



**UEG**

聯合能源

中期報告  
Interim Report  
**2019**

**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)

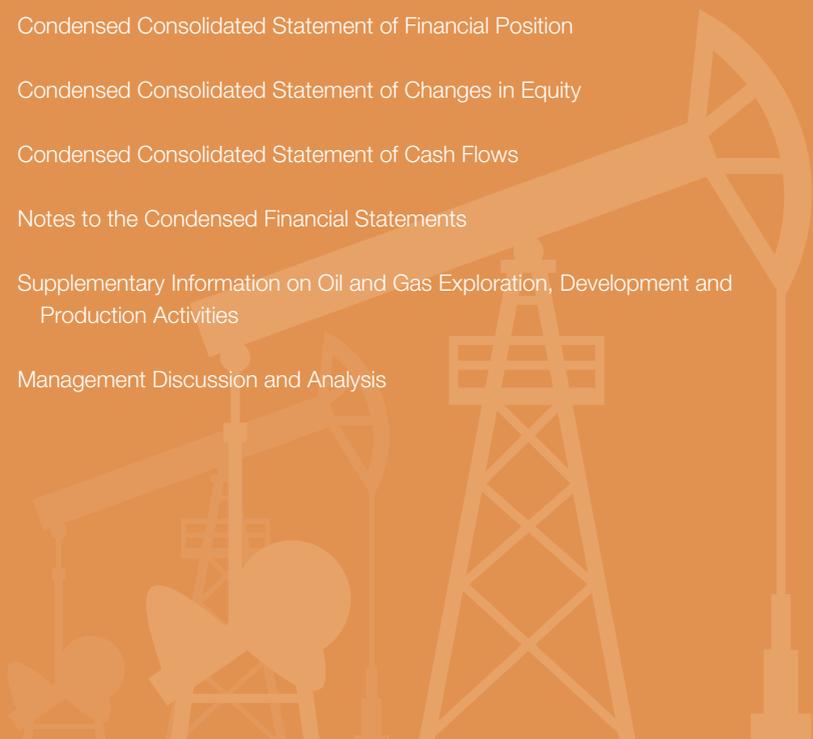
# UNITED ENERGY GROUP LIMITED INTERIM REPORT

FOR THE SIX MONTHS ENDED 30 JUNE 2019

## CONTENTS



	<i>Pages</i>
Independent Review Report	2
Condensed Consolidated Statement of Profit or Loss	4
Condensed Consolidated Statement of Profit or Loss and Other Comprehensive Income	6
Condensed Consolidated Statement of Financial Position	7
Condensed Consolidated Statement of Changes in Equity	9
Condensed Consolidated Statement of Cash Flows	10
Notes to the Condensed Financial Statements	11
Supplementary Information on Oil and Gas Exploration, Development and Production Activities	40
Management Discussion and Analysis	41



# Independent Review Report



## To the Board of Directors of United Energy Group Limited

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

### Introduction

We have reviewed the interim financial information set out on pages 4 to 39 which comprises the condensed consolidated statement of financial position of the Company as at 30 June 2019 and the related condensed consolidated statement of profit or loss, condensed consolidated statement of profit or loss and other comprehensive income, condensed consolidated statement of changes in equity and condensed consolidated statement of cash flows for the six-month period then ended, and a summary of significant accounting policies and other explanatory notes. The Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited require the preparation of a report on interim financial information to be in compliance with the relevant provisions thereof and Hong Kong Accounting Standard 34 “Interim Financial Reporting” (“HKAS 34”) issued by the Hong Kong Institute of Certified Public Accountants (the “HKICPA”). The directors are responsible for the preparation and presentation of this interim financial information in accordance with HKAS 34. Our responsibility is to express a conclusion on this interim financial information based on our review and to report our conclusion solely to you, as a body, in accordance with our agreed terms of engagement, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

### Scope of Review

We conducted our review in accordance with Hong Kong Standard on Review Engagements 2410 “Review of Interim Financial Information Performed by the Independent Auditor of the Entity” issued by the HKICPA. A review of interim financial information consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Hong Kong Standards on Auditing and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.



## Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the interim financial information is not prepared, in all material respects, in accordance with HKAS 34.

## Material uncertainty related to going concern

We draw attention to note 2 in the condensed consolidated financial statements, which indicates that the Group had net current liabilities of HK\$2,066,227,000 as at 30 June 2019. As stated in note 2, this event or condition indicates that a material uncertainty exists that may cast significant doubt on the Group's ability to continue as a going concern. Our conclusion is not modified in respect of this matter.

### **RSM Hong Kong**

*Certified Public Accountants*

29th Floor,  
Lee Garden Two,  
28 Yun Ping Road,  
Causeway Bay,  
Hong Kong

30 August 2019



# Condensed Consolidated Statement of Profit or Loss

For the Six Months Ended 30 June 2019

	Note	Six months ended 30 June	
		2019 HK\$'000 (unaudited)	2018 HK\$'000 (unaudited)
<b>Continuing operations</b>			
<b>Turnover</b>	7	<b>3,481,918</b>	2,388,531
Cost of sales and services rendered		<b>(1,626,979)</b>	(841,078)
<b>Gross profit</b>		<b>1,854,939</b>	1,547,453
Investment and other income		<b>33,241</b>	28,926
Other gains and losses		<b>61,907</b>	23,169
Exploration expenses		<b>(4,970)</b>	(110,530)
Administrative expenses		<b>(206,612)</b>	(161,597)
Other operating expenses		<b>(96,943)</b>	(162,921)
<b>Profit from operations</b>		<b>1,641,562</b>	1,164,500
Finance costs	8	<b>(203,655)</b>	(11,725)
Share of losses of associates		<b>(94,938)</b>	(294)
<b>Profit before tax</b>		<b>1,342,969</b>	1,152,481
Income tax expenses	9	<b>(374,078)</b>	(285,803)
<b>Profit for the period from continuing operations</b>	10	<b>968,891</b>	866,678
<b>Discontinued operations</b>			
Profit for the period from discontinued operations	11	<b>–</b>	34,621
<b>Profit for the period</b>		<b>968,891</b>	901,299



## Condensed Consolidated Statement of Profit or Loss *(Continued)*

For the Six Months Ended 30 June 2019

	Note	Six months ended 30 June	
		2019 HK\$'000 (unaudited)	2018 HK\$'000 (unaudited)
<b>Attributable to:</b>			
Owners of the Company			
Profit from continuing operations		968,891	866,678
Profit from discontinued operations		–	35,280
Profit attributable to owners of the Company		968,891	901,958
Non-controlling interests from discontinued operations		–	(659)
		968,891	901,299
<b>Earnings per share</b>			
From continuing and discontinued operations	12		
Basic (HK\$cents)		3.69	3.43
Diluted (HK\$cents)		3.69	N/A
From continuing operations			
Basic (HK\$cents)		3.69	3.30
Diluted (HK\$cents)		3.69	N/A



# Condensed Consolidated Statement of Profit or Loss and Other Comprehensive Income

For the Six Months Ended 30 June 2019

	<b>Six months ended 30 June</b>	
	<b>2019</b>	<b>2018</b>
	<b>HK\$'000</b>	<b>HK\$'000</b>
	<b>(unaudited)</b>	<b>(unaudited)</b>
<b>Profit for the period</b>	<b>968,891</b>	901,299
<b>Other comprehensive income:</b>		
<i>Items that may be reclassified to profit or loss</i>		
Exchange differences on translating foreign operations	<b>4,448</b>	10,629
Exchange gains reclassified to profit or loss on disposal of subsidiaries	–	(21,109)
<b>Other comprehensive income for the period, net of tax</b>	<b>4,448</b>	(10,480)
<b>Total comprehensive income for the period</b>	<b>973,339</b>	890,819
<b>Attributable to:</b>		
Owners of the Company		
Profit from continuing operations	<b>973,339</b>	855,392
Profit from discontinued operations	–	35,280
Profit attributable to owners of the Company	<b>973,339</b>	890,672
Non-controlling interests from discontinued operations	–	147
	<b>973,339</b>	890,819



# Condensed Consolidated Statement of Financial Position

At 30 June 2019

		30 June 2019	31 December 2018
	Note	HK\$'000 (unaudited)	HK\$'000 (audited)
<b>Non-current assets</b>			
Property, plant and equipment	14	12,503,233	7,853,560
Right-of-use assets	15	49,606	–
Intangible assets		5,292,271	2,383,040
Investment in associates		359,211	450,423
Advances, deposits and prepayments		134,358	143,025
		<b>18,338,679</b>	<b>10,830,048</b>
<b>Current assets</b>			
Inventories		318,275	337,998
Trade and other receivables	16	4,517,707	2,190,160
Financial assets at fair value through profit or loss (“FVTPL”)		2,754	2,754
Employee retirement benefits assets		2,526	2,826
Current tax assets		148,491	267,120
Bank and cash balances		2,293,530	2,516,532
		<b>7,283,283</b>	<b>5,317,390</b>
Assets classified as held for sale		75,875	–
		<b>7,359,158</b>	<b>5,317,390</b>
<b>Current liabilities</b>			
Trade and other payables	17	5,550,348	2,647,003
Borrowings	18	3,671,685	181,123
Due to a director		–	9,433
Lease liabilities		13,636	–
Provisions	19	5,276	5,276
Current tax liabilities		184,440	47,726
		<b>9,425,385</b>	<b>2,890,561</b>
<b>Net current (liabilities)/assets</b>		<b>(2,066,227)</b>	<b>2,426,829</b>
<b>Total assets less current liabilities</b>		<b>16,272,452</b>	<b>13,256,877</b>



## Condensed Consolidated Statement of Financial Position *(Continued)*

At 30 June 2019

		30 June 2019	31 December 2018
	Note	<b>HK\$'000</b> <b>(unaudited)</b>	<i>HK\$'000</i> <i>(audited)</i>
<b>Non-current liabilities</b>			
Borrowings	18	<b>1,562,308</b>	460,613
Lease liabilities		<b>10,543</b>	–
Provisions	19	<b>455,246</b>	381,109
Derivative financial instruments		<b>4,847</b>	1,165
Employee retirement benefit obligations		<b>37,338</b>	–
Deferred tax liabilities		<b>2,000,052</b>	1,150,846
		<b>4,070,334</b>	1,993,733
<b>NET ASSETS</b>			
		<b>12,202,118</b>	11,263,144
<b>Capital and reserves</b>			
Share capital	20	<b>262,707</b>	262,941
Reserves		<b>11,921,819</b>	11,000,203
Equity attributable to owners of the Company		<b>12,184,526</b>	11,263,144
Non-controlling interests		<b>17,592</b>	–
<b>TOTAL EQUITY</b>			
		<b>12,202,118</b>	11,263,144

Approved by the Board of Directors on 30 August 2019 and are signed on its behalf by:

**Zhang Hong Wei**  
*Executive Director*

**Zhang Meiying**  
*Executive Director*



# Condensed Consolidated Statement of Changes in Equity

For the Six Months Ended 30 June 2019

(Unaudited)

	Attributable to owners of the Company										
	Share capital	Share premium account	Merger reserve	Contributed surplus reserve	Foreign currency translation reserve	Share-based capital reserve	Performance share unit reserve	Accumulated losses/retained profits	Total	Non-controlling interests	Total equity
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
<b>At 1 January 2018</b>	262,690	2,502,823	(2,286,000)	12,261,803	24,787	14,924	-	(2,128,558)	10,652,469	24,550	10,677,019
Total comprehensive income											
for the period	-	-	-	-	(11,286)	-	-	901,958	890,672	147	890,819
Dividend paid	-	-	-	(1,050,763)	-	-	-	-	(1,050,763)	-	(1,050,763)
Disposal of a subsidiary	-	-	-	-	-	-	-	-	-	(24,697)	(24,697)
Changes in equity for the period	-	-	-	(1,050,763)	(11,286)	-	-	901,958	(160,091)	(24,550)	(184,641)
<b>At 30 June 2018</b>	262,690	2,502,823	(2,286,000)	11,211,040	13,501	14,924	-	(1,226,600)	10,492,378	-	10,492,378
<b>At 31 December 2018</b>	262,941	2,520,287	(2,286,000)	11,211,040	29,782	14,924	-	(489,830)	11,263,144	-	11,263,144
Adjustment on initial application of HKFRS 16 (note 4)	-	-	-	-	-	-	-	(1,889)	(1,889)	-	(1,889)
<b>Restated balance at 1 January 2019</b>	262,941	2,520,287	(2,286,000)	11,211,040	29,782	14,924	-	(491,719)	11,261,255	-	11,261,255
Total comprehensive income											
for the period	-	-	-	-	4,448	-	-	968,891	973,339	-	973,339
Repurchase of shares	(234)	(27,881)	-	-	-	-	-	-	(28,115)	-	(28,115)
Purchase of shares under performance share scheme	-	-	-	-	-	-	(21,953)	-	(21,953)	-	(21,953)
Acquisition of subsidiaries	-	-	-	-	-	-	-	-	-	17,592	17,592
Changes in equity for the period	(234)	(27,881)	-	-	4,448	-	(21,953)	968,891	923,271	17,592	940,863
<b>At 30 June 2019</b>	262,707	2,492,406	(2,286,000)	11,211,040	34,230	14,924	(21,953)	477,172	12,184,526	17,592	12,202,118



# Condensed Consolidated Statement of Cash Flows

For the Six Months Ended 30 June 2019

	Note	Six months ended 30 June	
		2019 HK\$'000 (unaudited)	2018 HK\$'000 (unaudited)
<b>Net cash generated from operating activities</b>		<b>2,513,616</b>	1,214,915
Acquisition of subsidiaries	24	(4,080,085)	(1,373,033)
Disposal of a subsidiary	25	–	18,454
Purchases of property, plant and equipment		(1,245,599)	(875,953)
Other investing cash flow (net)		29,409	24,076
<b>Net cash used in investing activities</b>		<b>(5,296,275)</b>	(2,206,456)
Dividend paid		–	(1,050,758)
Dividend received		70	–
Borrowings raised, net of direct transaction cost		2,729,688	528,600
Repayment of borrowings		(93,600)	–
Repurchases of shares		(28,115)	–
Purchase of shares under performance share scheme		(21,953)	–
Principal elements of lease payments		(6,480)	–
<b>Net cash generated from/(used in) financing activities</b>		<b>2,579,610</b>	(522,158)
<b>Net decrease in cash and cash equivalents</b>		<b>(203,049)</b>	(1,513,699)
<b>Cash and cash equivalents at the beginning of the period</b>		<b>2,516,532</b>	2,746,793
<b>Effect of foreign exchange rate changes</b>		<b>(19,953)</b>	(11,193)
<b>Cash and cash equivalents at the end of the period, represented by</b>		<b>2,293,530</b>	1,221,901
Bank and cash balances		2,293,530	1,221,901



# Notes to the Condensed Financial Statements

For the Six Months Ended 30 June 2019

## 1. BASIS OF PREPARATION

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

## 2. GOING CONCERN BASIS

As at 30 June 2019, the Group had net current liabilities of approximately HK\$2,066,227,000. This event and condition indicates that a material uncertainty exists that may cast significant doubt on the Group’s ability to continue as a going concern. Therefore, the Group may be unable to realise its assets and discharge its liabilities in the normal course of business.

These condensed consolidated financial statements have been prepared on a going concern basis, after taking into consideration of (a) unused and available banking facilities of approximately HK\$3,229,200,000 as at 30 June 2019; (b) new bank loans of approximately HK\$682,500,000 subsequently obtained from banks up to the date of approval for this condensed consolidated financial statements; and (c) expected positive cash flows generated from the Group’s operating activities in future.

After considering the working capital forecast of the Group for the next twelve months and the above, the directors of the Company are of the opinion that the Group will be able to meet its financial obligations as they fall due and therefore it is appropriate to prepare the condensed consolidated financial statements on a going concern basis.

Should the Group be unable to continue as a going concern, adjustments would have to be made to the condensed consolidated financial statements to adjust the value of the Group’s assets to their recoverable amounts, to provide for any further liabilities which might arise and to reclassify non-current assets and liabilities as current assets and current liabilities respectively.

## 3. SIGNIFICANT ACCOUNTING POLICIES

These condensed consolidated financial statements should be read in conjunction with the 2018 annual consolidated financial statements. The accounting policies (including the significant judgements made by management in applying the Group’s accounting policies and the key sources of estimation uncertainty) and methods of computation used in the preparation of these condensed consolidated financial statements are consistent with those used in the annual consolidated financial statements for the year ended 31 December 2018 except as stated below.



## 4. ADOPTION OF NEW AND REVISED HONG KONG FINANCIAL REPORTING STANDARDS

In the current period, the Group has adopted all the new and revised Hong Kong Financial Reporting Standards (“HKFRSs”) issued by the HKICPA that are relevant to its operations and effective for its accounting year beginning on 1 January 2019. HKFRSs comprise Hong Kong Financial Reporting Standards (“HKFRS”); Hong Kong Accounting Standards (“HKAS”); and Interpretations.

The Group has not early adopted any other standard, interpretation or amendment that has been issued but is not yet effective.

The Group has initially adopted HKFRS 16 Leases from 1 January 2019. A number of other new standards are effective from 1 January 2019 but they do not have a material effect on the Group’s condensed consolidated financial statements.

### **HKFRS 16 Leases**

HKFRS 16 supersedes HKAS 17 Leases, HK(IFRIC)-Interpretation 4 Determining whether an Arrangement contains a Lease, HK(SIC)-Interpretation 15 Operating Leases-Incentives and HK(SIC)-Interpretation 27 Evaluating the Substance of Transactions Involving the Legal Form of a Lease. HKFRS 16 introduced a single, on-balance sheet accounting model for lessees. As a result, the Group, as a lessee, has recognised right-of-use assets representing its rights to use the underlying assets and lease liabilities representing its obligation to make lease payments.

The Group has applied HKFRS 16 using the modified retrospective approach, under which the cumulative effect of initial application is recognised in accumulated losses at 1 January 2019. Accordingly, the comparative information presented for 2018 has not been restated – i.e. it is presented, as previously reported, under HKAS 17 and related interpretations. The details of the changes in accounting policies are disclosed below.

#### **(a) Definition of a lease**

Previously, the Group determined at contract inception whether an arrangement was or contained a lease under HK(IFRIC)-Interpretation 4 Determining Whether an Arrangement contains a Lease. The Group now assesses whether a contract is or contains a lease based on the new definition of a lease. Under HKFRS 16, a contract is, or contains, a lease if the contract conveys a right to control the use of an identified asset for a period of time in exchange for consideration.

On transition to HKFRS 16, the Group elected to apply the practical expedient to grandfather the assessment of which transactions are leases. It applied HKFRS 16 only to contracts that were previously identified as leases. Contracts that were not identified as leases under HKAS 17 and HK(IFRIC)-Interpretation 4 were not reassessed. Therefore, the definition of a lease under HKFRS 16 has been applied only to contracts entered into or changed on or after 1 January 2019.



## 4. ADOPTION OF NEW AND REVISED HONG KONG FINANCIAL REPORTING STANDARDS *(Continued)*

### HKFRS 16 Leases *(Continued)*

#### (a) **Definition of a lease** *(Continued)*

At inception or on reassessment of a contract that contains a lease component, the Group allocates the consideration in the contract to each lease and non-lease component on the basis of their relative stand-alone prices. However, for leases of properties in which it is a lessee, the Group has elected not to separate non-lease components and will instead account for the lease and non-lease components as a single lease component.

#### (b) **As a lessee**

The Group leases many assets, including properties and motor vehicles.

As a lessee, the Group previously classified leases as operating or finance leases based on its assessment of whether the lease transferred substantially all of the risks and rewards of ownership. Under HKFRS 16, the Group recognises right-of-use assets and lease liabilities for most leases.

However, the Group has elected not to recognise right-of-use assets and lease liabilities for some leases of low-value assets (e.g. IT equipment) and short-term leases. The Group recognises the lease payments associated with these leases as an expense on a straight-line basis over the lease term.

The recognised right-of-use assets relate to the following types of assets:

	<b>Balance as at</b>	
	<b>30 June 2019</b>	<b>1 January 2019</b>
	<b>HK\$'000</b>	<b>HK\$'000</b>
Properties	<b>39,156</b>	–
Motor vehicles	<b>10,450</b>	7,464
<b>Total right-of-use assets</b>	<b>49,606</b>	7,464

#### Significant accounting policies

The Group recognises a right-of-use asset and a lease liability at the lease commencement date. The right-of-use asset is initially measured at cost, and subsequently at cost less any accumulated depreciation and impairment losses, and adjusted for certain remeasurements of the lease liability.

The lease liability is initially measured at the present value of the lease payments that are not paid at the commencement date, discounted using the interest rate implicit in the lease or, if that rate cannot be readily determined, the Group's incremental borrowing rate. Generally, the Group uses its incremental borrowing rate as the discount rate.



## 4. ADOPTION OF NEW AND REVISED HONG KONG FINANCIAL REPORTING STANDARDS *(Continued)*

### HKFRS 16 Leases *(Continued)*

#### **(b) As a lessee** *(Continued)*

##### Significant accounting policies *(Continued)*

The lease liability is subsequently increased by the interest cost on the lease liability and decreased by lease payment made. It is remeasured when there is a change in future lease payments arising from a change in an index or rate, a change in the estimate of the amount expected to be payable under a residual value guarantee, or as appropriate, changes in the assessment of whether a purchase or extension option is reasonably certain to be exercised or a termination option is reasonably certain not to be exercised.

The Group has applied judgement to determine the lease term for some lease contracts in which it is a lessee that include renewal options. The assessment of whether the Group is reasonably certain to exercise such options impacts the lease term, which significantly affects the amount of lease liabilities and right-of-use assets recognised.

##### Transition

Previously, the Group classified properties and motor vehicles leases as operating leases under HKAS 17. These include office properties and motor vehicles. The leases typically run for periods of ranging from 1 year to 5 years.

At transition, for leases classified as operating leases under HKAS 17, lease liabilities were measured at the present value of the remaining lease payments, discounted at the Group's incremental borrowing rate as at 1 January 2019. Right-of-use assets are measured at their carrying amount as if HKFRS 16 had been applied since the commencement date, discounted using the lessee's incremental borrowing rate at the date of initial application – the Group applied this approach to its lease for motor vehicles.

The Group used the following practical expedients when applying HKFRS 16 to leases previously classified as operating leases under HKAS 17.

- Applied the exemption not to recognise right-of-use assets and liabilities for leases with less than 12 months of lease term.
- Excluded initial direct costs from measuring the right-of-use asset at the date of initial application.
- Used hindsight when determining the lease term if the contract contains options to extend or terminate the lease.



## 4. ADOPTION OF NEW AND REVISED HONG KONG FINANCIAL REPORTING STANDARDS *(Continued)*

### HKFRS 16 Leases *(Continued)*

#### (c) **Impact on financial statements**

##### Impact on transition

On transition to HKFRS 16, the Group recognised additional right-of-use assets and additional lease liabilities, recognising the difference in accumulated losses. The change in accounting policy affected the following items on the condensed consolidated statement of financial position increased as at 1 January 2019 is summarised below.

	1 January 2019 HK\$'000
<b>Assets</b>	
Right-of-use assets	7,464
<b>Liabilities</b>	
Lease liabilities	9,353
<b>Equity</b>	
Accumulated losses	1,889

When measuring lease liabilities for leases that were classified as operating leases, the Group discounted lease payments using its incremental borrowing rate at 1 January 2019. The weighted-average rate applied is 13.66%.

	1 January 2019 HK\$'000
Operating lease commitment at 31 December 2018 as disclosed in the Group's consolidated financial statements	17,316
Less: Recognition exemption for leases with less than 12 months of leases term at transition	(4,763)
Gross operating lease obligations at 1 January 2019	12,553
Less: Discounting	(3,200)
<b>Lease liabilities, discounted using the incremental borrowing rate, recognised as at 1 January 2019</b>	<b>9,353</b>
Of which are:	
Current lease liabilities	2,830
Non-current lease liabilities	6,523
	<b>9,353</b>



## 4. ADOPTION OF NEW AND REVISED HONG KONG FINANCIAL REPORTING STANDARDS *(Continued)*

### HKFRS 16 Leases *(Continued)*

#### (c) **Impact on financial statements** *(Continued)*

##### Impact for the period

As a result of initially applying HKFRS 16, in relation to the leases that were previously classified as operating leases, the Group recognised approximately HK\$10,450,000 of right-of-use assets and approximately HK\$12,828,000 of lease liabilities as at 30 June 2019.

Also in relation to those leases under HKFRS 16, the Group has recognised depreciation and finance costs, instead of operating lease expense. During the six months ended 30 June 2019, the Group recognised approximately HK\$1,674,000 of depreciation charges and approximately HK\$646,000 of finance costs from these leases.

## 5. FAIR VALUE MEASUREMENT

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

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

Level 1 inputs: quoted prices (unadjusted) in active markets for identical assets or liabilities that the Group can access at the measurement date.

Level 2 inputs: inputs other than quoted prices included within level 1 that are observable for the asset or liability, either directly or indirectly.

Level 3 inputs: unobservable inputs for the asset or liability.

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

The following table shows the carrying amounts and fair value of financial assets and financial liabilities, including their levels in the fair value hierarchy. It does not include fair value information for financial assets and financial liabilities not measured at fair value, of which the carrying amount is a reasonable approximation of fair value. Further, for the current year the fair value disclosure of lease liabilities is also not required.



## 5. FAIR VALUE MEASUREMENT *(Continued)*

### (a) Disclosure of level in fair value hierarchy at 30 June 2019:

Description	Fair value measurements as at 30 June 2019		Total 2019
	Level 1	Level 2	
	HK\$'000	HK\$'000	HK\$'000
<b>Recurring fair value measurements:</b>			
<b>Financial assets</b>			
Financial assets at FVTPL			
Listed equity securities	2,754	-	2,754
<b>Recurring fair value measurements:</b>			
<b>Financial liabilities</b>			
Derivative financial instruments			
Interest rate swaps	-	4,847	4,847
Fair value measurements as at 31 December 2018			
Description	Level 1	Level 2	Total 2018
	HK\$'000	HK\$'000	HK\$'000
<b>Recurring fair value measurements:</b>			
<b>Financial assets</b>			
Financial assets at FVTPL			
Listed equity securities	2,754	-	2,754
<b>Recurring fair value measurements:</b>			
<b>Financial liabilities</b>			
Derivative financial instruments			
Interest rate swaps	-	1,165	1,165

### (b) Disclosure of valuation process used by the Group and valuation techniques and inputs used in fair value measurement as at 30 June 2019:

#### Level 2 fair value measurements

Description	Valuation technique	Inputs	Fair value			
			30 June 2019		31 December 2018	
			HK\$'000		HK\$'000	
			Assets	Liabilities	Assets	Liabilities
Derivative financial instruments – interest rate swaps	Discounted cash flows	Forward interest rate	-	(4,847)	-	(1,165)

There were no changes in the valuation techniques used.



## 6. SEGMENT INFORMATION

### Operating segment information

The Group's reportable segments are as follows:

Continuing operations:

1. Exploration and production – activities relating to the exploration and production of crude oil and natural gas in Pakistan, Middle East and North Africa (30 June 2018: Pakistan)

Discontinued operations:

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

Operating segment relating to the oilfield support services in PRC was discontinued in the six months ended 30 June 2018. The segment information for this discontinued operations have been described in note 11.

Operating segments are identified on the basis of internal reports about components of the Group that are regularly reviewed by the chief operating decision maker in order to allocate resources to the segment and to assess its performance. As the Group is principally engaged in the activities relating to the exploration and production of crude oil and natural gas in Pakistan, Middle East and North Africa, which are subject to similar business risk, and resources are allocated based on what is beneficial to the Group in enhancing the value of the Group as a whole, the Group's chief operating decision maker considers the performance assessment of the Group should be based on the profit before tax of the Group as a whole. Therefore, management considers there to be only one operating segment under the requirements of HKFRS 8 "Operating Segments".



## 7. TURNOVER

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

	<b>Six months ended 30 June</b>	
	<b>2019</b> <i>HK\$'000</i> <b>(unaudited)</b>	<b>2018</b> <i>HK\$'000</i> <b>(unaudited)</b>
<b>Continuing operations</b>		
Sales and production of crude oil, condensate, gas and liquefied petroleum gas	<b>3,481,918</b>	2,388,531

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

	<b>Crude oil, condensate, gas and liquefied petroleum gas</b>	
	<b>Six months ended 30 June</b>	
	<b>2019</b> <i>HK\$'000</i> <b>(unaudited)</b>	<b>2018</b> <i>HK\$'000</i> <b>(unaudited)</b>
<b>Primary geographical markets</b>		
– Pakistan	<b>2,112,863</b>	1,725,033
– Singapore	<b>733,091</b>	663,498
– Egypt	<b>302,508</b>	–
– Iraq	<b>333,456</b>	–
Revenue from external customers	<b>3,481,918</b>	2,388,531

The turnover from sales and production of crude oil, condensate, gas and liquefied petroleum gas are net of sales tax, royalty to government, sales discounts, windfall levy and government take amounting to approximately HK\$382,520,000 (2018: HK\$332,477,000), HK\$387,164,000 (2018: HK\$338,991,000), HK\$5,886,000 (2018: HK\$8,512,000), HK\$34,366,000 (2018: HK\$807,000) and HK\$765,697,000 (2018: HK\$Nil) respectively.



## 8. FINANCE COSTS

	Six months ended 30 June	
	2019 HK\$'000 (unaudited)	2018 HK\$'000 (unaudited)
<b>From continuing operations</b>		
Interest on bank loans	84,738	7,280
Interest on lease liabilities	685	–
Interest on senior guaranteed unsecured notes	56,045	–
Interest on advance from customers	67,626	–
Provision – unwinding of discounts	6,563	4,445
	<b>215,657</b>	11,725
Amount capitalised	<b>(12,002)</b>	–
	<b>203,655</b>	11,725

Finance costs of approximately HK\$12,002,000 have been capitalised to property, plant and equipment during the period using a weighted average interest rate of 10.3% (2018: Nil).

## 9. INCOME TAX EXPENSES

	Six months ended 30 June	
	2019 HK\$'000 (unaudited)	2018 HK\$'000 (unaudited)
<b>From continuing operations</b>		
Current tax – Overseas		
– Provision for the period	242,249	99,711
	<b>242,249</b>	99,711
Deferred tax	131,829	186,092
	<b>374,078</b>	285,803



## 9. INCOME TAX EXPENSES *(Continued)*

No provision for profits tax in Austria, Cayman Islands, Bermuda, British Virgin Islands, Jersey, Kuwait, Dubai, Republic of Panama, Mauritius, People's Republic of China, Singapore or Hong Kong is required as the Group has no assessable profit arising in or derived from these jurisdictions for the six months ended 30 June 2019 and 2018.

Egypt, Iraq and Pakistan Income Tax has been provided at a rate of 22.5%, 35% and ranging from 40% to 50% respectively (2018: Pakistan Income Tax rate at a rate of 50%) on the estimated taxable income earned by the companies with certain tax preference, based on existing legislation, interpretation and practices in respect thereof.

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

## 10. PROFIT FOR THE PERIOD FROM CONTINUING OPERATIONS

The Group's profit for the period from continuing operations is stated after charging/(crediting) the following:

	Six months ended 30 June	
	2019	2018
	HK\$'000	HK\$'000
	(unaudited)	(unaudited)
<b>From continuing operations</b>		
Interest income	<b>(16,929)</b>	(23,709)
Amortisation of intangible assets	<b>199,933</b>	112,280
Depreciation	<b>970,199</b>	425,925
Directors' remuneration	<b>13,663</b>	8,407
Gain on disposals of property, plant and equipment	–	(224)
Property, plant and equipment written off	–	90,441
Fair value losses on financial assets at FVTPL	–	270

## 11. DISCONTINUED OPERATIONS

On 30 January 2018, the Group entered into shares sale agreement to dispose 70% equity interest held in Universe Energy International Investment Limited ("Universe Energy") at a cash consideration of approximately HK\$44,839,000 (equivalent to approximately RMB36,146,000) ("Disposal").

Universe Energy held 100% interest in Universe Oil & Gas (China) LLC ("Universe Oil & Gas"). Universe Oil & Gas was engaged in provision of patented technology support services to oilfields during the period. The Disposal was completed on 15 March 2018. Upon the completion of the Disposal, the Group ceased its patented technology support services in PRC.

As the business operation of provision of patented technology support services to oilfields is considered as a separate major line of business which was previously classified as the oilfield support services business segment of the Group, the Disposal was accounted for as discontinued operations for the six months ended 30 June 2018.



## 11. DISCONTINUED OPERATIONS (Continued)

Details of the assets and liabilities disposed of and the calculation of the profit or loss on disposal are disclosed in note 25.

Profit for the six months ended 30 June from discontinued operations:

	Six months ended 30 June	
	2019 HK\$'000 (unaudited)	2018 HK\$'000 (unaudited)
<b>Turnover</b>	–	–
Investment and other income	–	52
Administrative expenses	–	(805)
Other operating expenses	–	(1,444)
<b>Loss before tax</b>	–	(2,197)
Income tax expenses	–	–
	–	(2,197)
Gain on disposal of operation (note 25)	–	36,818
<b>Profit for the period from discontinued operations</b>	–	34,621

Profit for the period from discontinued operations includes the following:

	Six months ended 30 June	
	2019 HK\$'000 (unaudited)	2018 HK\$'000 (unaudited)
Interest income	–	(52)
Depreciation	–	1,645
Loss on disposal on property, plant and equipment	–	1

Cash flow from discontinued operations:

	Six months ended 30 June	
	2019 HK\$'000 (unaudited)	2018 HK\$'000 (unaudited)
Net cash inflows from operating activities	–	10,580
Net cash inflows from investing activities	–	178
Net cash outflows from financing activities	–	(246)
Effect of foreign exchange rate changes	–	(772)
Net cash inflows	–	9,740



## 12. EARNINGS PER SHARE

### (a) **Basic earnings per share from continuing and discontinued operations**

The calculation of basic earnings per share attributable to owners of the Company is based on the profit for the period attributable to owners of the Company of approximately HK\$968,891,000 (2018: HK\$901,958,000) and the weighted average number of ordinary shares of 26,275,634,446 (2018: 26,269,065,172) in issue during the period.

### (b) **Basic earnings per share from continuing operations**

The calculation of basic earnings per share from continuing operations attributable to owners of the Company is based on the profit for the period from continuing operations attributable to owners of the Company of approximately HK\$968,891,000 (2018: HK\$866,678,000) and the weighted average number of ordinary shares of 26,275,634,446 (2018: 26,269,065,172) in issue during the period.

### (c) **Diluted earnings per share**

#### (i) ***Diluted earnings per share from continuing and discontinued operations***

The calculation of diluted earnings per share attributable to owners of the Company for the six months ended 30 June 2019 is based on the profit for the period attributable to owners of the Company of approximately HK\$968,891,000 and the weighted average number of ordinary shares of 26,283,055,696, being the weighted average number of ordinary shares of 26,275,634,446 in issue during the period used in the basic earnings per share calculation plus the weighted average number of ordinary shares of 7,421,250 assumed to have been issued at no consideration on the deemed exercise of the share options outstanding during the period.

#### (ii) ***Diluted earnings per share from continuing operations***

The calculation of diluted earnings per share attributable to owners of the Company for the six months ended 30 June 2019 is based on the profit for the period attributable to owners of the Company of approximately HK\$968,891,000 and the denominator used are the same as those detailed above for diluted earnings per share.

No diluted earnings per share are presented for the period ended 30 June 2018 as the Company did not have any dilutive potential ordinary share for the six months ended 30 June 2018.

### (d) **Basic earnings per share from discontinued operations**

Basic earnings per share from the discontinued operations for the six months ended 30 June 2018 is HK\$0.13 cent based on the profit for the period from discontinued operations attributable to the owners of the Company of approximately HK\$35,280,000 and the denominator used is the same as the above for basic earnings per share.



### 13. DIVIDEND

The directors of the Company do not recommend any interim dividend for the six months ended 30 June 2019 (2018: HK\$Nil).

### 14. PROPERTY, PLANT AND EQUIPMENT

During the six months ended 30 June 2019, the Group acquired property, plant and equipment of approximately HK\$1,224,414,000 (2018: HK\$873,288,000), excluding property, plant and equipment acquired through a business combination (note 24).

### 15. RIGHT-OF-USE ASSETS

During the six months ended 30 June 2019, the Group entered into a number of new lease agreements for use of motor vehicles for an average period of 5 years. The Group makes fixed payments during the contract period. On lease commencement, the Group recognised approximately HK\$4,661,000 of right-of-use assets and lease liabilities.

As referred to Note 24, the Group completed the acquisition of subsidiaries during the six months ended 30 June 2019. The Group recognised approximately HK\$40,921,000 and HK\$13,511,000 of right-of-use assets and lease liabilities upon the completion of the acquisition respectively.

### 16. TRADE AND OTHER RECEIVABLES

	<b>30 June 2019 HK\$'000 (unaudited)</b>	31 December 2018 HK\$'000 (audited)
Trade receivables ( <i>note a</i> )	<b>3,711,498</b>	1,851,365
Allowance for price adjustments	<b>(203,986)</b>	(207,807)
	<b>3,507,512</b>	1,643,558
Other receivables ( <i>note b</i> )	<b>1,010,195</b>	546,602
Total trade and other receivables	<b>4,517,707</b>	2,190,160



## 16. TRADE AND OTHER RECEIVABLES (Continued)

### (a) Trade receivables

The Group's trading terms with customers are mainly on credit. The credit term generally ranges from 30 to 45 days (2018: ranges from 30 to 45 days). Certain trade receivables are settled by having physical delivery of crude oil on accumulation of balance sufficient enough for cargo lifting. The Group seeks to maintain strict control over its outstanding receivables. Overdue balances are reviewed regularly by the directors.

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

	<b>30 June 2019 HK\$'000 (unaudited)</b>	31 December 2018 HK\$'000 (audited)
0 to 30 days	<b>1,914,275</b>	1,050,172
31 to 60 days	<b>387,106</b>	361,217
61 to 90 days	<b>400,516</b>	297,992
Over 90 days	<b>1,009,601</b>	141,984
	<b>3,711,498</b>	1,851,365

### (b) Other receivables

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

	<b>30 June 2019 HK\$'000 (unaudited)</b>	31 December 2018 HK\$'000 (audited)
Due from joint operators	<b>349,643</b>	189,855
Advances to staff	<b>12,174</b>	7,051
Central excise duty receivables	<b>34,146</b>	25,295
Deposits and prepayments	<b>150,025</b>	81,663
Sales tax receivables	<b>272,738</b>	221,613
Other tax receivables	<b>3,146</b>	2,863
Withholding tax receivables	<b>7,275</b>	8,298
Deferred sales consideration (note)	<b>171,867</b>	–
Others	<b>9,181</b>	9,964
	<b>1,010,195</b>	546,602



## 16. TRADE AND OTHER RECEIVABLES (Continued)

### (b) Other receivables (Continued)

Note:

In October 2016, the Group signed a farm-out agreement with an effective date of 1 January 2016 to assign a 20% paying and 15% revenue interest in the Iraq Siba area gas development and production service contract. Following completion of the transaction, the Group has a 40% paying and 30% revenue interest in Siba. Under the terms of the farm-out agreement, the farmee will settle the consideration by paying the Group's share of costs of a major related contract with any balance being payable from their allocation of cost recovery receivable when production commences from this field. The current portion of deferred consideration is included in other receivables and the fair value of the non-current portion was calculated by discounting expected receipts based on management's estimation of timing and is included in non-current assets.

## 17. TRADE AND OTHER PAYABLES

	<b>30 June 2019 HK\$'000 (unaudited)</b>	31 December 2018 HK\$'000 (audited)
Trade payables (note a)	<b>994,454</b>	666,548
Other payables (note b)	<b>4,555,894</b>	1,980,455
Total trade and other payables	<b>5,550,348</b>	2,647,003

### (a) Trade payables

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

	<b>30 June 2019 HK\$'000 (unaudited)</b>	31 December 2018 HK\$'000 (audited)
0 to 30 days	<b>159,246</b>	329,085
31 to 45 days	<b>81,286</b>	66,019
Over 45 days	<b>753,922</b>	271,444
	<b>994,454</b>	666,548



## 17. TRADE AND OTHER PAYABLES (Continued)

### (b) Other payables

	<b>30 June 2019 HK\$'000 (unaudited)</b>	31 December 2018 HK\$'000 (audited)
Accrual for operating and capital expenses	<b>1,837,962</b>	849,775
Due to joint operators	<b>125,630</b>	132,439
Consideration received in advance (note 27(a))	<b>75,875</b>	–
Advance from customers (note)	<b>1,641,893</b>	–
Salaries and welfare payables	<b>42,725</b>	108,758
Other tax payables	<b>704,435</b>	849,820
Others	<b>127,374</b>	39,663
	<b>4,555,894</b>	1,980,455

*Note:*

The Group entered into agreements with customers for secured crude oil prepayment facilities of up to approximately HK\$1,950,000,000 (equivalent to approximately US\$250,000,000). The facilities bearing interest rates ranging from 5% plus LIBOR per annum to 7% plus LIBOR per annum. The crude oil prepayment facilities are repayable principally by the delivery of the Group's crude oil entitlement. As at 30 June 2019, the total undrawn crude oil prepayment facilities amounted to approximately HK\$308,100,000 (equivalent to approximately US\$39,500,000).

Subsequent to the reporting period, regarding one of the utilised prepayment facility of approximately HK\$780,000,000 (equivalent to approximately US\$100,000,000), approximately HK\$288,600,000 (equivalent to approximately US\$37,000,000) have been settled by the delivery of the Group's crude oil entitlement and the remaining balance of approximately HK\$491,400,000 (equivalent to approximately US\$63,000,000) had been repaid by cash.

## 18. BORROWINGS

	<b>30 June 2019 HK\$'000 (unaudited)</b>	31 December 2018 HK\$'000 (audited)
Bank loans, secured (note a)	<b>3,288,288</b>	641,736
Senior guaranteed unsecured notes (note b)	<b>1,945,705</b>	–
	<b>5,233,993</b>	641,736



## 18. BORROWINGS (Continued)

	<b>30 June 2019 HK\$'000 (unaudited)</b>	31 December 2018 HK\$'000 (audited)
Analysed as:		
Current liabilities	<b>3,671,685</b>	181,123
Non-current liabilities	<b>1,562,308</b>	460,613
	<b>5,233,993</b>	641,736

Note:

- (a) The Group has obtained banking facilities in aggregate of approximately HK\$6,786,000,000 (equivalent to approximately US\$870,000,000), of which approximately HK\$3,229,200,000 (equivalent to approximately US\$414,000,000) remained unutilised at 30 June 2019. Bank loans of approximately HK\$93,600,000 was repaid by the Group during the period.
- (b) The senior guaranteed unsecured notes (the "Notes") were issued in the aggregate principal amount of approximately HK\$1,950,000,000 (equivalent to approximately US\$250,000,000) listing on the Global Exchange Market of the Irish Stock Exchange and have been matured on 4 August 2019. The Notes bear interest at a rate of 9.5% per annum and interest on the Notes is payable semi-annually in arrears on 4 February and 4 August each year. The redemption of the Notes has been satisfied by the Group's internal resources and available banking facilities.

## 19. PROVISIONS

	<b>Dismantling costs in respect of leasehold improvements HK\$'000</b>	<b>Decommissioning costs HK\$'000</b>	<b>Total HK\$'000</b>
At 1 January 2019 (audited)	420	385,965	386,385
Less:			
Actual costs incurred during the period	-	(21,184)	(21,184)
Add:			
Acquisition of subsidiaries	-	88,758	88,758
Unwinding of discounts	-	6,563	6,563
	420	460,102	460,522
Current portion shown under current liabilities	-	(5,276)	(5,276)
At 30 June 2019 (unaudited)	<b>420</b>	<b>454,826</b>	<b>455,246</b>



## 19. PROVISIONS (Continued)

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

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

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

## 20. SHARE CAPITAL

	<b>30 June 2019</b>	31 December 2018
	<b>HK\$'000</b>	HK\$'000
	<b>(unaudited)</b>	(audited)
Authorised:		
60,000,000,000 ordinary shares of HK\$0.01 each	<b>600,000</b>	600,000
Issued and fully paid:		
26,270,661,209 (At 31 December 2018: 26,294,155,209) ordinary shares of HK\$0.01 each	<b>262,707</b>	262,941

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

		<b>Number of shares issued</b>	<b>Nominal value of shares issued</b>
	<i>Note</i>	'000	HK\$'000
At 31 December 2018 and 1 January 2019 (audited)		26,294,155	262,941
Repurchase of shares	(a)	(23,494)	(234)
At 30 June 2019 (unaudited)		<b>26,270,661</b>	<b>262,707</b>

*Note:*

- (a) During the period ended 30 June 2019, the Company repurchased 23,494,000 of its own shares on The Stock Exchange of Hong Kong Limited in January 2019. The repurchased shares were cancelled on 19 February 2019. The total amount paid on the repurchased shares was approximately HK\$28,115,000 and have been deducted from the share capital and share premium account.



## 21. PERFORMANCE SHARE UNIT SCHEME

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

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

During the six months ended 30 June 2019, 15,548,000 shares were purchased by the trustee from the market at an average price of HK\$1.41 per share, with an aggregate amount of HK\$21,953,000. No shares were granted to eligible employees pursuant to the PSU Scheme during the six months ended 30 June 2019. At 30 June 2019, 15,548,000 shares are held by the trustee.

## 22. CAPITAL COMMITMENTS

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

	<b>30 June 2019 HK\$’000 (unaudited)</b>	31 December 2018 HK\$’000 (audited)
Contracted but not provided for:		
Acquisition of property, plant and equipment	<b>6,121</b>	6,287
Commitments for capital expenditure	<b>813,218</b>	404,842
Acquisition of a subsidiary	–	4,959,686
	<b>819,339</b>	5,370,815



## 22. CAPITAL COMMITMENTS *(Continued)*

- (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\$113,740,000 (equivalent to approximately RMB100,000,000) (31 December 2018: HK\$113,850,000 (equivalent to approximately RMB100,000,000)). At 30 June 2019, the Group has contributed approximately HK\$13,929,000 (equivalent to approximately RMB12,246,000) (31 December 2018: HK\$13,942,000 (equivalent to approximately RMB12,246,000)) to UEBL. In accordance with the memorandum of association of UEBL, the remaining balance of approximately HK\$99,811,000 (equivalent to approximately RMB87,754,000) (31 December 2018: HK\$99,908,000 (equivalent to approximately RMB87,754,000)) shall be contributed to UEBL within twenty years from the date of its establishment.
- (c) On 25 May 2017, the Company, UEBL, Orient Group Company Limited and Orient Group Co. Ltd. established a company, 東方藝術品有限公司 (“東方藝術品”) in the PRC with registered capital of approximately HK\$113,740,000 (equivalent to approximately RMB100,000,000) (31 December 2018: HK\$113,850,000 (equivalent to approximately RMB100,000,000)). In accordance with the memorandum of association of 東方藝術品, UEBL is committed to contribute approximately HK\$22,748,000 (equivalent to approximately RMB20,000,000) (31 December 2018: HK\$22,770,000 (equivalent to approximately RMB20,000,000)) as 20% registered share capital of 東方藝術品. At 30 June 2019, UEBL has not yet contributed any capital to 東方藝術品. In accordance with the memorandum of association of 東方藝術品, capital contribution shall be made to 東方藝術品 on or before 30 June 2045.

## 23. CONTINGENT LIABILITIES

- (a) As at 30 June 2019 and 31 December 2018, the Company issued various unlimited corporate guarantees in favour of the President of the Islamic Republic of Pakistan for providing United Energy Pakistan Limited (“UEPL”), an indirect wholly owned subsidiary of the Company, with all necessary financial and other means to enable UEPL to fully perform its obligations as stipulated in the concession agreements.
- (b) As at 30 June 2019, the Group had issued corporate guarantees granted to the collector of customs of Pakistan in case of any dispute arising on claim of exemptions of levies including custom duties and sales tax on import of machinery, equipment, materials, specialised vehicles, spares, chemicals and consumables under the petroleum concession agreement amounting to approximately HK\$2,728,000 (31 December 2018: HK\$3,657,000).



## 23. CONTINGENT LIABILITIES *(Continued)*

- (c) Certain subsidiaries of the Group had disputes with the Pakistan government on the applicability of windfall levy on its production of oil and condensate. On 27 December 2017, the government's approval for the execution of windfall levy was granted and the windfall levy became applicable on the subsidiaries. Based on legal advice from an external lawyers, the management believes that the applicability of the windfall levy is prospective, i.e. from the date of the government's approval. If the applicability of windfall levy is retrospective, further provision for the windfall levy of approximately HK\$191,969,000 (31 December 2018: HK\$191,969,000) would be required to be made in the condensed financial statements for the period ended 30 June 2019.
- (d) As at 30 June 2019, certain subsidiaries of the Group received various tax orders in an attempt to re-assess tax liability for prior years by the Pakistan tax department. The subsidiaries of the Group are currently appealing against these orders and the cumulative potential tax exposure for the pending tax cases was approximately HK\$401,964,000 (31 December 2018: HK\$398,732,000).
- (e) At the end of the reporting period, bank guarantees to the extent of approximately HK\$16,700,000 (equivalent to approximately US\$2,141,000) (31 December 2018: HK\$9,750,000 (equivalent to approximately US\$1,250,000)) in favour of the President of the Islamic Republic of Pakistan was obtained by UEP Beta GmbH, an indirect wholly owned subsidiary of the Company, to guarantee its performance and financial obligations as stipulated in the concession agreements.
- (f) On 17 July 2017, DNO Yemen SA ("DNO"), an operator of Block 43 in Yemen, filed for arbitration under the Block 43 production sharing and profit sharing agreements against the Yemen Ministry of Oil and Minerals ("MOM") and KEC (Yemen) Limited ("KEC Yemen"), a subsidiary acquired by the Group through the acquisition of KEC during the period. The Tribunal was constituted on 6 February 2018 and the arbitration is being conducted under the Rules of Arbitration of the International Chamber of Commerce. On 5 July 2018, DNO filed its statement of claim seeking a declaration that DNO had properly exercised its right to relinquish its interest in Block 43 together with damages. DNO sought declarations that (amongst other things) KEC Yemen is bound by the terms of the Block 43 production sharing agreement, and liable to share in the obligations of the contractor under the Block 43 production sharing agreement. On 6 September 2018, KEC Yemen and MOM filed their defences to DNO's statement of claim. On the same day, MOM also filed its counterclaims against DNO and KEC Yemen as contractor under, and for alleged breaches of, the Block 43 production sharing agreement (the "Counterclaims"). Both DNO and the KEC Yemen filed their respective defences to the Counterclaims on 6 December 2018, and further reply submissions were filed in early 2019. A final hearing has taken place in April 2019 and the Tribunal has requested that the parties submit their respective post hearing briefs, with the final round of submissions in September 2019. KEC Yemen is committed to vigorously defending all claims. The Company's directors have determined that any further disclosures concerning this matter may prejudice the position of the Group's subsidiary concerned.



## 23. CONTINGENT LIABILITIES *(Continued)*

- (g) In April 2016, a request for arbitration was filed by Dragon Oil (Block 9) Limited and Dragon Oil (Holdings) Limited (collectively referred as "Dragon Oil"), a partner in the Iraq Block 9 field, against Kuwait Energy Iraq Limited and Kuwait Energy Company K.S.C.C., subsidiaries acquired by the Group through the acquisition of KEC during the period, in respect of an alleged entitlement to a 12.86% participating interest in Block 9. The arbitration is being conducted under the Rules of Arbitration of the International Chamber of Commerce. Dragon Oil claims damages in respect of the alleged failure to transfer that disputed participating interest to Dragon Oil which, it alleges, constitutes a breach of an alleged agreement between Kuwait Energy Iraq Limited and Kuwait Energy Company K.S.C.C. and Dragon Oil. A hearing has taken place in May 2019 and the parties await the final award.

Kuwait Energy Iraq Limited and Kuwait Energy Company K.S.C.C. deny Dragon Oil's claim and are committed to vigorously defending the claim and believe their position will be vindicated by the tribunal. The Company's directors have determined that any further disclosures concerning this matter may prejudice the position of the Group's subsidiaries concerned.

## 24. ACQUISITION OF SUBSIDIARIES

### (a) **Acquisition of subsidiaries for the six months ended 30 June 2019**

On 21 March 2019, the Group acquired the entire issued share capital of Kuwait Energy Public Limited Company ("KEC") and its subsidiaries for a total consideration of approximately HK\$4,403,101,000 (equivalent to approximately US\$564,500,000) by way of a scheme of arrangement under Jersey ("KEC Acquisition"). KEC is an upstream oil and gas company and principally engaged in exploration, appraisal, development and production activities in Middle East and North Africa. Details of the KEC Acquisition were set out in the Company's announcements and circular dated 24 September 2018, 10 October 2018, 30 November 2018, 27 December 2018, 21 March 2019 and 22 March 2019.

The KEC Acquisition is an extension and enlargement of the Group's oil exploration and production business.



## 24. ACQUISITION OF SUBSIDIARIES *(Continued)*

### (a) Acquisition of subsidiaries for the six months ended 30 June 2019 *(Continued)*

The provisional fair value of the identifiable assets and liabilities of KEC, acquired as at the date of acquisition are as follows:

	<i>HK\$'000</i>
<hr/>	
Net assets acquired:	
Property, plant and equipment	4,392,076
Right-of-use assets	40,921
Intangible assets	3,109,166
Advance, deposits and prepayments	145,920
Inventories	23,901
Trade and other receivables	1,189,587
Assets classified as held for sale	88,355
Bank and cash balances	230,203
Provisions	(88,758)
Employee retirement benefit obligation	(34,872)
Trade and other payables	(1,839,687)
Borrowings	(1,941,118)
Bank overdraft	(24,187)
Lease liabilities	(13,511)
Current tax liabilities	(118,559)
Deferred tax liabilities	(738,744)
Non-controlling interest	(17,592)
	<hr/>
	4,403,101
<hr/>	
Satisfied by:	
Cash	4,286,101
Deposit paid for acquisition of subsidiaries	117,000
	<hr/>
	4,403,101
<hr/>	
Net cash outflow arising on acquisition:	
Cash consideration paid	4,286,101
Cash and cash equivalents acquired	(230,203)
Bank overdraft assumed	24,187
	<hr/>
	4,080,085
<hr/>	

The gross contractual amounts of the trade and other receivables were approximately HK\$1,189,587,000, none of which is expected to be uncollectible.



## 24. ACQUISITION OF SUBSIDIARIES *(Continued)*

### (a) Acquisition of subsidiaries for the six months ended 30 June 2019 *(Continued)*

KEC contributed turnover of approximately HK\$635,964,000 and profit after tax of approximately HK\$53,938,000 in the period between the date of acquisition and the end of the reporting period. If the acquisition had been completed on 1 January 2019, total Group turnover for the period would have been approximately HK\$3,707,136,000, and profit for the period from continuing operations would have been approximately HK\$835,737,000. The proforma information is for illustrative purposes only and is not necessarily an indication of the turnover and results of operations of the Group that actually would have been achieved had the acquisition been completed on 1 January 2019, nor is intended to be a projection of future results.

Acquisition related costs of approximately HK\$525,000 have been charged to administrative expenses in the condensed financial statements for the period ended 30 June 2019.

The fair values of the acquired identifiable assets and liabilities are provisional pending receipt of the final valuations for those assets and liabilities.

### (b) Acquisition of subsidiaries for the six months ended 30 June 2018

- (i) Pursuant to the share purchase agreement dated 24 October 2017, the Group acquired the entire issued share capital of Asia Resources Oil Limited (“AROL”) from the shareholders of AROL (“AROL Acquisition”). The total consideration of the AROL Acquisition comprises of (i) grant of a loan to AROL and related interest in an aggregate amount of approximately HK\$457,130,000 (equivalent to approximately US\$58,606,000) and (ii) cash payment of approximately HK\$59,575,000 (equivalent to approximately US\$7,638,000). AROL is engaged in activities relating to the exploration and production of crude oil and natural gas in Pakistan. Details of the AROL Acquisition were set out in the Company’s announcement dated 24 October 2017 and 17 April 2018.
- (ii) Pursuant to the share purchase agreement dated 28 February 2018, the Group acquired the entire issued share capital of OMV Maurice Energy Limited (“OMEL”) and OMV (Pakistan) Exploration Gesellschaft m.b.H. (“OPAK”) at a cash consideration of approximately HK\$735,950,000 (equivalent to approximately EUR80,616,000) and HK\$703,547,000 (equivalent to approximately EUR77,066,000) (“OMEL and OPAK Acquisition”) respectively. OMEL and OPAK are engaged in activities relating to the exploration and production of crude oil and natural gas in Pakistan. Details of the OMEL and OPAK Acquisition were set out in the Company’s announcement dated 28 February 2018 and 28 June 2018.

The AROL Acquisition and OMEL and OPAK Acquisition are extension and enlargement of the Group’s upstream business in Pakistan.



## 24. ACQUISITION OF SUBSIDIARIES (Continued)

### (b) Acquisition of subsidiaries for the six months ended 30 June 2018 (Continued)

The provisional fair value of the identifiable assets and liabilities of AROL, OMEL and OPAK acquired as at the date of acquisition are as follows:

	AROL HK\$'000	OMEL and OPAK HK\$'000	Total HK\$'000
Net assets acquired:			
Property, plant and equipment	326,550	672,711	999,261
Intangible assets	157,013	940,545	1,097,558
Advance, deposits and prepayments	–	19,399	19,399
Deferred tax assets	10,465	92,678	103,143
Inventories	–	41,248	41,248
Trade and other receivables	96,854	381,533	478,387
Current tax assets	–	9,451	9,451
Bank and cash balances	16,946	109,093	126,039
Provisions	(8,468)	(160,910)	(169,378)
Trade and other payables	(37,018)	(306,682)	(343,700)
Current tax liabilities	(45,637)	(36,759)	(82,396)
Deferred tax liabilities	–	(322,810)	(322,810)
	516,705	1,439,497	1,956,202
Satisfied by:			
Cash	59,575	1,439,497	1,499,072
Loan and interest receivables	457,130	–	457,130
	516,705	1,439,497	1,956,202
Net cash outflow arising on acquisition:			
Cash consideration paid	59,575	1,439,497	1,499,072
Cash and cash equivalents acquired	(16,946)	(109,093)	(126,039)
	42,629	1,330,404	1,373,033

The fair value of the trade and other receivables acquired is approximately HK\$478,387,000. The gross contractual amount receivable is approximately HK\$478,387,000, none of which is expected to be uncollectible.



## 24. ACQUISITION OF SUBSIDIARIES *(Continued)*

### (b) Acquisition of subsidiaries for the six months ended 30 June 2018 *(Continued)*

AROL, OMEL and OPAK contributed turnover of approximately HK\$11,905,000, HK\$Nil and HK\$Nil respectively and loss after tax of approximately HK\$16,200,000, HK\$Nil and HK\$Nil respectively in the period between the date of acquisition and the end of the reporting period. If the acquisition had been completed on 1 January 2018, total Group turnover for the period would have been approximately HK\$2,641,949,000, and profit for the period from continuing operations would have been approximately HK\$907,265,000. The proforma information is for illustrative purposes only and is not necessarily an indication of the turnover and results of operations of the Group that actually would have been achieved had the acquisition been completed on 1 January 2018, nor is intended to be a projection of future results.

Acquisition related costs of approximately HK\$86,224,000 have been charged to administrative expenses and other operating expenses in the condensed financial statements for the period ended 30 June 2018.

The fair values of the acquired identifiable assets and liabilities are provisional pending receipt of the final valuations for those assets and liabilities.

## 25. DISPOSAL OF A SUBSIDIARY

As referred to note 11 to the condensed consolidated financial statements, on 15 March 2018, the Group discontinues its oilfield support services business at the time of the disposal of its subsidiary, Universe Energy.

Net assets at the date of disposal were as follows:

	<i>HK\$'000</i>
Property, plant and equipment	13,265
Advance, deposits and prepayments	715
Inventories	1,737
Trade and other receivables	18,461
Current tax assets	86
Pledged bank deposits	707
Bank and cash balances	26,385
Trade and other payables	(7,529)
Net assets disposed of:	53,827
Release of foreign currency translation reserve	(21,109)
Non-controlling interest derecognised	(24,697)
Gain on disposal of a subsidiary ( <i>note 11</i> )	36,818
Total consideration – satisfied by cash	44,839
Net cash inflow arising on disposal:	
Cash consideration received	44,839
Cash and cash equivalents disposed of	(26,385)
	18,454



## 26. 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
東方集團有限公司 (Orient Group Company Limited (“OGCL”))#	Mr. Zhang Hong Wei has significant influence over OGCL

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

- (b) As at 30 June 2019 and 31 December 2018, OGCL and Orient Group Industrial has provided corporate guarantees to the bank for banking facility granted to the associate of the Group, Orient Group Beijing Investment Holding Limited (“OGBIH”). OGCL also entered into an entrusted guarantee agreement with OGBIH for the corporate guarantee services provided by OGCL. The service fee will be charged at 2% of the outstanding bank loan.
- (c) The director of the Company, Mr. Zhang Hong Wei has provided personal guarantees to the bank loans made to the Group totalling approximately HK\$1,201,607,000 (31 December 2018: HK\$Nil).
- (d) The details of the remuneration paid to the key management personnel are set out in note 10 to the condensed financial statements.



## 27. EVENT AFTER THE REPORTING PERIOD

- (a) On 6 November 2018, Kuwait Energy International Limited, an indirectly wholly owned subsidiary of the Group, entered into a sale and purchase agreement with an independent third party for the sale of its entire equity interest in KEC Gulf Holdings Limited ("KEC Gulf"), which directly held 20% equity interest in Medco L.L.C. ("Medco"), at a cash consideration of approximately HK\$101,400,000 (equivalent to US\$13,000,000). The net carrying amount of KEC Gulf including investment in Medco, which represented the remaining sales proceeds to be recovered, was classified as "Assets classified as held for sale" as at 30 June 2019. Prior to the completion, the remaining sales proceeds of approximately HK\$75,875,000 from the sale of Medco had been received in advance during the six months ended 30 June 2019 and included in other payables (note 17(b)). The sale of KEC Gulf was completed on 10 July 2019.
- (b) On 4 July 2019, the Group signed an amendment facility agreement with a financial institution for an incremental term loan facility of approximately HK\$682,500,000 (equivalent to approximately US\$87,500,000). The proceeds from this facility has been fully drawn for the Group's general working capital purpose.
- (c) On 22 July 2019, the Group signed an amendment and restatement agreement with a customer for an incremental crude oil prepayment facility of approximately HK\$585,000,000 (equivalent to approximately US\$75,000,000). The proceeds from this facility has been fully drawn for the Group's general working capital purpose.
- (d) On 24 July 2019, the Group signed a prepayment agreement with a customer for a crude oil prepayment facility of approximately HK\$390,000,000 (equivalent to approximately US\$50,000,000). The proceeds from this facility has been fully drawn for the Group's general working capital purpose.

## 28. APPROVAL OF THE INTERIM FINANCIAL STATEMENTS

The condensed consolidated financial statements for the six months ended 30 June 2019 has been approved for issue by the board of directors on 30 August 2019.



## 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. Major Exploration, Development and Production Activities

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

	Pakistan Assets	MENA Assets
Exploration activities:	<ul style="list-style-type: none"> <li>12 Exploration wells</li> </ul>	<ul style="list-style-type: none"> <li>–</li> </ul>
Development activities:	<ul style="list-style-type: none"> <li>9 Development wells</li> <li>7 Rig workovers</li> </ul>	<ul style="list-style-type: none"> <li>4 Development wells</li> <li>1 Rig workovers</li> </ul>
Production activities:	<ul style="list-style-type: none"> <li>Average daily working interest production of 68,634 boed</li> </ul>	<ul style="list-style-type: none"> <li>Average daily working interest production of 26,633 boed (<i>Note</i>)</li> </ul>

*Note:* From acquisition date to 30 June 2019.

### B. Group's Share of Costs Incurred on Exploration, Development and Production Activities

The following table summarised the Group's share of costs incurred on exploration, development and production activities for the current period:

	Pakistan Assets (HK\$'000)	MENA Assets (HK\$'000)	Total (HK\$'000)
Exploration costs	357,627	–	357,627
Development costs	415,089	465,808	880,897
Production costs ( <i>Note</i> )	305,499	157,272	462,771

*Note:* Production costs recognised in cost of sales excluding depreciation & amortisation and sales expenses.



## Management discussion and analysis

### Financial Review

For the six months ended 30 June 2019 (the “reporting period”), the Group achieved a turnover of approximately HK\$3,481,918,000 (30 June 2018: approximately HK\$2,388,531,000), representing an increase of 45.8% as compared to the six months ended 30 June 2018 (the “corresponding period”). The profit attributable to owners of the Company for the reporting period was approximately HK\$968,891,000 (30 June 2018: approximately HK\$901,958,000), representing an increase of 7.4% as compared with the corresponding period. The continuous increase in turnover and net profit was primarily contributed by the rise in the sales price and sale volume during the reporting period, as well as the full period effect for the reporting period in respect of the acquisitions of Asia Resources Oil Limited (“AROL”), UEP Alpha Limited (“UEP Alpha”) and UEP Beta GmbH (“UEP Beta”) completed in the corresponding period. In addition, the Group has completed the acquisition of Kuwait Energy Public Limited Company (“KEC”) on 21 March 2019, which has also contributed a positive impact to the Group’s turnover for the reporting period.

In term of production, the average daily working interest production of our Pakistan Assets for the reporting was approximately 68,634 barrels of oil equivalent (“boe”) per day (“boed”) during the reporting period, representing an increase of 10.3% over the corresponding period. For our newly acquired Middle East and North Africa (“MENA”) Assets, it reported an average daily working interest production of approximately 26,633 boed for the period from the acquisition date to 30 June 2019.

#### **Turnover**

The Group’s turnover for the reporting period was approximately HK\$3,481,918,000, representing a sharp increase of 45.8% as compared with the turnover of approximately HK\$2,388,531,000 of the corresponding period. The increase in turnover was mainly contributed by the effect of acquisitions of KEC, AROL, UEP Alpha and UEP Beta, and rise in the sales price and sale volume during the reporting period.

The Composite Average Sales Price Before Government Take for Pakistan Assets (being the total sales turnover generated from oil, condensate, natural gas and LPG, net of sales discount but before government royalties and windfall levy, and divided by the total volume sold) at US\$33.6 per boe, representing an increase of 8.0% compared to the corresponding period. The Composite Average Sales Price Before Government Take for the newly acquired MENA Assets at US\$66.4 per boe.



### **Cost of sales and services rendered**

The Group's cost of sales and services rendered increased from approximately HK\$841,078,000 for the corresponding period to approximately HK\$1,626,979,000 for the reporting period. The increase in cost of sales and services rendered was in line with the increase in production level and lifting costs, combined with the full period effect of acquisitions made. The cost of sales and services rendered included depreciation and amortisation of approximately HK\$1,138,328,000 (30 June 2018: approximately HK\$515,180,000). The lifting cost, which is defined as the cost of sales excluding depreciation and amortisation, government tax and distribution expenses, was approximately US\$3.3 per boe (30 June 2018: US\$3.5 per boe) for Pakistan Assets and approximately US\$7.4 per boe for MENA Assets respectively. The decrease in lifting cost per boe for Pakistan Assets was mainly attributed to lower production bonus and increase in cost efficiency during the reporting period.

### **Gross profit**

The Group's gross profit for the reporting period was approximately HK\$1,854,939,000 (gross profit ratio 53.3%) which represented an increase of 19.9% as compared with gross profit of approximately HK\$1,547,453,000 (gross profit ratio 64.8%) for the corresponding period. The increase in gross profit was attributable to the effect of acquisitions and the increase in selling prices and volume during the reporting period.

### **Exploration expenses**

The Group's exploration expenses for the reporting period was approximately HK\$4,970,000 (30 June 2018: approximately HK\$110,530,000) which was incurred mainly for the performance of geological and geophysical studies and surface use rights. The decrease in exploration expenses was mainly due to the property, plant and equipment written off of approximately HK\$90,441,000 arising from dry wells in the corresponding period and no dry well was identified during the reporting period.

### **Administrative expenses**

The Group's administrative expenses for the reporting period was approximately HK\$206,612,000 (30 June 2018: approximately HK\$161,597,000), representing 5.9% (30 June 2018: 6.8%) of turnover. The increase in administrative expenses was mainly due to the increase in legal and professional fee, as well as the consolidation of KEC's financial results for the reporting period after the completion of acquisition.

### **Finance costs**

The Group's finance costs for the reporting period was approximately HK\$203,655,000, significantly increased as compared with the finance costs of approximately HK\$11,725,000 for the corresponding period. The increase in finance costs was mainly due to higher average borrowings as the Group has raised certain bank borrowings for the acquisition of KEC. The weighted average interest rate of borrowings for the relevant period was 8.63% (30 June 2018: 8.09%).



### ***Income tax expense***

The Group's income tax expense for the reporting period was approximately HK\$374,078,000 (30 June 2018: approximately HK\$285,803,000), increased by 30.9%, mainly due to consolidation of the subsidiaries' financial results which was acquired in last year and during the current reporting period.

### ***EBITDA***

EBITDA represents the profit before finance costs, income tax expense, depreciation and amortisation, intangible assets and property, plant and equipment written off, share of profits/losses of associates, gain/loss on disposals of property, plant and equipment and profit for the period from discontinued operations. 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 reporting period was approximately HK\$2,811,696,000, increased by 56.8% from the corresponding period of approximately HK\$1,792,922,000. The increase in EBITDA was mainly attributable to the increase in sales prices of oil and gas commodities as aligned with higher international oil prices and increase in production volume as result from the effect of acquisition.

### ***Dividend***

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

## **Business Review**

The Group is one of the largest listed upstream oil and gas corporations in Hong Kong, with business presence in South Asia, Middle East and North Africa. The Group is principally engaged in the investment and operation of upstream oil, natural gas and other energy related businesses. Leveraging on management's extensive experience in oil and gas exploration, the Group has successfully grown its business into one of the major players in the upstream oil and gas industry. Based on the latest available information gathered by the Group, the Group is ranked as one of the largest independent upstream oil and gas operators listed on the Hong Kong Stock Exchange in terms of net production volume. The Group has established a sound track record of growing its business through acquisition and capital investment.

According to OPEC's 2018 Annual Statistical Bulletin, world crude oil production in 2018 increased by 1.5% to 75.78 million barrels per day ("mmbbld") compared to 2017. The increase was mainly driven by increased production from non-OPEC countries, especially countries from North America. During the first half of 2019, OPEC and non-OPEC members reached an average of 163% conformity level, which supports international oil prices. Brent oil edged down in the reporting period 2019 by 6.5% compared to the corresponding period, according to data from the U.S. Energy Information Administration. Due to the increase in production volume and the full period effect of acquisitions made in last year, the Group reported a profit attributable to the owners of the Company for the reporting period of approximately HK\$968,891,000, representing an increase of 7.4% compared to the corresponding period of HK\$901,958,000.



Cost of sales and services rendered by the Group for the reporting period was approximately HK\$1,626,979,000, and the Group invested approximately HK\$1,187,951,000 of capital expenditure in oil exploration, development and production activities (inclusive of KEC). The Group drilled 25 new wells in during the reporting period, including 21 wells in Pakistan Assets and 4 wells in MENA Assets.

**Pakistan Assets:**

For the six month ended 30 June 2019, the Pakistan Assets achieved an average daily working interest production of approximately 68,634 boed, increased by 10.3% compared to the corresponding period. The Pakistan Assets has an oil and liquids ratio of 17.7% which was higher than the corresponding period as contributed by several discoveries from the mature Badin fields which have rich liquid content.

The Group has been an active investor in the upstream oil and gas sector in Pakistan since we took over the Pakistan Assets in 2011. Our anchored investment in exploration has resulted in an accelerated production growth rate that is far outpacing our peers in Pakistan. During the reporting period, the Group completed 12 exploration and appraisal wells and 9 development wells. The Group has made 7 new discoveries in Badin, MKK and KN blocks, representing a success rate of approximately 77.8%. The total exported sales of oil and condensate was approximately 1,805,000 barrels for the reporting period, increased by approximately 22% from the corresponding period as a result of the discoveries made in Badin block.

**KEC:**

On 21 March 2019, the Group has successfully completed acquisition of KEC. KEC is principally engaged in exploration, appraisal, development and production activities in Middle East and North Africa. The transaction will transform the Group into a strong medium-sized international independent oil and gas company with a diversified portfolio of high-quality assets.

For the six month ended 30 June 2019, KEC achieved an average daily working interest production of approximately 26,633 boed (for the period since 21 March 2019), in which Iraqi Assets contribute approximately 12,259 boed and Egyptian Assets contribute approximately 14,374 boed. KEC has an oil and liquids ratio of 95.1%, the high oil percentage is because both Iraqi and Egyptian assets mainly produce oil and condensate.

During the reporting period, KEC completed 4 development wells in MENA Assets, with a success rate of 100%. The total exported sales of oil and condensate was approximately 624,000 barrel.



### **Sindbad Block:**

On 4 June 2018, we signed a preliminary development and production contract (“DPC”) with Basra Oil Company of the Iraqi Ministry of Oil (“BOC”) to conduct development and production operations on the Sindbad block located in Basra Province, Iraq. The DPC has a term of 20 years and require us to carry out general exploration and development activities on behalf of BOC, including the acquisition of 3D seismic, conducting geophysical and geological studies and demining works. The DPC stipulates that we are entitled to remuneration of 4.55% of all net revenues, after taking into account petroleum cost recovery for costs incurred in the exploration, development and production as well as 25% of royalty payment due to the BOC. We expect to sign the formal DPC in 2019.

### **Business and market outlook**

According to World Bank’s Global Economic Prospects issued in January 2019, the global economic growth is projected to soften from a downwardly revised 3% in 2018 to 2.9% in 2019 amid rising downside risks to the outlook. International trade and manufacturing activity have softened, trade tensions remain elevated, and some large emerging markets have experienced substantial financial market pressure. The Group will be closely monitoring these risk factors as any escalation in these factors will likely hinder global economic growth and therefore combat commodity prices.

The Group’s production remains on track of our full year target of 90,000 to 100,000 boed. With the inclusion of KEC, our full year target will be likely to achieve the higher end of the range. In terms of capital expenditure, we will manage overruns in capital expenditure to the possible extent through the adjustments of our exploration program by deferring certain high risks exploration drilling. At the same time, we will optimise the workload of each asset to ensure a desirable return.

The bank and cash balances of the Group stood at approximately HK\$2,294 million as at 30 June 2019, slightly down from the 2018 year-ended balance of approximately HK\$2,517 million mainly due to the settlement of acquisition of KEC. To replenish the Group’s cash reserve, we will seek financing facility from various institutions when necessary.



### **Pakistan Assets:**

According to a Pakistan industry report prepared by an independent third party on behalf of the Group, gas demand is expected to increase from approximately 4.0 billion cubic feet per day (“bcfd”) in 2018 to approximately 4.3 bcfd in 2024 and then stabilises around this level afterwards. On the supply side, the expected domestic production amounted to approximately 3 bcfd in 2018 and is expected to decline quickly to below approximately 2 bcfd in 2024. The gas shortage in Pakistan was mitigated by importing significantly more expensive LNG from the neighboring countries. Pakistan received its first LNG in March 2015 from Qatar together with the arrival of the first floating storage regasification unit (“FSRU”). The second FSRU commenced operation at the end of 2017. Given the Group’s production is predominantly in gas, our sale of natural gas is almost guaranteed to be taken up by the state-owned gas distribution customer. With the addition of AROL, UEP Alpha and UEP Beta Pakistan Assets, we can leverage our experience and understanding of the geology and geophysics in the Lower Indus Basin of Pakistan to unlock the potentials of these assets. Besides, the Group will continue to look for similar opportunities in the market or other access alternatives, such as participating in government bidding process, and strengthen cooperation with state-owned oil companies to expand our footprint in Pakistan.

### **KEC:**

Our ambitions of KEC acquisition mainly lie in its Iraqi assets. The production base and long reserve life are highly complementary to the Group’s existing portfolio and provides a sustainable development profile to the Group for the next two decades. For Block 9 in Iraq, we are currently working on Final Development Plan (“FDP”). The production of Block 9 is expected to reach 100,000 boed in the near future. For Siba gas field, production has been ramping up significantly with our continuous investment. Gas production is expected to reach a level of 60 mmscfd, while condensate and LPG production is expected to be 16,000 boed. Egyptian assets of KEC are mature producing assets, it will stay stable in terms of both production and reserve, in the year of 2019.

### **Conclusion**

United Energy has achieved robust financial performance on the back of a strong recovery of international commodity prices. We have successfully completed KEC acquisition in the first half of 2019 which is a significant milestone of the Group. Our next step will be to deploy an integrated exploration, development and production program to exploit the upside of the newly acquired assets. Despite these achievements, we will continue to seek for quality assets to deliver better return for our shareholders.

### **Liquidity and Financial Resources**

During the reporting period, the Group has raised certain borrowings for the settlement of the final considerations of the acquisition of KEC. Subsequent to the payment of the consideration, the Group maintained its strong financial position for the reporting period, with cash and cash equivalents amounting to approximately HK\$2,293,530,000 as at 30 June 2019 (31 December 2018: approximately HK\$2,516,532,000).



On 29 March 2018, a reserve based facility letter was entered between Oasis Natural Energy, Inc. and BowEnergy Resources (Pakistan) SRL (“BowEnergy”), the indirectly wholly-owned subsidiaries of the Company, with BowEnergy as the borrower and Standard Chartered Bank, Dubai International Financial Centre (“SCB-DIFC”) and Standard Chartered Bank (“SCB”) with SCB-DIFC as the lender (the “SCB Lender”), pursuant to which the SCB Lender agreed to make available to BowEnergy a reserve based facility up to US\$100,000,000 (the “SCB Facility”), with a term of 5 years since first utilisation. As at 30 June 2019, the outstanding nominal principal amount of the SCB Facility was US\$72,000,000 (equivalent to approximately HK\$561,600,000) (31 December 2018: HK\$655,200,000).

On 23 October 2018, 3 December 2018 and 14 March 2019, United Energy Group (Hong Kong) Limited, a wholly-owned subsidiary of the Company, as the borrower, and China Minsheng Banking Corp., Ltd., Hong Kong Branch as the lender, has entered into two facility agreements and an amendment agreement for a total facility amount up to US\$570,000,000 (the “CMBC Facilities”), with a term of 5 years since the first utilisation. As at 30 June 2019, the outstanding nominal principal amount of the CMBC Facilities was US\$156,000,000 (equivalent to approximately HK\$1,216,800,000) (31 December 2018: HK\$Nil).

On 14 November 2018, United Energy Pakistan Limited (“UEPL”), an indirectly wholly-owned subsidiary of the Company, and Trafigura PTE. LTD (“Trafigura”) has entered into a trade finance agreement, as such Trafigura agreed to make available to UEPL a facility amount up to US\$150,000,000 (the “Trafigura Facility”), with a term of 2 years since the first utilisation. As at 30 June 2019, the outstanding nominal principal amount of the Trafigura Facility was US\$110,500,000 (equivalent to approximately HK\$861,900,000) (31 December 2018: HK\$Nil). On 22 July 2019, UEPL has signed an amendment agreement with Trafigura, and the total facility amount has been raised to US\$175,000,000.

On 13 March 2019, UEPL as the borrower, and SCB as the lender, has entered into a bridge facility agreement for a total facility amount up to US\$200,000,000 (the “SCB Bridge Facility”), with a term of 1 year. As at 30 June 2019, the outstanding nominal principal amount of the SCB Bridge Facility was US\$200,000,000 (equivalent to approximately HK\$1,560,000,000). On 4 July 2019, UEPL has signed an amendment agreement with the lender, and the total facility amount has been raised to US\$287,500,000.

On 24 July 2019, KEC and Trafigura has entered into a trade finance agreement, as such Trafigura agreed to make available to KEC a facility amount up to US\$50,000,000, for maximum period of 27 months since the first utilisation.

After the completion of acquisition of KEC, the Group has consolidated the borrowings of KEC in the Group’s financial result, which included a senior guaranteed unsecured notes and a prepayment facility.



The US\$250,000,000 of 9.5% senior guaranteed unsecured notes maturing on 4 August 2019 (the “Senior Notes”) was issued in 2014 and listed on the Global Exchange Market of the Irish Stock Exchange. The entire Senior Notes was fully settled upon its maturity.

On 23 August 2018, an agreement for the long term secured revolving crude oil prepayment facility of up to US\$100,000,000 was signed (the “Vitol Prepayment Facility”) with Vitol SA. As at 30 June 2019, the outstanding nominal principal amount of the Vitol Prepayment Facility was US\$100,000,000 (equivalent to approximately HK\$780,000,000). The entire Vitol Prepayment Facility was being settled in July 2019.

As at 30 June 2019, the gearing ratio was approximately 26.9% (31 December 2018: 4.0%), based on borrowings, advance from customers, and lease liabilities under current liabilities and non-current liabilities of approximately HK\$5,327,214,000 (31 December 2018: approximately HK\$181,123,000) and approximately HK\$1,572,851,000 (31 December 2018: approximately HK\$460,613,000) respectively and total assets of approximately HK\$25,697,837,000 (31 December 2018: approximately HK\$16,147,438,000). As at 30 June 2019, the current ratio was approximately 0.78 times (31 December 2018: approximately 1.84 times), based on current assets of approximately HK\$7,359,158,000 (31 December 2018: approximately HK\$5,317,390,000) and current liabilities of approximately HK\$9,425,385,000 (31 December 2018: approximately HK\$2,890,561,000).

As at 30 June 2019, the Group’s total borrowings amounted to approximately HK\$5,233,993,000 (31 December 2018: approximately HK\$641,736,000), all of them are denominated in United States dollars. The weighted average interest rate of the borrowings as at 30 June 2019 was 8.63% (31 December 2018: 7.82%). As at 30 June 2019, the Group’s property, plant and equipment, trade receivable and bank balances, with total carrying value of approximately HK\$8,822,462,000 (31 December 2018: approximately HK\$1,919,375,000) and share charges in respect of the equity interests of certain subsidiaries were pledged to secure the Group’s general banking facilities.

## **Material Acquisitions and Disposal**

Particulars of the Group’s material acquisitions and disposal are set out in note 24 and note 25 of the Notes to Condensed Financial Statements in this report.

## **Segment Information**

Particulars of the Group’s segment information are set out in note 6 of the Notes to Condensed Financial Statements in this report.



## Capital Structure

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

Within January 2019, 23,494,000 ordinary shares were repurchased at the prices ranged from HK\$1.13 – HK\$1.27 on the Stock Exchange (the “Repurchased Shares”) in accordance to the repurchase mandate granted to the Directors in the Annual General Meeting of the Company held on 20 April 2018. On 19 February 2019, the Repurchased Shares were cancelled.

After completion of the repurchase of shares during the period, the total number of issued shares of the Company decreased from 26,294,155,209 shares as at 1 January 2019 to 26,270,661,209 shares as at 30 June 2019.

## Employees

At as 30 June 2019, the Group employed a total of 2,150 full time employees in Hong Kong, the PRC, Pakistan, Dubai and other MENA location. Employees’ remuneration package was reviewed periodically and determined with reference to the performance of the individual and the prevailing market practices. Remuneration package included basis salaries, year-end bonus, medical and contributory provident fund.

## Contingent Liabilities

Particulars of the Group’s contingent liabilities are set out in the note 23 of the Notes to Condensed Financial Statements in this 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, Renminbi, Pakistani Rupee, Kuwaiti Dinar and Egyptian Pound. As i) the exchange rate of United States dollars against Hong Kong dollars was relatively stable, ii) the exchange rate risk of Renminbi, Pakistani Rupee, Kuwaiti Dinar and Egyptian Pound for the Group is relatively insignificant and iii) the Pakistan and MENA 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 rate of Renminbi, Pakistani Rupee, Kuwaiti Dinar and Egyptian Pound and apply appropriate action to prevent any impact to the Group.

## Sufficiency of Public Float

The Company has maintained a sufficient public float throughout for the six months ended 30 June 2019.



## Share Option Scheme

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

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

During the six months ended 30 June 2019, no share options were granted, exercised, lapsed or cancelled under both the Old Scheme and the New Scheme. As at 30 June 2019, 627,452,526 shares under the Refreshed Old Scheme Limit were not used for granting share option under the Old Scheme ("Unused Refreshed Old Scheme Limit") and the total adjusted outstanding share options granted under the Old Scheme but not exercised was 23,256,637 units of the share options ("Outstanding Option Not Exercised"). The ratio of Unused Refreshed Old Scheme Limit and the Outstanding Option Not Exercised to the total issued shares of the Company of 26,270,661,209 shares as at 30 June 2019 was 2.48%.

As at 30 June 2019, details of outstanding share options granted but not exercised under the Old Scheme are as follows:

Grant Date	Adjusted Exercise Price (Note) HK\$	Vesting Period	Exercisable Period	Adjusted Number of Share Options (Note)					
				As at 1.1.2019	Granted	Exercised	Lapsed	Cancelled	As at 30.6.2019
<b>Employees</b>									
29.8.2012	0.93	29.8.2012 to 28.8.2013	29.8.2013 to 28.8.2022	6,976,991	-	-	-	-	6,976,991
29.8.2012	0.93	29.8.2012 to 28.8.2014	29.8.2014 to 28.8.2022	4,651,327	-	-	-	-	4,651,327
29.8.2012	0.93	29.8.2012 to 28.8.2015	29.8.2015 to 28.8.2022	4,651,327	-	-	-	-	4,651,327
29.8.2012	0.93	29.8.2012 to 28.8.2016	29.8.2016 to 28.8.2022	6,976,992	-	-	-	-	6,976,992
Total				23,256,637	-	-	-	-	23,256,637

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



## Disclosure of Interests

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

As at 30 June 2019, the following Director had or was deemed to have interests or short positions in the shares, underlying shares or debentures of the Company and its associated corporations (within the meaning of Part XV of the SFO) (i) which were required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests or short positions which they were taken or deemed to have under such provisions of the SFO); or (ii) which were required, pursuant to section 352 of the SFO, to be entered in the register referred to therein; or (iii) or which were otherwise required to notify the Company and the Stock Exchange pursuant to the Model Code:

Name of Director	Nature of interest	Number of Shares		Approximate % shareholding
		Long Position	Short Position	
Zhang Hong Wei (Note)	Attributable interest of controlled corporation	18,754,300,230	–	71.39%

*Note:* Out of the 18,754,300,230 shares, 10,657,758,250 shares were beneficially held by He Fu International Limited, 4,447,453,416 shares were beneficially held by United Petroleum & Natural Gas Holdings Limited, and 3,649,088,564 shares were beneficially held by United Energy Holdings Limited. United Petroleum & Natural Gas Holdings Limited and United Energy Holdings Limited are companies wholly-owned by Million Fortune Enterprises Limited, which is in turn wholly-owned by Mr. Zhang Hong Wei. He Fu International Limited is wholly-owned by Huilan Investment Limited, which is wholly-owned by 東方集團有限公司. 東方集團有限公司 is 94% owned by 名澤東方投資有限公司, which is in turn wholly-owned by Mr. Zhang Hong Wei. Therefore, Mr. Zhang Hong Wei is deemed to be interested in those 18,754,300,230 shares

Save as disclosed above, as at 30 June 2019, none of the Directors nor the chief executive of the Company had or was deemed to have any interests or short positions in the Shares, underlying Shares or debentures of the Company and its associated corporations (within the meaning of Part XV of the SFO) (i) which were required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests or short positions which they were taken or deemed to have under such provisions of the SFO); or (ii) which were required, pursuant to section 352 of the SFO, to be entered in the register referred to therein; or (iii) which were otherwise required to notify the Company and the Stock Exchange pursuant to the Model Code.



## Substantial Shareholders

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

So far as is known to the Directors, as at 30 June 2019, the following person (not being Directors or chief executive of the Company) had, or was deemed to have, interests or short positions in the Shares or underlying Shares which would fall to be disclosed to the Company and the Stock Exchange under the provisions of Divisions 2 and 3 of Part XV of the SFO or who were directly or indirectly interested in 10% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of any member of the Group:

Name	Capacity and nature of interest	Number of Shares	Approximate % shareholding
Zhang Hong Wei (Note a)	Attributable interest of controlled corporation	18,754,300,230 (L)	71.39% (L)
名澤東方投資有限公司 (Note a)	Attributable interest of controlled corporation	10,657,758,250 (L)	40.57% (L)
東方集團有限公司 (Note b)	Attributable interest of controlled corporation	10,657,758,250 (L)	40.57% (L)
Huilan Investment Limited (Note c)	Attributable interest of controlled corporation	10,657,758,250 (L)	40.57% (L)
He Fu International Limited (Note d)	Beneficial owner	10,657,758,250 (L)	40.57% (L)
Million Fortune Enterprises Limited (Note a)	Attributable interest of controlled corporation	8,096,541,980 (L)	30.82% (L)
United Petroleum & Natural Gas Holdings Limited (Note e)	Beneficial owner	4,447,453,416 (L)	16.92% (L)
United Energy Holdings Limited (Note e)	Beneficial owner	3,649,088,564 (L)	13.90% (L)

Note:

- 名澤東方投資有限公司 and Million Fortune Enterprises Limited are wholly owned by Mr. Zhang Hong Wei.
- 名澤東方投資有限公司 owns 94% shares of 東方集團有限公司.
- Huilan Investment Limited is wholly owned by 東方集團有限公司.
- He Fu International Limited is wholly owned by Huilan Investment Limited.
- These companies are wholly owned by Million Fortune Enterprises Limited.
- (L) denotes long position and (S) denotes short position.

Save as disclosed above, as at 30 June 2019, the Directors were not aware of any other person (other than the Directors and the chief executive of the Company) who had, or was deemed to have, interests or short positions in the Shares or underlying Shares (including any interests in options in respect of such capital), which would fall to be disclosed to the Company and the Stock Exchange under the provisions of Divisions 2 and 3 of Part XV of the SFO, or who was directly or indirectly interested in 10% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of any member of the Group.



## Corporate Governance

The Company has applied the principles and complied with the code provisions as set out in the Code on Corporate Governance Practices (the “Code”) contained in Appendix 14 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the “Listing Rules”) during the six months ended 30 June 2019 except that:

1. The Code A.4.1 – the independent non-executive Directors have not been appointed for any specific terms as they are subject to retirement by rotation at least once every three years in accordance with the Company’s Bye-laws.

Code provision A.4.1 of the Code provides that non-executive Directors should be appointed for a specific term, subject to re-election. None of the independent non-executive Directors has entered into any service contracts with the Company or its subsidiaries. In view of the fact that the independent non-executive Directors are subject to retirement by rotation at least once every three years though they have no set term of office, the Board considers that the quality of good corporate governance will not be impaired.

With effective from 30 March 2012, a nomination committee, comprising Mr. San Fung, independent non-executive Director of the Company, as its Chairman with Mr. Chau Siu Wai, independent non-executive Director of the Company, and Ms. Zhang Meiyang, 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 of the Company. The nominations of Directors were made in accordance with the Nomination Policy and the objective criteria (including without limitation, gender, age, cultural and educational background, ethnicity, professional experience, skills, knowledge and length of service), with due regard for the benefits of diversity under the Board Diversity Policy of the Company. According to the Board Diversity Policy of the Company, selection of candidates will be based on a range of diversity perspectives, including but not limited to gender, age, cultural and educational background, ethnicity, professional experience, skills, knowledge and length of service. The ultimate decision will be based on merit and contribution that the selected candidates will bring to the Board.

## Compliance with the Model Code of the Listing Rules

The Company has adopted the Model Code as set out in Appendix 10 of the Listing Rules (the “Model Code”). Having made specific enquiry with the Directors, all the Directors confirmed that they have complied with the required standard as set out in the Model Code during the six months ended 30 June 2019.



## Review of Interim Results

The unaudited condensed consolidated interim financial statements of the Group for the six months ended 30 June 2019 have been reviewed by RSM Hong Kong, the external auditor of the Group, in accordance with the Hong Kong Standard on Review Engagements 2410 “Review of Interim Financial Information Performed by the Independent Auditor of the Entity” issued by the HKICPA whose review report is set out on page 2 to page 3 of this interim report.

The Audit Committee of the Company is comprised of three independent non-executive directors, namely Mr. Chau Siu Wai, Mr. San Fung and Ms. Wang Ying. The Audit Committee has reviewed the Group’s unaudited condensed consolidated interim financial statements for the six months ended 30 June 2019 and has also discussed the internal control, the accounting principles and practices adopted by the Group.

## Purchase, Sale or Redemption of Shares

Within January 2019, 23,494,000 ordinary shares were repurchased at the prices ranged from HK\$1.13 – HK\$1.27 on the Stock Exchange in accordance to the repurchase mandate granted to the Directors in the Annual General Meeting of the Company held on 20 April 2018. On 19 February 2019, the Repurchased Shares were cancelled.

Save as disclosed above, the Company has not redeemed any of its shares nor any of its subsidiaries has purchased or sold any of the Company’s shares during the six months ended 30 June 2019.

On behalf of the Board  
**United Energy Group Limited**

**Zhang Hong Wei**  
Chairman

Hong Kong, 30 August 2019

*As at the date of this report, the executive Directors are Mr. Zhang Hong Wei (Chairman) and Ms. Zhang Meiyang, and the independent non-executive Directors are Mr. Chau Siu Wai, Mr. San Fung and Ms. Wang Ying.*

