and research and development expenditures of approximately HK$1,983,146,000 (2014: HK$2,037,143,000) which are included in the amounts disclosed separately above.

Note c: Impairment losses on property, plant and equipment are presented net of reimbursements of HK$231,546,000 (2014: Nil) from the joint operator under the joint venture agreement.

14. INCOME TAX (CREDIT)/EXPENSE

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

	2015 HK$'000	2014 HK$'000
Current tax – PRC Enterprise Income Tax		
Provision for the year	**878**	13,107
(Over)/under-provision in prior years	**(287)**	112
	591	13,219
Current tax – Overseas		
Provision for the year	**28,752**	133,811
Under/(over)-provision in prior years	**10,543**	(39,158)
	39,295	94,653
	39,886	107,872
Deferred tax (note 31)	**(863,789)**	196,139
	(823,903)	304,011

No provision for profits tax in Bermuda, British Virgin Islands, 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 2015 and 2014.

PRC Enterprise Income Tax and Pakistan Income Tax are calculated at 25% and 50% respectively on the estimated taxable income earned by the companies with certain tax preference, based on existing legislation, interpretation and practices in respect thereof.

During the year ended 31 December 2015, the Group's subsidiaries in the PRC were approved as a high technology enterprise pursuant to which the PRC subsidiaries can enjoy a preferential income tax rate of 15% for the coming financial year (2014: two financial years).

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.

14. INCOME TAX (CREDIT)/EXPENSE (CONTINUED)

The reconciliation between the income tax (credit)/expense and the product of (loss)/profit before tax multiplied by the weighted average tax rate of the consolidated companies is as follows:

	2015 HK$'000	2014 HK$'000
(Loss)/profit before tax	**(3,774,523)**	2,118,457
Tax at the weighted average tax rate of 21% (2014: 48%)	**(791,761)**	1,011,631
Tax effect of income that is not taxable	**(64,515)**	(15,809)
Tax effect of expenses that are not deductible	**63,676**	106,529
Tax effect of tax losses not recognised	**56,330**	34,748
Tax effect of utilisation of tax losses not previously recognised	**(16,988)**	(806)
Tax effect of other temporary differences not recognised	**125,521**	18,188
Tax effect of tax preferential period	**–**	(7,847)
Tax effect of withholding tax at 10% on gain derived from the Group's Mauritius subsidiary	**28,078**	24,047
Tax effect of depletion allowance	**(172,989)**	(481,823)
Tax effect of royalty deduction	**(61,511)**	(345,801)
Under/(over)-provision in prior years	**10,256**	(39,046)
Income tax (credit)/expense	**(823,903)**	304,011

15. DIRECTORS' AND EMPLOYEES' EMOLUMENTS

(a) Directors' emoluments

Pursuant to the Listing Rule and the disclosure requirement of the Hong Kong Companies Ordinance, the emoluments of each director were as follows:

	Emoluments paid or receivable in respect of a person's services as a director, whether of the Company or its subsidiaries undertaking			
	Fees HK$'000	**Salaries and other benefits** HK$'000	**Retirement benefits scheme contributions** HK$'000	**Total** HK$'000
Year ended 31 December 2015				
Executive directors:				
Mr. Zhang Hong Wei	**–**	**5,072**	**–**	**5,072**
Mr. Zhu Jun	**240**	**–**	**–**	**240**
Ms. Zhang Meiying	**3,250**	**–**	**18**	**3,268**
	3,490	**5,072**	**18**	**8,580**
Independent non-executive directors:				
Mr. Chau Siu Wai	**120**	**–**	**–**	**120**
Mr. San Fung	**120**	**–**	**–**	**120**
Mr. Zhu Chengwu	**120**	**–**	**–**	**120**
	360	**–**	**–**	**360**
	3,850	**5,072**	**18**	**8,940**
Year ended 31 December 2014				
Executive directors:				
Mr. Zhang Hong Wei	–	4,890	–	4,890
Mr. Zhu Jun	240	–	–	240
Ms. Zhang Meiying	2,250	189	17	2,456
	2,490	5,079	17	7,586
Independent non-executive directors:				
Mr. Chau Siu Wai	120	–	–	120
Mr. San Fung	120	–	–	120
Mr. Zhu Chengwu	120	–	–	120
	360	–	–	360
	2,850	5,079	17	7,946

None of the directors waived any emoluments during the year (2014: Nil).

15. DIRECTORS' AND EMPLOYEES' EMOLUMENTS (CONTINUED)

(b) Employees' emoluments

The five highest paid individuals in the Group during the year included one (2014: one) director whose emoluments are reflected in the analysis presented above. The emoluments of the remaining four (2014: four) individuals are set out below:

	2015 HK$'000	2014 HK$'000
Salaries and other benefits	**20,823**	23,057
Share-based payments	**5,925**	5,212
	26,748	28,269

The emoluments fell within the following bands:

	Number of individuals	
	2015	2014
HK$3,500,001 to HK$4,000,000	**2**	1
HK$4,000,001 to HK$4,500,000	**–**	1
HK$7,500,001 to HK$8,000,000	**–**	1
HK$8,500,001 to HK$9,000,000	**1**	–
HK$10,000,001 to HK$10,500,000	**1**	–
HK$12,000,001 to HK$12,500,000	**–**	1
	4	4

No emoluments were paid by the Group to any of the directors or the highest paid individuals as an inducement to join or upon joining the Group or as compensation for loss of office during the year (2014: Nil).

(c) Directors' material interests in transactions, arrangements or contracts

No significant transactions, arrangements and contracts in relation to the Group's business to which the Company was a party and in which a director of the Company and the director's connected party had a material interest, whether directly or indirectly, subsisted at the end of the year or at any time during the year.

16. (LOSS)/EARNINGS PER SHARE

Basic (loss)/earnings per share

The calculation of basic (loss)/earnings per share attributable to owners of the Company is based on the loss for the year attributable to owners of the Company of approximately HK$2,943,674,000 (2014: profit of HK$1,827,887,000) and the weighted average number of ordinary shares of 13,074,493,149 (2014: 13,058,801,694) in issue during the year.

Diluted (loss)/earnings per share

The Company did not have any dilutive potential ordinary share for the year ended 31 December 2015. Diluted loss per share for the year ended 31 December 2015 is the same as the basic loss per share for the year.

The calculation of diluted earnings per share attributable to owners of the Company for the year ended 31 December 2014 is based on the profit for the year attributable to owners of the Company of approximately HK$1,827,887,000 and the weighted average number of ordinary shares of 13,059,740,801, being the weighted average number of ordinary shares of 13,058,801,694 in issue during the year used in the basic earnings per share calculation plus the weighted average number of ordinary shares of 939,107 assumed to have been issued at no consideration on the deemed exercise of the share options outstanding during the year ended 31 December 2014.

17. DIVIDEND

No dividend has been paid or declared by the Company during the years ended 31 December 2015 and 2014.

18. PROPERTY, PLANT AND EQUIPMENT

	Freehold land HK$'000	Buildings HK$'000	Leasehold improvements HK$'000	Motor vehicles HK$'000	Furniture, fixtures and equipment HK$'000	Plant and machinery HK$'000	Oil and gas properties HK$'000	Construction in progress HK$'000	Spare parts HK$'000	Total HK$'000
Cost										
At 1 January 2014	13,390	7,935	6,224	25,935	147,824	343,265	4,542,016	1,238,403	695,629	7,020,621
Additions	–	–	–	1,024	4,208	9,979	120,364	2,467,865	5,886	2,609,326
Disposals	–	–	–	(92)	–	–	–	–	–	(92)
Transfers	2,454	–	–	6,005	16,413	206,059	2,072,470	(2,092,614)	(210,787)	–
Exchange differences	–	(48)	(32)	(53)	(45)	(1,212)	(4,462)	(260)	–	(6,112)
At 31 December 2014 and 1 January 2015	15,844	7,887	6,192	32,819	168,400	558,091	6,730,388	1,613,394	490,728	9,623,743
Additions	–	–	4,455	725	310	8,476	24,097	2,343,690	267,571	2,649,324
Disposals	–	–	–	(622)	(4)	–	–	–	–	(626)
Written off	–	–	–	–	–	(10,335)	(355,200)	(953,062)	–	(1,318,597)
Transfers	–	–	–	29,537	55,615	345,045	2,064,800	(2,198,609)	(296,388)	–
Exchange differences	–	(417)	(452)	(512)	(852)	(13,156)	(46,895)	(945)	–	(63,229)
At 31 December 2015	15,844	7,470	10,195	61,947	223,469	888,121	8,417,190	804,468	461,911	10,890,615
Accumulated depreciation and impairment losses										
At 1 January 2014	–	2,573	2,933	14,925	87,513	171,277	1,797,543	–	–	2,076,764
Charge for the year	–	353	231	7,086	45,223	111,872	1,217,464	–	–	1,382,229
Disposals	–	–	–	(92)	–	–	–	–	–	(92)
Exchange differences	–	(16)	(12)	(36)	(18)	(809)	(199)	–	–	(1,090)
At 31 December 2014 and 1 January 2015	–	2,910	3,152	21,883	132,718	282,340	3,014,808	–	–	3,457,811
Charge for the year	–	347	2,732	13,848	25,871	68,736	1,154,863	–	–	1,266,397
Disposals	–	–	–	(622)	(3)	–	–	–	–	(625)
Written off	–	–	–	–	–	(134)	(189,388)	–	–	(189,522)
Impairment losses	–	2,476	2,769	115	643	2,559	901,122	15,185	–	924,869
Exchange differences	–	(264)	(333)	(432)	(377)	(9,921)	(35,505)	(603)	–	(47,435)
At 31 December 2015	–	5,469	8,320	34,792	158,852	343,580	4,845,900	14,582	–	5,411,495
Carrying amount										
At 31 December 2015	15,844	2,001	1,875	27,155	64,617	544,541	3,571,290	789,886	461,911	5,479,120
At 31 December 2014	15,844	4,977	3,040	10,936	35,682	275,751	3,715,580	1,613,394	490,728	6,165,932

18. PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

During the year, the directors reviewed the depreciation method of the oil and gas properties included in property, plant and equipment and considered that there had been a significant change in expected pattern of consumption of the future economic benefits embodied in such properties. Accordingly, the depreciation method of such oil and gas properties has been changed from the unit-of-production method over the proved reserves of petroleum to the unit-of-production method over the proved and probable reserves of petroleum. Such a change is accounted for as a change in accounting estimate and applied prospectively in accordance with Hong Kong Accounting Standard 8 "Accounting Policies, Changes in Accounting Estimates and Errors". The depreciation charge had been decreased by approximately HK$416,777,000 for the year ended 31 December 2015 pursuant to the change of the depreciation method.

During the year, the Group assessed the recoverable amount of the property, plant and equipment in the exploration and production segment and as a result recognised impairment losses and written off of approximately HK$102,112,000 (2014: Nil) and HK$1,129,075,000 (2014: Nil) respectively in respect of the plant and machinery and oil and gas properties attributable to that segment. Details of the impairment assessment are disclosed in note 19 to the consolidated financial statements.

As referred to note 44, the Group proposed to abandon the oil exploitation business in PRC and has assessed the recoverable amount of the property, plant and equipment in the oil exploitation segment. As a result, impairment losses of approximately HK$591,211,000 (after sharing of joint operator) (2014: Nil) had been recognised for the year. Details of the impairment assessment are disclosed in note 19 to the consolidated financial statements.

During the year ended 31 December 2015, the borrowings costs capitalised to oil and gas properties amounted to approximately HK$29,101,000 (2014: Nil).

19. INTANGIBLE ASSETS

	Oil exploitation rights HK$'000	Concession and lease rights HK$'000	Technical know-how HK$'000	Contractual rights in oil exploitation projects HK$'000	Total HK$'000
Cost					
At 1 January 2014	8,180,000	5,424,195	385,735	71,135	14,061,065
Exchange differences	–	–	(2,312)	(427)	(2,739)
At 31 December 2014 and 1 January 2015	**8,180,000**	**5,424,195**	**383,423**	**70,708**	**14,058,326**
Written off	**–**	**(178,585)**	**–**	**–**	**(178,585)**
Exchange differences	**–**	**–**	**(20,255)**	**(3,735)**	**(23,990)**
At 31 December 2015	**8,180,000**	**5,245,610**	**363,168**	**66,973**	**13,855,751**
Accumulated amortisation and impairment losses					
At 1 January 2014	4,343,808	1,412,419	352,759	42,781	6,151,767
Amortisation for the year	72,014	445,043	4,099	15,203	536,359
Impairment losses	–	–	28,695	12,994	41,689
Exchange differences	–	–	(2,130)	(270)	(2,400)
At 31 December 2014 and 1 January 2015	**4,415,822**	**1,857,462**	**383,423**	**70,708**	**6,727,415**
Amortisation for the year	**139,586**	**410,877**	**–**	**–**	**550,463**
Written off	**–**	**(44,018)**	**–**	**–**	**(44,018)**
Impairment losses	**3,624,592**	**239,456**	**–**	**–**	**3,864,048**
Exchange differences	**–**	**–**	**(20,255)**	**(3,735)**	**(23,990)**
At 31 December 2015	**8,180,000**	**2,463,777**	**363,168**	**66,973**	**11,073,918**
Carrying amount					
At 31 December 2015	**–**	**2,781,833**	**–**	**–**	**2,781,833**
At 31 December 2014	3,764,178	3,566,733	–	–	7,330,911

19. INTANGIBLE ASSETS (CONTINUED)

Oil exploitation rights represent rights for oil exploitation in the location of Gaosheng Block, Bohai Bay Basin of the PRC. Pursuant to the enhancing oil recovery ("EOR") contract entered into on 15 September 2006 between United Petroleum & Natural Gas Investments Limited ("United Petroleum"), a subsidiary of the Company, and China National Petroleum Corporation ("CNPC"), United Petroleum agreed to provide funds and apply its appropriate and advanced technology, equipment and managerial experience to enhance, with the cooperation of CNPC, the oil recovery in the contract area. The remaining term of the EOR contract is 17 years (2014: 18 years). The amortisation of oil exploitation rights is determined using unit-of-production method over the proved and probable reserves of petroleum.

Concession and lease rights represent the rights for oil and gas exploration and production in the Badin, Mirpur Khas and Khipro areas in the Sindh Province of Pakistan which will expire on various dates, in accordance with the respective development and production leases, between years 2015 and 2021. The amortisation of concession and lease rights is determined using the unit-of-production method over the proved and probable reserves of petroleum.

Technical know-how represents the oil exploitation patented techniques for the Group's production of crude oil and provision of patented technology support services business. The carrying amount of the technical know-how had been fully impaired for the year ended 31 December 2014.

Contractual rights in oil exploitation projects represent the contractual arrangement in relation to the production of crude oil and provision of patented technology support services to the oilfields in PRC. The carrying amount of contractual rights in oil exploitation projects had been fully impaired for the year ended 31 December 2014.

Due to the depletion of commercial oil and gas reserves and the results of technical evaluation, the management considered that future economic benefits of certain property, plant and equipment and intangible assets in the exploration and production segment are no longer expected. As such, the carrying amounts of property, plant and equipment (note 18) and intangible assets of approximately HK$1,129,075,000 (2014: Nil) and HK$134,567,000 (2014: Nil) had been written off during the year respectively.

Having regard to the changes in market condition, the Group carried out reviews of the recoverable amounts of its intangible assets during the year. In assessing whether impairment is required, the carrying value of the intangible asset is compared with its recoverable amount. The recoverable amount is the higher of the intangible asset's fair value less costs to disposal and value in use. Given the nature of the Group's activities, information on the fair value of an asset is usually difficult to obtain unless negotiations with potential purchasers or similar transactions are taking place. Consequently, unless indicated otherwise, the recoverable amount used in assessing the impairment loss described below is value in use. The Group generally estimates value in use using a discounted cash flow method.

19. INTANGIBLE ASSETS (CONTINUED)

Impairment testing on the exploration and production segment

Concession and lease rights are used in the Group's exploration and production segment. During the year, certain oil and gas fields with marginal production were technically evaluated and found commercially unviable. Accordingly, impairment testing to identify the fields/wells, which do not have any oil and gas reserves and production or otherwise are not considered economical based on the evaluations, was performed by the management. During the year ended 31 December 2015, the management of the Group determined that there were impairments for the oil and gas assets related to five operating fields which had been allocated to individual cash generating units ("CGU") in the exploration and production segment. As the recoverable amounts of these five operating fields were less than their carrying amounts at the end of the year, the management decided to fully impair the relevant assets included in these five operating fields. Therefore, impairment losses of approximately HK$102,112,000 for the property, plant and equipment (note 18) and HK$239,456,000 for the intangible assets have been recognised for the year ended 31 December 2015.

The recoverable amount of the relevant assets had been determined on the basis of its value in use using the discounted cash flow method. The future cash flows from the operating fields were discounted to their present values using a pre-tax discount rate of 10 per cent.

Impairment testing on the oil exploitation segment

Oil exploitation rights are used in the Group's oil exploitation segment. As referred to note 44 of the consolidated financial statements, the Group proposed to abandon the oil exploitation business in PRC and has conducted an impairment assessment of the relevant assets. For the purpose of impairment testing, intangible assets and property, plant and equipment related to EOR contract were allocated to the CGU in the oil exploitation segment. As the recoverable amount of the oil exploitation rights and the associated property, plant and equipment included in the EOR contract were less than their carrying amounts at the end of the year, the management decided to fully impair the intangible assets and property, plant and equipments that related to the EOR contract. Therefore, impairment losses of approximately HK$591,211,000 (after sharing of joint operator) for the property, plant and equipment (note 18) and HK$3,624,592,000 for the intangible assets have been recognised for the year ended 31 December 2015.

The recoverable amount of the relevant assets had been determined on the basis of its value in use using the discounted cash flow method. The pre-tax discount rate used in measurement for the EOR contract is 16.27 per cent.

Impairment testing on the oilfield support services segment

The Group carried out reviews of the recoverable amount of its intangible assets in year 2014, having regard to the changes in market conditions. The review led to the recognition of an impairment loss on technical know-how and contractual rights in oil exploitation projects of approximately HK$28,695,000 and HK$12,994,000 respectively. Technical know-how and contractual rights in oil exploitation projects are used in the Group's oilfield support services segment. The recoverable amounts of the relevant assets have been determined on the basis of their value in use using discounted cash flow method. The discount rate used in measurement for technical know-how and contractual rights in oil exploitation projects is 21.87 per cent.

20. ADVANCES, DEPOSITS AND PREPAYMENTS

	2015 **HK$'000**	2014 HK$'000
Advances to staff	**1,753**	2,550
Deposits and prepayments	**3,733**	1,152
Deposits paid for acquisition of property, plant and equipment	**92,727**	75,814
	98,213	79,516

The carrying amounts of the Group's advances, deposits and prepayments are denominated in the following currencies:

	2015 **HK$'000**	2014 HK$'000
RMB	**3,864**	22,992
GBP	**11,489**	–
US$	**37,272**	52,823
PKR	**45,588**	3,701
Total	**98,213**	79,516

21. RESTRICTED DEPOSITS

On 28 August 2015, United Energy International Trading Limited ("UEIT"), a wholly owned subsidiary of the Company entered into the consortium agreement (the "Consortium Agreement") with CMBC International Holdings Limited ("CMBCI") and other co-investors in relation to the proposed subscription of 2,908,584,000 new ordinary share of Quam Limited ("the Subscription") and the mandatory cash offer for the 190,587,055 Quam shares, 5,597,575 Quam warrants and 504,051 Quam share options (the "Offer") with an aggregate investment sum of approximately HK$1,913,052,000. The shares of Quam are listed on the Main Board of the Stock Exchange. Details of the Subscription and the Offer are set out in the Company's circular dated 9 October 2015.

Pursuant to the Consortium Agreement, the Group is required to place the deposits in the trust account of the independent financial institution as a proof of sufficient fund available. The deposits can only be drawdown by the joint instruction of CMBCI and the Company and solely for the settlement of the consideration of the Subscription and the Offer. The deposits are carrying fixed interest rate of 0.001% per annum and refundable in the event that the Subscription and the Offer are terminated.

On 29 February 2016, UEIT decided to cease the Subscription and the Offer as some conditions could not be fulfilled in accordance with the Consortium Agreement. As such, the deposits will be refunded. Details of the cessation are set out in the Company's announcement dated 29 February 2016.

The carrying amount of the deposit is denominated in Hong Kong dollars.

22. INVENTORIES

	2015 HK$'000	2014 HK$'000
Finished goods	**38,879**	50,257
Spare parts and consumables	**209,143**	274,848
Less: allowance for inventories	**(24,319)**	(19,500)
	223,703	305,605

23. TRADE AND OTHER RECEIVABLES

	2015 HK$'000	2014 HK$'000
Trade receivables (note a)	**1,743,325**	1,238,235
Allowance for trade receivables	**(2,165)**	–
Allowance for price adjustments (note b)	**(526,584)**	(54,600)
	1,214,576	1,183,635
Other receivables (note c)	**506,553**	355,382
Allowance for other receivables	**(17,082)**	–
	489,471	355,382
Total trade and other receivables	**1,704,047**	1,539,017

(a) Trade receivables

The Group's trading terms with customers are mainly on credit. The credit term generally ranges from 30 to 45 days (2014: 30 to 45 days). The Group seeks to maintain strict control over its outstanding receivables. Overdue balances are reviewed regularly by the directors.

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

	2015 HK$'000	2014 HK$'000
0 to 30 days	**1,142,224**	1,091,600
31 to 60 days	**342,927**	96,109
61 to 90 days	**22,586**	50,526
Over 90 days	**235,588**	–
	1,743,325	1,238,235

23. TRADE AND OTHER RECEIVABLES (CONTINUED)

(a) Trade receivables (Continued)

As at 31 December 2015, an allowance was made for estimated irrecoverable trade receivables of approximately HK$2,165,000 (2014: Nil).

	2015 HK$'000	2014 HK$'000
At 1 January	**–**	–
Allowance for the year	**2,165**	–
At 31 December	**2,165**	–

As of 31 December 2015, trade receivables of approximately HK$601,102,000 (2014: HK$116,072,000) were past due but not impaired. These relate to a number of independent customers for whom there is no recent history of default. The aging analysis of these trade receivables is as follows:

	2015 HK$'000	2014 HK$'000
0 to 30 days	**342,927**	66,493
31 to 60 days	**22,586**	49,579
61 to 90 days	**20,037**	–
Over 90 days	**215,552**	–
	601,102	116,072

The carrying amounts of the Group's trade receivables are denominated in the following currencies:

	2015 HK$'000	2014 HK$'000
RMB	**23,478**	62,930
US$	**1,343,324**	1,155,718
PKR	**376,523**	19,587
Total	**1,743,325**	1,238,235

(b) Allowance for price adjustments

It 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$526,584,000 (2014: HK$54,600,000) was provided.

23. TRADE AND OTHER RECEIVABLES (CONTINUED)

(c) Other receivables

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

	2015 HK$'000	2014 HK$'000
Due from joint operators	**276,706**	137,952
Advances to staff	**9,958**	13,150
Central excise duty receivables	**12,052**	9,522
Deposits and prepayments	**18,538**	46,610
Sales tax receivables	**166,986**	118,115
Others	**5,231**	30,033
	489,471	355,382

As at 31 December 2015, an allowance was made for estimated irrecoverable other receivables of approximately HK$17,161,000 (2014: Nil).

	2015 HK$'000	2014 HK$'000
At 1 January	**–**	–
Allowance for the year	**17,161**	–
Exchange differences	**(79)**	–
At 31 December	**17,082**	–

As of 31 December 2015 and 2014, none of the other receivables were past due but not impaired.

The carrying amounts of the Group's other receivables, and net of allowance, are denominated in the following currencies:

	2015 HK$'000	2014 HK$'000
HK$	**6,126**	1,216
RMB	**36,731**	7,404
US$	**265,318**	123,584
S$	**2,258**	12
PKR	**179,038**	223,166
Total	**489,471**	355,382

24. HELD-TO-MATURITY INVESTMENTS

At 31 December 2014, the Group's held-to-maturity investments represent 100% capital protected investment deposits denominated in RMB with principal amount of approximately HK$151,284,000 (equivalent to approximately RMB120,000,000) issued by a financial institution in the PRC and was pledged as security for banking facilities granted to the Group amounting to approximately HK$156,000,000 (equivalent to approximately US$20,000,000) (note 29). The investment carry a guaranteed fixed interest at 2.6% per annum, payable on maturity date and was fully settled during the year.

25. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

	2015 HK$'000	2014 HK$'000
Equity securities, at fair value		
Listed in Hong Kong at market value (note a)	**2,630**	3,145
Investment fund, at fair value		
Unlisted in overseas at market value (note b)	**199,201**	–
	201,831	3,145

The carrying amounts of the above financial assets are classified as held for trading.

(a) The investments represent investments in listed equity securities that offer the Group the opportunity for return through dividend income and fair value gains. They have no fixed maturity or coupon rate. The fair values of the listed securities are based on current bid prices (level 1 fair value measurements). The carrying amount of the investment is denominated in Hong Kong dollar.

(b) The fair value of the unlisted investment fund is determined based on statement issued by the independent financial institution, which reflect the Group's share of the fair value of the net asset value of the fund (level 3 fair value measurement). It is the price that the financial institution is willing to pay to redeem the fund at 31 December 2015. The unlisted investment fund is pledged as security for certain of the Group's borrowings (note 29(c)). The carrying amount of the investment is denominated in United States dollar.

In order to minimise credit risk, the directors have delegated a team to be responsible for the formulation of a credit policy governing the control of credit risk. In this regard, the directors consider that there is no concentration of credit risk in respect of the financial assets at fair value through profit or loss.

26. PLEDGED BANK DEPOSITS AND BANK AND CASH BALANCES

(a) Bank and cash balances

	2015 HK$'000	2014 HK$'000
Cash at bank and on hand	**1,302,178**	1,250,715
Term deposits matured within 3 months	**699,060**	1,048,657
Cash and cash equivalents	**2,001,238**	2,299,372
Term deposits matured over 3 months but within 1 year	**160,392**	194,976
Total	**2,161,630**	2,494,348

At 31 December 2015, the bank and cash balances of the Group denominated in RMB amounted to approximately HK$287,785,000 (2014: HK$480,106,000). Conversion of RMB into foreign currencies is subject to the PRC's Foreign Exchange Control Regulations and Administration of Settlement, Sale and Payment of Foreign Exchange Regulations.

(b) Pledged bank deposits

At 31 December 2015, the Group's pledged bank deposits of approximately HK$31,558,000 and HK$146,038,000 (2014: HK$7,044,000 and Nil) represent the term deposits in the bank matured within 1 year and over 1 year respectively and were pledged as security for the Group's bills payables (note 27(b)) and bank loans (note 29(a)) respectively. The pledged bank deposits were in RMB and at fixed interest rate of ranging from 1.30% per annum to 3.90% per annum (2014: ranging from 3.06% per annum to 3.08% per annum) and were therefore subject to foreign currency risk and fair value interest rate risk.

27. TRADE AND OTHER PAYABLES

	2015 HK$'000	2014 HK$'000
Trade payables (note a)	**271,363**	545,457
Other payables (note b)	**1,314,436**	1,450,905
Total trade and other payables	**1,585,799**	1,996,362
Analysed as		
– Current	**1,495,940**	1,996,362
– Non-current	**89,859**	–
	1,585,799	1,996,362

(a) Trade payables

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

	2015 HK$'000	2014 HK$'000
0 to 30 days	**223,457**	345,331
31 to 45 days	**39,205**	61,451
Over 45 days	**8,701**	138,675
	271,363	545,457

The carrying amounts of the Group's trade payables are denominated in the following currencies:

	2015 HK$'000	2014 HK$'000
RMB	**62,345**	102,768
US$	**141,055**	365,895
PKR	**67,963**	76,794
Total	**271,363**	545,457

27. TRADE AND OTHER PAYABLES (CONTINUED)

(b) Other payables

	2015 HK$'000	2014 HK$'000
Due to joint operators	–	242,205
Accrual for operating expenses (note i)	**599,446**	483,146
Bills payables	**31,558**	7,044
Deposits received	**9,697**	10,672
Salaries and welfare payables	**106,381**	85,056
Other tax payables	**553,162**	619,901
Others	**14,192**	2,881
	1,314,436	1,450,905

(i) Included in accrual for operating expenses were amounts due to independent gas processing plant contractors of approximately HK$89,859,000 (2014: Nil). The amounts due are unsecured, interest bearing at 2% per annum and repayable on 31 May 2017.

The carrying amounts of the Group's other payables are denominated in the following currencies:

	2015 HK$'000	2014 HK$'000
HK$	**3,411**	3,479
RMB	**130,492**	405,232
US$	**625,977**	1,033,834
S$	**7,713**	8,360
PKR	**546,843**	–
Total	**1,314,436**	1,450,905

28. DUE TO DIRECTORS

The amounts due to directors are unsecured, interest-free and repayable on demand.

29. BORROWINGS

	2015 HK$'000	2014 HK$'000
Bank loans, secured (note a)	**3,888,300**	4,512,310
Medium term notes (note b)	**542,656**	573,593
Other loans, secured (note c)	**149,268**	–
	4,580,224	5,085,903

The borrowings are repayable as follows:

	2015 HK$'000	2014 HK$'000
On demand or within one year	**1,460,224**	768,310
In the second year	**624,000**	1,197,593
In the third to fifth years, inclusive	**1,872,000**	1,872,000
After five years	**624,000**	1,248,000
	4,580,224	5,085,903
Less: Amount due for settlement within 12 months (shown under current liabilities)	**(1,460,224)**	(768,310)
Amount due for settlement after 12 months	**3,120,000**	4,317,593

The carrying amounts of the Group's borrowings are denominated in the following currencies:

	HK$ HK$'000	US$ HK$'000	S$ HK$'000	Total HK$'000
2015				
Bank loans, secured	**–**	**3,888,300**	**–**	**3,888,300**
Medium term notes	**–**	**–**	**542,656**	**542,656**
Other loans, secured	**149,268**	**–**	**–**	**149,268**
	149,268	**3,888,300**	**542,656**	**4,580,224**
2014				
Bank loans, secured	–	4,512,310	–	4,512,310
Medium term notes	–	–	573,593	573,593
	–	4,512,310	573,593	5,085,903

29. BORROWINGS (CONTINUED)

(a) Bank loans, secured

The average effective interest rate of the secured bank loans as at 31 December 2015 was 4.74% (2014: 4.61%).

Bank loans of approximately HK$3,744,000,000 (2014: HK$4,512,310,000) are arranged at floating rates, thus exposing the Group to cash flow interest rate risk. Bank loans of approximately HK$144,300,000 (2014: Nil) are arranged at fixed interest rates and expose the Group to fair value interest rate risk.

At 31 December 2015, bank loans with carrying amount of approximately HK$3,744,000,000 (2014: HK$4,368,000,000) are secured or guaranteed by the following:

(i) account charges over bank and cash balances held by United Energy Group (Hong Kong) Limited ("UEG (HK)") and United Energy Pakistan Limited ("UEPL") with a total carrying amount at the end of the reporting period of approximately HK$547,605,000 (2014: HK$699,162,000);

(ii) share charge over the entire equity interests of UEG (HK), UEPL, United Energy Pakistan Holdings Limited ("UEPHL") and Gold Trade International Limited ("GTI"); and

(iii) a corporate guarantee executed by the China Development Bank Corporation, Beijing Branch which is counter guaranteed by a related company of the Group (note 37(b)), to the extent of approximately HK$3,744,000,000 (2014: HK$4,368,000,000).

At 31 December 2015, the bank loans of approximately HK$144,300,000 (2014: Nil) are secured by a charge over the Group's non-current pledged bank deposits of approximately HK$146,038,000 (2014: Nil) (note 26(b)).

At 31 December 2014, the bank loans of approximately HK$144,310,000 are secured by a charge over the Group's held-to-maturity investments (note 24).

(b) Medium term notes

On 8 October 2014, United Energy Financing (Bermuda) Limited ("UEFBL"), a wholly-owned subsidiary of the Company, has established the S$1,000,000,000 (equivalent to approximately HK$6,090,630,000) medium term notes programme (the "Programme"). Under the Programme, medium term notes will be issued in series with different issue dates and terms, regulations and directives.

On 17 October 2014, UEFBL issued S$100,000,000 (equivalent to approximately HK$609,210,000) first medium term notes (the "First Drawdown Notes") due on 17 October 2016. The First Drawdown Notes bear fixed interest rate of 6.85% per annum, payable semi-annually in arrears on 17 April and 17 October. The net proceeds, after deduction of the related issuance costs and professional fees of approximately HK$13,909,000, were used for general corporate purposes. The First Drawdown Notes are secured by a corporate guarantee executed by the Company (note 38(c)) and are listed on the Singapore Exchange Securities Trading Limited.

The medium term notes are arranged at fixed interest rates and exposing the Group to fair value interest rate risk. The effective interest rate of the First Drawdown Notes as at 31 December 2015 was 8.13% (2014: 8.13%). The fair values of the First Drawdown Notes are approximately HK$512,361,000 (2014: HK$564,131,000) and are determined based on its closing ask price as at 31 December 2015 and are within level 1 of the fair value hierarchy.

29. BORROWINGS (CONTINUED)

(c) Other loans, secured

In June 2015, the Group entered into a facility letter with an independent financial institution. Pursuant to the facility letter, the financial institution agreed to provide a loan facility of up to approximately HK$150,000,000 for the subscription of unlisted investment fund. The other loans are secured by the unlisted investment fund (note 25(b)) and repayable on demand. The interests are charged at (i) 5% per annum or (ii) the amount of the total redemption proceeds entitled by the Group in excess of the total subscription price of the unlisted investment fund subscribed, whichever is lower.

30. PROVISIONS

	Dismantling costs in respect of leasehold improvements HK$'000	Decommissioning costs HK$'000	Total HK$'000
At 1 January 2014	420	281,176	281,596
Add:			
Provisions recognised during the year	–	16,434	16,434
Less:			
Actual costs incurred during the year	–	(885)	(885)
Add:			
Unwinding of discounts	–	8,928	8,928
At 31 December 2014	420	305,653	306,073
At 1 January 2015	**420**	**305,653**	**306,073**
Add:			
Reversal of provisions recognised during the year	**–**	**(12,572)**	**(12,572)**
Less:			
Actual costs incurred during the year	**–**	**(14,597)**	**(14,597)**
Add:			
Unwinding of discounts	**–**	**8,792**	**8,792**
At 31 December 2015	**420**	**287,276**	**287,696**

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 based on future expenditure by discounting the expected expenditures to their net present value at market rate. 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.

31. DEFERRED TAX

Deferred tax liabilities and assets

	Accelerated tax depreciation HK$'000	Intangible assets HK$'000	Allowance for inventories HK$'000	Finance costs HK$'000	Tax losses HK$'000	Allowance for price adjustments HK$'000	Total HK$'000
At 1 January 2014	440,453	819,491	(9,750)	(293,652)	(52,479)	–	904,063
Charge/(credit) to profit or loss for the year (note 14)	208,024	(2,652)	–	(29,087)	47,154	(27,300)	196,139
Exchange differences	5,428	(48)	–	–	(3,396)	–	1,984
At 31 December 2014 and 1 January 2015	**653,905**	**816,791**	**(9,750)**	**(322,739)**	**(8,721)**	**(27,300)**	**1,102,186**
Charge/(credit) to profit or loss for the year (note 14)	**212,089**	**(793,782)**	**–**	**(60,061)**	**8,488**	**(230,523)**	**(863,789)**
Exchange differences	**(9,232)**	**–**	**–**	**–**	**233**	**–**	**(8,999)**
At 31 December 2015	**856,762**	**23,009**	**(9,750)**	**(382,800)**	**–**	**(257,823)**	**229,398**

The following is the analysis of the deferred tax balances (after offset) for consolidated statement of financial position purposes:

	2015 HK$'000	2014 HK$'000
Deferred tax liabilities	**398,019**	1,314,246
Deferred tax assets	**(168,621)**	(212,060)
	229,398	1,102,186

At the end of reporting period, the Group has unused tax losses and other deductible temporary differences of approximately HK$264,525,000 and HK$235,281,000 respectively (2014: HK$120,082,000 and HK$65,584,000 respectively) that are available for offsetting against future taxable profits. No deferred tax assets have been recognised to that effect due to unpredictability of future profit streams. Included in unrecognised tax losses are of approximately HK$201,520,000 (2014: HK$58,658,000) that will expire from 2017 to 2020 (2014: from 2016 to 2019). Other tax losses and other deductible temporary differences may be carried forward indefinitely.

Temporary differences in connection with the interests in subsidiaries are insignificant.

32. SHARE CAPITAL

	Note	2015 Number of shares '000	2015 Amount HK$'000	2014 Number of shares '000	2014 Amount HK$'000
Authorised:					
Ordinary shares of HK$0.01 each		**60,000,000**	**600,000**	60,000,000	600,000
Issued and fully paid:					
Ordinary shares of HK$0.01 each					
At 1 January		**13,068,128**	**130,681**	13,053,218	130,532
Issue of shares under employees performance share schemes	(a)	**10,364**	**104**	9,113	91
Issue of shares under share match scheme	(b)	**7,229**	**72**	5,797	58
At 31 December		**13,085,721**	**130,857**	13,068,128	130,681

Notes:

(a) During the year ended 31 December 2015, 10,363,845 (2014: 9,113,299) ordinary shares of HK$0.01 each pursuant to the employees performance share schemes of the Company were issued and allotted to the employees in Pakistan.

(b) During the year ended 31 December 2015, 7,229,030 (2014: 5,796,864) ordinary shares of HK$0.01 each pursuant to the share match scheme of the Company were issued and allotted to the employees in Pakistan.

The Group's objectives when managing capital are to safeguard the Group's ability to continue as a going concern and to maximise the return to the shareholders through the optimisation of the debt and equity balance.

The Group monitors capital by maintaining a positive cash position throughout the year. The Group manages the capital structure and makes adjustments to it in the light of changes in economic conditions and the risk characteristics of the underlying assets. In order to maintain the capital structure, the Group may adjust the payment of dividends, issue new shares and raise new debts.

The Group's strategy is to maintain a solid base to support the operations and development of its business in the long term. No changes were made in the objectives, policies or processes during the years ended 31 December 2015 and 2014.

The Group monitors its capital structure with reference to its debt position. The Group's strategy is to maintain the equity and debt in a balanced position and ensure there are adequate working capital to service its debt obligations. The Group's debt to asset ratio, being the Group's total liabilities over its total assets, at 31 December 2015 was 50% (2014: 47%).

The only externally imposed capital requirement is that for the Group to maintain its listing on the Stock Exchange it has to have a public float of at least 25% of the issued shares. The Group receives a report from the share registrars periodically on substantial share interests showing the non-public float and it demonstrates continuing compliance with the 25% limit throughout the year. As at 31 December 2015, 28.34% (2014: 28.24%) of the shares were in public hands.

33. STATEMENT OF FINANCIAL POSITION OF THE COMPANY

	Note	2015 HK$'000	2014 HK$'000
Non-current assets			
Investments in subsidiaries		**87,509**	4,088,154
Advances, deposits and prepayments		**11,489**	–
		98,998	4,088,154
Current assets			
Trade and other receivables		**3,832**	1,564
Financial assets at fair value through profit or loss		**2,630**	3,145
Due from subsidiaries		**1,266,858**	646,884
Bank and cash balances		**396,559**	1,250,936
		1,669,879	1,902,529
Current liabilities			
Trade and other payables		**3,206**	3,379
Financial guarantee contracts		**26,952**	35,468
Due to directors		**8,324**	7,593
		38,482	46,440
Net current assets		**1,631,397**	1,856,089
Total assets less current liabilities		**1,730,395**	5,944,243
Capital and reserves			
Share capital		**130,857**	130,681
Reserves	34(b)	**1,599,538**	5,813,562
TOTAL EQUITY		**1,730,395**	5,944,243

The Company's statement of financial position was approved by the Board of Directors on 8 March 2016 and signed on its behalf by:

Zhang Hong Wei
Director

Zhu Jun
Director

34. RESERVES

(a) Group

The amounts of Group's reserves and the movements therein are presented in the consolidated statement of profit or loss and other comprehensive income and consolidated statement of changes in equity.

(b) Company

	Share premium account HK$'000	Contributed surplus reserve HK$'000	Share-based capital reserve HK$'000	Accumulated losses HK$'000	Total HK$'000
At 1 January 2014	13,296,015	–	16,936	(7,407,151)	5,905,800
Recognition of share-based payments	–	–	3,930	–	3,930
Forfeiture of share-based payments	–	–	(6,608)	6,608	–
Issue of shares under employees performance share schemes (note 32(a))	10,116	–	–	–	10,116
Issue of shares under share match scheme (note 32(b))	6,435	–	–	–	6,435
Loss for the year	–	–	–	(112,719)	(112,719)
At 31 December 2014	13,312,566	–	14,258	(7,513,262)	5,813,562
At 1 January 2015	**13,312,566**	**–**	**14,258**	**(7,513,262)**	**5,813,562**
Recognition of share-based payments	**–**	**–**	**1,906**	**–**	**1,906**
Expired of share-based payments	**–**	**–**	**(2,043)**	**2,043**	**–**
Transfer	**(13,312,566)**	**13,312,566**	**–**	**–**	**–**
Issue of shares under employees performance share schemes (note 32(a))	**11,579**	**–**	**–**	**–**	**11,579**
Issue of shares under share match scheme (note 32(b))	**6,361**	**–**	**–**	**–**	**6,361**
Loss for the year	**–**	**–**	**–**	**(4,233,870)**	**(4,233,870)**
At 31 December 2015	**17,940**	**13,312,566**	**14,121**	**(11,745,089)**	**1,599,538**

34. RESERVES (CONTINUED)

(c) Nature and purpose of reserves

(i) Share premium account

Share premium represents premium arising from the issue of shares at a price in excess of their par value per share and is not distributable but may be utilised in paying up unissued shares of the Company to be issued to the shareholders of the Company as fully paid bonus shares or in providing for the premiums payable on repurchase of shares.

(ii) Merger reserve

Merger reserve represents the difference between the nominal value of the shares of subsidiaries acquired and the market value of the shares issued by the Company as consideration for the acquisition.

(iii) Contributed surplus reserve

Contributed surplus reserve represents the amount available for distribution to the shareholders of the Company. It is transferred from share premium account pursuant to the special resolution passed at the annual general meeting held on 29 May 2015.

(iv) Capital reserve

Capital reserve represents the loan wavier made by the corporate shareholder, He Fu International Limited, to a subsidiary, United Energy International Investments Limited.

(v) Foreign currency translation reserve

Foreign currency translation reserve comprises all foreign exchange differences arising from the translation of the financial statements of foreign operations. The reserve is dealt with in accordance with the accounting policies set out in note 4(d)(iii) to the consolidated financial statements.

(vi) Share-based capital reserve

The share-based capital reserve represents the fair value of the actual or estimated number of unexercised share options granted to employees of the Company recognised in accordance with the accounting policy adopted for share-based payments in note 4(w) to the consolidated financial statements.

35. SHARE-BASED PAYMENTS

(a) Share option scheme

The Company's share option scheme (the "Scheme") 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 and will expire on 10 May 2016. Under the Scheme, the Board of Directors of the Company may grant options to eligible person (including all directors, employees of the Group, consultants, advisors, agents, customers, service providers, contractors and business partners of any members of the Group).

The total number of shares in respect of which options may be granted under the 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.

35. SHARE-BASED PAYMENTS (CONTINUED)

(a) Share option scheme (Continued)

The exercise price is determined by the directors of the Company, and will not be less than the higher of (i) the closing price of the Company's shares on the date of grant; (ii) the average closing price of the share for the five business dates immediately preceding the date of grant; and (iii) the nominal value of the Company's shares.

Share options granted to any director, chief executive or substantial shareholder, or to any of their associates, are subject to approval in advance by the independent non-executive directors. In addition, any share options granted to substantial shareholders or an independent non-executive director of the Company, or to any of their associates, in excess of 0.1% of the shares of the Company in issue at any time or with an aggregate value (based on the price of the Company's shares at the date of grant) in excess of HK$5 million, within 12 month period, are subject to shareholders' approval in advance in general meeting.

The offer of a grant of share options may be accepted within 30 days from the date of offer, upon payment of a nominal consideration of HK$1 in total by the grantee.

Details of the specific categories of options are as follows:

Grantee	Date of grant	Vesting period	Exercise period	Exercise price HK$	Number of share options outstanding as at 31 December 2015
Employees	29.08.2012	29.08.2012 to 28.08.2013	29.08.2013 to 28.08.2022	1.20	5,400,000
	29.08.2012	29.08.2012 to 28.08.2014	29.08.2014 to 28.08.2022	1.20	3,600,000
	29.08.2012	29.08.2012 to 28.08.2015	29.08.2015 to 28.08.2022	1.20	3,600,000
	29.08.2012	29.08.2012 to 28.08.2016	29.08.2016 to 28.08.2022	1.20	5,400,000
					18,000,000

The options granted in 2012 had exercisable period of 10 years from the date of grant. If the options granted remain unexercised after the exercise period, the options expire. Options are forfeited if the employee leaves the Group.

35. SHARE-BASED PAYMENTS (CONTINUED)

(a) Share option scheme (Continued)

Details of the share options outstanding during the year are as follows:

	2015		2014	
	Number of share options	**Weighted average exercise price HK$**	Number of share options	Weighted average exercise price HK$
Outstanding at the beginning of the year	**20,000,000**	**1.235**	28,000,000	1.139
Forfeited during the year	**–**	**–**	(8,000,000)	(0.900)
Expired during the year	**(2,000,000)**	**(1.550)**	–	–
Outstanding at the end of the year	**18,000,000**	**1.200**	20,000,000	1.235
Exercisable at the end of the year	**12,600,000**	**1.200**	11,000,000	1.264

The options outstanding at the end of the year have a weighted average remaining contractual life of 6.66 years (2014: 6.99 years) and the exercise price is HK$1.20 (2014: ranging from HK$1.20 to HK$1.55). The Group recognised the total expenses of approximately HK$1,906,000 (2014: HK$3,930,000) for the year ended 31 December 2015 in relation to the share option scheme.

The estimated fair values of the share options granted on 29 August 2012 is determined using the Binomial models. The respective fair value and significant inputs to the models were as follows:

	Share option grant date 29 August 2012
Model	Binomial
Fair value at measurement date	HK$14,924,000
Number of share options granted	18,000,000
Grant date share price	HK$1.16
Exercise price	HK$1.20
Expected volatility	97.91%
Risk free rate	0.676%
Expected life	10 years

Expected volatility was based on the historical volatility of the Company's share price over the previous 10 years for the share options granted on 29 August 2012. The expected life used in the model has been adjusted, based on the Group's best estimate, for the effects of non transferability, exercise restrictions and behavioural considerations.

35. SHARE-BASED PAYMENTS (CONTINUED)

(b) Employees performance shares schemes

Pursuant to the three separate announcements of the Company dated 28 December 2012, the Company introduced and adopted the performance share scheme, executive performance share scheme and deferred annual bonus scheme (collectively referred as the "Employees Performance Shares Schemes") for the primary purpose of driving success and growth in the shareholder value of the Group and creating long-term value for the eligible employees of the Group. A trustee, as an independent third party, is appointed by the Company for the administration of the Employees Performance Share Schemes. The trustee shall purchase the shares ("Scheme Shares") to be awarded to the eligible employees by way of either share allotment or acquisition from the market out of cash contributed by the Company. The trustee shall hold the Scheme Shares and the related income derived from the relevant Scheme Shares (the "Related Income") in trust until they are vested to the eligible employees in accordance to the rules as set forth under the Employees Performance Shares Schemes and the trust deeds.

The Scheme Shares would be vested over a period of three years commencing from the first calendar day of the year in which the grant is made. The unvested Scheme Shares and the Related Income granted to the eligible employees shall automatically lapse upon the resignation of the employees.

The aggregate number of the Company's shares which may be granted to the employees of the Group (including the eligible employees) under the Employee Performance Shares Schemes together with other share schemes is not permitted to exceed 10% of the total issued share capital of the Company from time to time. The maximum number of Company's shares which may be vested in an employee of the Group (including the eligible employees) under the Employees Performance Shares Schemes together with other share schemes shall not exceed 1% of the total issued share capital of the Company from time to time.

The grant of the Scheme Shares and the number of Scheme Shares awarded or to be awarded to each eligible employee under the performance share scheme and executive performance share scheme shall be determined annually at the sole and absolute discretion of UEPL, considering inter alia but not exclusively the individual performance rating achieved by the eligible employees. The eligible employees will be assessed in each year starting from 1 January to 31 December (the "Assessment Year") and if any Scheme Shares are to be granted under the performance share scheme and executive performance share scheme, the Scheme Shares will be granted in the following year.

The grant of the Scheme Shares under the deferred annual bonus scheme and the number of Scheme Shares awarded or to be awarded to each eligible employee shall be determined annually based on the results of the variable pay plan (the "VPP") and the rewards of the performance unit in the corresponding Assessment Year. The VPP refers to an annual cash bonus scheme and rewards subject to the annual business of the UEPL and the individual performance of the eligible employees. Each eligible employee who is entitled to any cash bonus under the VPP in the Assessment Year shall automatically be entitled to a grant of the Scheme Shares under the deferred annual bonus scheme. The eligible employees will be assessed in each Assessment Year and if any Scheme Shares are to be granted under the deferred annual bonus scheme, the Scheme Shares will be granted in the following year.

Fair value of the Scheme Shares at the grant date is determined with reference to the closing market price of the Company's ordinary share at the date of grant. The Group recognised the total expenses of approximately HK$8,848,000 (2014: HK$6,725,000) for the year ended 31 December 2015 in relation to the Employees Performance Share Schemes.

35. SHARE-BASED PAYMENTS (CONTINUED)

(b) Employees performance shares schemes (Continued)

Subject to any early termination as may be determined by the board of the directors of the Company (the "Board") pursuant to the scheme rules, the Employees Performance Shares Schemes shall be valid and effective for a term of ten years commencing from 28 December 2012.

Movements in the number of Scheme Shares granted under the Employees Performance Shares Schemes during the year are as follows:

			Number of Scheme Shares				
Name of the scheme	Date of grant	Fair value per share	Outstanding as at 1 January 2015	Granted during the year	Vested during the year	Outstanding as at 31 December 2015	Vesting period
Performance share scheme	2 January 2012	HK$1.31	988,750	–	(988,750)	–	2 January 2012 to 1 January 2015
Executive performance share scheme	2 January 2012	HK$1.31	1,301,334	–	(1,301,334)	–	2 January 2012 to 1 January 2015
Deferred annual bonus scheme	2 January 2012	HK$1.31	889,198	–	(889,198)	–	2 January 2012 to 1 January 2015
Performance share scheme	2 January 2013	HK$1.41	1,530,058	–	(191,578)	1,338,480	2 January 2013 to 1 January 2016
Executive performance share scheme	2 January 2013	HK$1.41	1,232,317	–	–	1,232,317	2 January 2013 to 1 January 2016
Deferred annual bonus scheme	2 January 2013	HK$1.41	1,310,452	–	–	1,310,452	2 January 2013 to 1 January 2016
Performance share scheme	2 January 2014	HK$1.13	5,260,303	–	(449,663)	4,810,640	2 January 2014 to 1 January 2017
Executive performance share scheme	2 January 2014	HK$1.13	1,730,064	–	–	1,730,064	2 January 2014 to 1 January 2017
Deferred annual bonus scheme	2 January 2014	HK$1.13	2,122,932	–	–	2,122,932	2 January 2014 to 1 January 2017
Performance share scheme	2 January 2015	HK$1.12	–	5,758,559	(274,018)	5,484,541	2 January 2015 to 1 January 2018
Executive performance share scheme	2 January 2015	HK$1.12	–	1,727,835	–	1,727,835	2 January 2015 to 1 January 2018
Deferred annual bonus scheme	2 January 2015	HK$1.12	–	2,877,451	–	2,877,451	2 January 2015 to 1 January 2018
			16,365,408	10,363,845	(4,094,541)	22,634,712	

35. SHARE-BASED PAYMENTS (CONTINUED)

(c) Shares match scheme

Pursuant to the announcement of the Company dated 16 September 2011, the Company adopted the share match scheme with the objective to provide the employees in Pakistan with incentives in order to retain them for the continual operation and development of the Group in Pakistan and to attract suitable personnel for the growth and further development of the Group.

UEPL will issue an invitation letter to each of the eligible employees inviting them to enroll and participate in the share match scheme. Each eligible employee may indicate in the prescribed form to determine the sum of money contributing to the scheme (the "Employee Contribution Amount") applicable to the coming scheme year starting from 1 September to 31 August (the "Scheme Year of Share Match Scheme"). The Company would also contribute its resources equivalent to the sum of the Employee Contribution Amount to the scheme (the "Employer Contribution Amount").

For the purpose of the scheme, UEPL will refer to the closing price of the Company's share as at the first calendar day of the Scheme Year of Share Match Scheme (the "Reference Date") as reference price for ascertaining the number of the shares to which all the eligible employees are entitled (the "Ascertained Scheme Shares") given the payment of the total sum of the Employee Contribution Amount and the Employer Contribution Amount (the "Ascertained Scheme Shares in Aggregate").

The Company shall pay the aggregate sum of the Employee Contribution Amount and the Employer Contribution Amount of each of the eligible employee and the related acquisition expenses to the trustee for the acquisition of the Ascertained Scheme Shares in Aggregate. A trustee, as an independent third party, is appointed by the Company for the administration of the share match scheme. The trustee shall purchase the Ascertained Scheme Shares to be awarded to the eligible employees by way of share allotment or otherwise subject to and in accordance with the listing rule of the Stock Exchange of Hong Kong Limited. The trustee shall hold the Ascertained Scheme Shares in trust until they are vested to the eligible employees in accordance to the rules of the share match scheme and the trust deed.

The Ascertained Scheme Shares from the Employer Contribution Amount would be vested over a period of three years in accordance with the timetable and conditions as imposed by the Board at its absolute direction, provided that the eligible employee remains under the employment of UEPL at all times after the Reference Date and on the relevant vesting date.

The aggregate number of the Company's shares which may be granted to the employees of the Group (including the eligible employees) under the share match scheme together with other share schemes is not permitted to exceed 10% of the total issued share capital of the Company from time to time. The maximum number of Company's shares which may be vested in an employee of the Group (including the eligible employees) under the share match scheme together with other share schemes shall not exceed 1% of the total issued share capital of the Company from time to time.

Subject to any early termination as may be determined by the Board pursuant to the scheme rules, the shares match scheme shall be valid and effective for a term of ten years commencing from 1 September 2011.

35. SHARE-BASED PAYMENTS (CONTINUED)

(c) Shares match scheme (Continued)

Fair value of the Ascertained Scheme Shares at the grant date is determined with reference to the closing market price of the Company's ordinary share as at the date of grant. The Group recognised the total expenses of approximately HK$2,819,000 (2014: HK$2,811,000) for the year ended 31 December 2015 in relation to the share match scheme.

Movements in the number of Ascertained Scheme Shares from the Employer Contribution Amount granted under the share match scheme during the year are as follows:

		Number of Ascertained Scheme Shares from the Employer Contribution Amount				
Date of grant	Fair value per share	Outstanding as at 1 January 2015	Granted during the year	Vested during the year	Outstanding as at 31 December 2015	Vesting period
3 September 2012	HK$1.17	2,034,107	–	(2,034,107)	–	3 September 2012 to 2 September 2015
2 September 2013	HK$1.17	2,429,775	–	(180,138)	2,249,637	2 September 2013 to 1 September 2016
2 September 2014	HK$1.15	2,898,432	–	(142,848)	2,755,584	2 September 2014 to 1 September 2017
2 September 2015	HK$0.85	–	3,614,515	–	3,614,515	2 September 2015 to 1 September 2018
		7,362,314	3,614,515	(2,357,093)	8,619,736	

36. NOTES TO THE CONSOLIDATED STATEMENT OF CASH FLOWS

(a) Major non-cash transactions

During the year ended 31 December 2015, additions to unlisted investment fund of approximately HK$149,268,000 were financed by the facility provided by an independent financial institution.

(b) Disposal of subsidiaries

During the year, the Company entered into a share purchase agreement to disposal of its entire equity interest in its subsidiary, United Energy International Investments Limited ("UEIIL") and its subsidiary to an independent third party at a consideration of approximately HK$113,160,000 (equivalent to approximately RMB89,462,000). The principal activities of UEIIL is investment holding.

Net assets at the date of disposal were as follows:

	HK$'000
Bank and cash balances	131,160
Net assets disposed of	113,160
Release of foreign currency translation reserve	(54,158)
Gain on disposal of subsidiaries	54,158
Total consideration	113,160
Consideration satisfied by cash	113,160
Net cash inflow arising on disposal:	
Cash consideration received	113,160
Cash and cash equivalents disposed of	(113,160)
	–

37. RELATED PARTY TRANSACTIONS

(a) Name and relationship with related parties:

Name of the related party	Relationship
東方集團實業股份有限公司 (Orient Group Industrial Holdings Company Limited ("Orient Group Industrial"))#	Mr. Zhang Hong Wei is the ultimate controlling party and authorised representative of Orient Group Industrial
UEP Wind Power (PVT.) Limited ("UEP Wind Power")	Mr. Zhang Hong Wei has substantial influence over UEP Wind Power

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

37. RELATED PARTY TRANSACTIONS (CONTINUED)

(b) Orient Group Industrial has provided counter guarantees and corporate guarantees in favour of the Group against the bank loans made to the Group totalling approximately HK$3,744,000,000 at 31 December 2015 (2014: HK$4,368,000,000).

(c) On 16 March 2015, UEPL entered into the short-term loan agreement with UEP Wind Power for short-term financing the wind power project in Pakistan to be operated by UEP Wind Power. For the year ended 31 December 2015, UEPL received loan interest income of approximately HK$2,741,000 (equivalent to approximately US$351,000) (2014: Nil) from UEP Wind Power.

(d) The details of the remuneration paid to the key management personnel are set out in note 15 to the consolidated financial statements.

38. CONTINGENT LIABILITIES

(a) For the years ended 31 December 2015 and 2014, the Company issued various unlimited corporate guarantees in favour of the President of the Islamic Republic of Pakistan and certain joint operators of the Group, as guarantee to provide UEPL with all necessary financial and other means to enable UEPL to fully perform its obligations as stipulated in the concession agreements.

(b) At the end of the reporting period, the Company has issued an unlimited cross guarantee to a bank in respect of a banking facility granted to a subsidiary of the Company, UEG (HK). At the end of the reporting period, the directors do not consider it probable that a claim will be made against the Company under the above guarantee. The maximum liability of the Company at the end of the reporting period is the amount of bank loans drawn under the cross guarantee at that date of approximately HK$3,744,000,000 (2014: HK$4,368,000,000).

(c) At the end of the reporting period, the Company has issued a corporate guarantee in respect of the First Drawdown Notes issued by UEFBL under the Programme (note 29). At the end of the reporting period, the directors do not consider it probable that a claim will be made against the Company under the above guarantee. The maximum liability of the Company at the end of the reporting period is the amount of First Drawdown Note drawn under the corporate guarantee at that date of approximately HK$542,656,000 (2014: HK$573,593,000).

(d) For the years ended 31 December 2015 and 2014, 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$243,000 (2014: HK$15,215,000).

39. CAPITAL COMMITMENTS

The Group's capital commitments at the end of reporting periods are as follows:

(a)

	2015 HK$'000	2014 HK$'000
Contracted but not provided for:		
Acquisition of property, plant and equipment	**61,637**	28,416
Commitments for capital expenditure	**291,260**	1,055,749
Acquisition of financial instruments (note i)	**1,913,052**	–
	2,265,949	1,084,165

(i) As referred to note 21, it represents the aggregate investment sum in relation to the Subscription and the Offer.

(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$119,410,000 (equivalent to approximately RMB100,000,000) (2014: HK$126,070,000 (equivalent to approximately RMB100,000,000)). At 31 December 2015, the Group has contributed approximately HK$14,623,000 (equivalent to approximately RMB12,246,000) (2014: HK$15,439,000 (equivalent to approximately RMB12,246,000)) to UEBL. In accordance with the memorandum of association of UEBL, the remaining balance of approximately HK$104,787,000 (equivalent to approximately RMB87,754,000) (2014: HK$110,631,000 (equivalent to approximately RMB87,754,000)) shall be contributed to UEBL within twenty years from the date of its establishment.

(c) During the year, the Group had paid approximately HK$6,240,000 (equivalent to approximately US$800,000) (2014: Nil) as a minimum financial commitment expenditure required as per Directorate General Petroleum Concessions approval of entry Phase-II of the Sanghar South exploration license.

40. OPERATING LEASE COMMITMENTS

At the end of reporting periods the total future minimum lease payments under non-cancellable operating leases are payable as follows:

	2015 HK$'000	2014 HK$'000
Within one year	**23,691**	20,542
In the second to fifth years inclusive	**23,538**	49,954
	47,229	70,496

Operating lease payments represent rentals payable by the Group for certain of its offices, staff quarters, motor vehicles and plant and machinery. Leases are negotiated for an average term of 3.05 years (2014: 3.51 years) and rentals are fixed over the lease terms and do not include contingent rentals.

41. RETIREMENT BENEFITS SCHEME

Hong Kong

The Group participates in the mandatory provident fund scheme (the "MPF Scheme") established under the MPF Scheme Ordinance. The assets of the MPF Scheme are held separately from those of the Group in funds under the control of an independent trustee. Under the rules of the MPF Scheme, the employer and its employees are each required to make contributions to the scheme at rates specified in the rules. The only obligation of the Group with respect to the MPF Scheme is to make the required contributions under the scheme. No forfeited contributions are available to reduce contributions payable in future years.

The Group's contribution under the MPF Scheme for the year ended 31 December 2015 amounted to approximately HK$114,000 (2014: HK$131,000).

PRC

According to the relevant laws and regulations in the PRC, the Group's subsidiaries in the PRC are required to contribute a specified percentage of the payroll of their employees to the retirement benefits schemes to fund the retirement benefits of their employees. The only obligation of the Group with respect to the retirement benefits schemes is to make the required contributions under the respective schemes.

The Group's contribution under the respective schemes for the year ended 31 December 2015 amounted to approximately HK$11,259,000 (2014: HK$7,437,000).

Pakistan

(a) Funded Gratuity Scheme

According to the Income Tax Ordinance in Pakistan, a defined contribution gratuity fund is being maintained for all permanent employees, established under a Trust Deed. Contributions to the fund are as per Trust Deed, based on each individual employee's salary, number of years of service and contribution rate applicable to the employee's level or grade.

The Group's contribution under the scheme for the year ended 31 December 2015 amounted to approximately HK$26,859,000 (2014: HK$28,204,000).

(b) Contributory Provident Fund

A defined contribution provident fund is being maintained for all permanent employees in Pakistan. Monthly contributions are made to the fund both by the Group and the employees at the rate of 10% of basic salary. The only obligation of the Group with respect to the contributory provident fund is to make the required contributions under the scheme.

The Group's contribution under the scheme for the year ended 31 December 2015 amounted to approximately HK$12,230,000 (2014: HK$10,308,000).

42. SUBSIDIARIES

Particulars of the subsidiaries as at 31 December 2015 are as follows:

Name	Place of incorporation/ registration	Issued and fully paid share capital/ registration capital	Proportion of ownership interest			Principal activities
			Group's effective interest	Held by the Company	Held by subsidiaries	
Fine Profit Corporation Limited	Hong Kong	HK$10,000	100%	100%	–	Provision of administrative services
United Energy Group (HK) Limited	Hong Kong	HK$100	100%	100%	–	Investment holding
United Energy International Finance Limited	Hong Kong	HK$1	100%	100%	–	Provision of group financing supporting services
Universe Oil & Gas (China), LLC (note a)	PRC	US$10,000,000	70%	–	100%	Engaged in provision of patented technology support services to oilfields
United Petroleum & Natural Gas (Panjin) Limited# (note a)	PRC	RMB100,000,000	100%	–	100%	Provision of group financing supporting services
United Energy (Beijing) Limited# (note a)	PRC	RMB12,246,200	100%	–	100%	Provision of administrative services
United Petroleum & Natural Gas Investments Limited	British Virgin Islands	US$50,000	100%	100%	–	Production of crude oil in the PRC
Merry Year Investments Limited	British Virgin Islands	US$100	100%	100%	–	Investment holding
Universe Energy International Investment Limited	British Virgin Islands	US$100	70%	–	70%	Investment holding
Gold Trade Group Limited	British Virgin Islands	US$10	100%	100%	–	Investment holding
Classic Trade Holdings Limited	British Virgin Islands	US$100	100%	100%	–	Investment holding

42. SUBSIDIARIES (CONTINUED)

Particulars of the subsidiaries as at 31 December 2015 are as follows: (Continued)

Name	Place of incorporation/ registration	Issued and fully paid share capital/ registration capital	Proportion of ownership interest: Group's effective interest	Held by the Company	Held by subsidiaries	Principal activities
United Energy International Trading Limited	British Virgin Islands	US$100	100%	–	100%	Investment holding
Oasis Natural Energy Inc	Republic of Panama	US$10,000	100%	–	100%	Investment holding
BowEnergy Resources (Pakistan) SRL	Barbados	US$9,775,568	100%	–	100%	Engaged in activities relating to the exploration and production of crude oil and natural gas in Pakistan
United Energy Financing (Bermuda) Limited	Bermuda	US$100	100%	100%	–	Provision of group financing supporting services
United Energy Pakistan Holdings Limited	Mauritius	US$1	100%	100%	–	Investment holding
United Energy Pakistan Limited	Mauritius	US$1	100%	–	100%	Engaged in activities relating to the exploration and production of crude oil and natural gas in Pakistan
Gold Trade International Limited	Mauritius	US$1	100%	–	100%	Provision of group financing supporting services
Super Success International Holdings Limited	Mauritius	US$1	100%	100%	–	Investment holding
United Energy Global Trading Limited	Mauritius	US$1	100%	100%	–	Dormant
United Energy (Singapore) Resources Pte. Limited	Singapore	S$10,000,000	100%	–	100%	Not yet commenced business

Note a: Wholly foreign owned enterprise established in the PRC in accordance with relevant laws and regulations.

The English translation of the company names is for reference only. The official names of these companies are in Chinese.

43. JOINT OPERATIONS

As at 31 December 2015, the particulars of the joint arrangements of the Group, all of which are not structured through separate vehicles, are set out as follows:

Concession/project name	Place of business	Proportion of participating interest held by the Group 2015	2014	Principal activities
Badin II	Pakistan	**51%**	51%	Exploration and production of crude oil and natural gas
Badin II Revised	Pakistan	**76%**	76%	Exploration and production of crude oil and natural gas
Badin III	Pakistan	**60%**	60%	Exploration and production of crude oil and natural gas
Mehran	Pakistan	**75%**	75%	Exploration and production of crude oil and natural gas
Mirpurkhas	Pakistan			Exploration and production of crude oil and natural gas
– exploration		**95%**	95%	
– development and production		**75%**	75%	
Khipro	Pakistan			Exploration and production of crude oil and natural gas
– exploration		**95%**	95%	
– development and production		**75%**	75%	
Offshore Block "U"	Pakistan	**72.5%**	72.5%	Exploration of crude oil and natural gas
Offshore Block "S"	Pakistan	**50%**	50%	Exploration of crude oil and natural gas
Digri	Pakistan	**75%**	75%	Exploration of crude oil and natural gas
Gaosheng Block	PRC			Production of incremental crude oil
– development capital expenditure share		**70%**	70%	
– incremental operating expenditure share		**60%**	60%	
– incremental oil share		**60%**	60%	

44. EVENTS AFTER THE REPORTING PERIOD

Proposed abandonment of EOR contract

Having considered the significant decline of international oil price in 2015 and expectation of pertaining low oil price in coming several years, the management had considered it is not economical and sustainable to continue investing in the oil exploitation business in PRC. Therefore, the Board of Directors has procured United Petroleum to notify CNPC for the proposal of the abandonment of EOR contract (the "Abandonment"). The Group has issued the abandonment notification to CNPC on 23 February 2016. Upon the service of such notice to CNPC, it may take months or even longer time for United Petroleum and CNPC to agree and implement a plan of subsequent arrangement.

As the Abandonment has not yet been completed as at the date of issuance of these financial statements, it is impracticable to disclose further information on the Abandonment. Details of the Abandonment are set out in the Company's announcement dated 23 February 2016.

45. COMPARATIVE FIGURES

Certain comparative figures have been reclassified to conform to the current year's presentation. The new classification of the accounting items was considered to provide more appropriate presentation of the state of affairs of the Group.

46. APPROVAL OF FINANCIAL STATEMENTS

The financial statements were approved and authorised for issue by the Board of Directors on 8 March 2016.

FINANCIAL SUMMARY

RESULTS

	Year ended 31 December				
	2015	2014	2013	2012	2011
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
Turnover	**5,417,885**	6,120,229	4,787,556	3,213,793	876,825
(Loss)/profit before tax	**(3,774,523)**	2,118,457	1,200,318	683,647	272,527
Income tax credit/(expense)	**823,903**	(304,011)	(27,128)	109,864	242,115
(Loss)/profit for the year	**(2,950,620)**	1,814,446	1,173,190	793,511	514,642
Attributable to:					
Owners of the Company	**(2,943,674)**	1,827,887	1,215,211	786,412	531,885
Non-controlling interests	**(6,946)**	(13,441)	(42,021)	7,099	(17,243)
	(2,950,620)	1,814,446	1,173,190	793,511	514,642

	As at 31 December				
	2015	2014	2013	2012	2011
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
Total Assets	**13,713,810**	18,540,265	16,756,548	14,811,860	13,372,330
Total Liabilities	**(6,872,201)**	(8,722,893)	(8,773,617)	(8,035,047)	(7,288,843)
Net Assets	**6,841,609**	9,817,372	7,982,931	6,776,813	6,083,487
Equity attributable to owners of the Company	**6,811,894**	9,778,958	7,930,771	6,685,135	5,686,347
Non-controlling interests	**29,715**	38,414	52,160	91,678	397,140
Total equity	**6,841,609**	9,817,372	7,982,931	6,776,813	6,083,487

UEG
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