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UNITED ENERGY GROUP LIMITED

聯合能源集團有限公司

(Incorporated in the Cayman Islands and continued in Bermuda with limited liability)
(Stock Code: 467)

ANNUAL RESULTS ANNOUNCEMENT FOR THE YEAR ENDED 31 DECEMBER 2014

FINANCIAL HIGHLIGHTS

For the year ended 31 December 2014

	<u>2014</u> HK\$'000	<u>2013</u> HK\$'000	Change %
Turnover	6,120,229	4,787,556	+27.8%
Gross profit	3,290,782	2,300,391	+43.1%
Profit for the year attributable to owners of the Company	1,827,887	1,215,211	+50.4%
EBITDA ^{Note 1}	4,307,602	3,357,104	+28.3%
EPS			
- Basic	14.00 HK cents	9.32 HK cents	+50.2%
- Diluted	14.00 HK cents	9.31 HK cents	+50.4%

OPERATION HIGHLIGHTS

For the year ended 31 December 2014

	<u>2014</u>	<u>2013</u>	Change %
Average daily net production			
- Upstream oil and gas production in Pakistan	47,091 boed	33,809 boed	+39.3%
- Liaohe EOR project in China	1,820 bbld	1,634 bbld	+11.4%
Lifting costs ^{Note 2} (HK\$/boe)			
- Upstream oil and gas production in Pakistan	HK\$40.7	HK\$41.0	-0.7%
- Liaohe EOR project in China	HK\$284.7	HK\$291.0	-2.2%
1P Reserve			
- Upstream oil and gas production in Pakistan	84.1 mmboe	70.0 mmboe	+20.1%
- Liaohe EOR project in China	27.1 mmbbl	28.3 mmbbl	-4.2%

Note:

1. EBITDA represents the profit before finance costs, income tax expense, depreciation and amortisation and impairment losses on intangible assets.
2. Depreciation and amortisation, special petroleum revenue tax and other taxes and sales expenses are excluded in lifting costs.

The Board of Directors (the “Board”) of United Energy Group Limited (the “Company”) hereby present the audited consolidated results of the Company and its subsidiaries (collectively referred to as the “Group”) for the year ended 31 December 2014 as follows:–

CONSOLIDATED STATEMENT OF PROFIT OR LOSS

For the year ended 31 December 2014

	Note	<u>2014</u> HK\$'000	<u>2013</u> HK\$'000
Turnover	4	6,120,229	4,787,556
Cost of sales and services rendered		<u>(2,829,447)</u>	<u>(2,487,165)</u>
Gross profit		3,290,782	2,300,391
Investment and other income	5	34,890	35,580
Other gains and losses	6	(54,560)	(63,976)
Exploration expenses		(272,085)	(331,784)
Administrative expenses		(481,109)	(368,184)
Other operating expenses		<u>(160,955)</u>	<u>(123,562)</u>
Profit from operations		2,356,963	1,448,465
Finance costs	8	<u>(238,506)</u>	<u>(248,147)</u>
Profit before tax		2,118,457	1,200,318
Income tax expense	10	<u>(304,011)</u>	<u>(27,128)</u>
Profit for the year	9	<u>1,814,446</u>	<u>1,173,190</u>
Attributable to:			
Owners of the Company		1,827,887	1,215,211
Non-controlling interests		<u>(13,441)</u>	<u>(42,021)</u>
		<u>1,814,446</u>	<u>1,173,190</u>
Earnings per share	11		
Basic (cents per share)		<u>14.00</u>	<u>9.32</u>
Diluted (cents per share)		<u>14.00</u>	<u>9.31</u>

**CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER
COMPREHENSIVE INCOME**
For the year ended 31 December 2014

	<u>2014</u> HK\$'000	<u>2013</u> HK\$'000
Profit for the year	<u>1,814,446</u>	<u>1,173,190</u>
Other comprehensive income after tax:		
<i>Items that may be reclassified to profit or loss:</i>		
Exchange differences on translating foreign operations	(635)	9,244
Exchange differences reclassified to profit or loss on disposal of a subsidiary	<u>-</u>	<u>(3)</u>
Other comprehensive income for the year, net of tax	<u>(635)</u>	<u>9,241</u>
Total comprehensive income for the year	<u><u>1,813,811</u></u>	<u><u>1,182,431</u></u>
Attributable to:		
Owners of the Company	1,827,557	1,221,949
Non-controlling interests	<u>(13,746)</u>	<u>(39,518)</u>
	<u><u>1,813,811</u></u>	<u><u>1,182,431</u></u>

CONSOLIDATED STATEMENT OF FINANCIAL POSITION **At 31 December 2014**

	Note	2014 HK\$'000	2013 HK\$'000
Non-current assets			
Property, plant and equipment		6,165,932	4,943,857
Intangible assets		7,330,911	7,909,298
Advances, deposits and prepayments		79,516	76,451
Deferred tax assets		212,060	324,577
		13,788,419	13,254,183
Current assets			
Inventories		305,605	299,830
Trade and other receivables	12	1,593,617	1,476,095
Held-to-maturity investments		151,284	-
Financial assets at fair value through profit or loss		3,145	3,576
Current tax assets		251,403	8,790
Pledged bank deposits		7,044	4,430
Bank and cash balances		2,494,348	1,709,644
		4,806,446	3,502,365
Current liabilities			
Trade and other payables	13	2,050,962	2,109,696
Due to directors		7,593	7,857
Borrowings		768,310	664,587
Current tax liabilities		12,716	113,241
		2,839,581	2,895,381
Net current assets		1,966,865	606,984
Total assets less current liabilities		15,755,284	13,861,167
Non-current liabilities			
Borrowings		4,317,593	4,368,000
Provisions		306,073	281,596
Deferred tax liabilities		1,314,246	1,228,640
		5,937,912	5,878,236
NET ASSETS		9,817,372	7,982,931
Capital and reserves			
Share capital		130,681	130,532
Reserves		9,648,277	7,800,239
Equity attributable to owners of the Company		9,778,958	7,930,771
Non-controlling interests		38,414	52,160
TOTAL EQUITY		9,817,372	7,982,931

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2014

1. GENERAL INFORMATION

The Company was incorporated in the Cayman Islands and redomiciled to Bermuda as an exempted company with limited liability under the Companies Act of Bermuda. The address of its registered office is Clarendon House, 2 Church Street, Hamilton HM11, Bermuda. The address of its principal place of business is Unit 2505, 25/F, Two Pacific Place, 88 Queensway, Hong Kong. The Company's shares are listed on the Main Board of The Stock Exchange of Hong Kong Limited (the "Stock Exchange").

The Company was primarily involved in investment holding. The Group was mainly engaged in the development of strategic energy reserves, focusing on the investment and operation of oil, natural gas and other energy related businesses. This is accomplished by the merger and acquisition of oil and natural gas assets; the exploration, exploitation, development and production of crude oil and natural gas; and the provision of oilfield support services in China using patented technologies.

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

In the current year, the Group has adopted all the new and revised Hong Kong Financial Reporting Standards ("HKFRSs") issued by the Hong Kong Institute of Certified Public Accountants (the "HKICPA") that are relevant to its operations and effective for its accounting year beginning on 1 January 2014. HKFRSs comprise Hong Kong Financial Reporting Standards ("HKFRS"); Hong Kong Accounting Standards ("HKAS"); and Interpretations.

(a) Application of new and revised HKFRSs

The following standards have been adopted by the Group for the first time for the financial year beginning 1 January 2014:

Amendments to HKFRS 10, HKFRS 12 and HKAS 27	Investment entities
Amendment to HKAS 36	Recoverable amount disclosures for non-financial assets
HK(IFRIC) – Int 21	Levies
Amendments to HKFRS 2	Annual Improvements to HKFRSs 2010-2012 Cycle
Amendments to HKFRS13	Annual Improvements to HKFRSs 2010-2012 Cycle

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

The Group has not early applied new and revised HKFRSs that have been issued but are not yet effective for the financial year beginning 1 January 2014. The directors anticipate that the new and revised HKFRSs will be adopted in the Group's consolidated financial statements when they become effective. The Group is in the process of assessing, where applicable, the potential effect of all new and revised HKFRSs that will be effective in future periods but is not yet in a position to state whether these new and revised HKFRSs would have a material impact on its results of operations and financial position.

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

(c) New Hong Kong Companies Ordinance

The requirements of Part 9 “Accounts and Audit” of the new Hong Kong Companies Ordinance (Cap. 622) come into operation as from the Company’s first financial year commencing on or after 3 March 2014 in accordance with section 358 of that Ordinance. The Group is in the process of making an assessment of expected impact of the changes in the Companies Ordinance on the consolidated financial statements in the period of initial application of Part 9 of the new Hong Kong Companies Ordinance (Cap. 622). So far it has concluded that the impact is unlikely to be significant.

3. SIGNIFICANT ACCOUNTING POLICIES

These consolidated financial statements have been prepared in accordance with all applicable HKFRSs issued by the HKICPA and accounting principles generally accepted in Hong Kong. These consolidated financial statements also comply with the applicable disclosure requirements of the Hong Kong Companies Ordinance, which for this financial year and the comparative period continue to be those of the predecessor Hong Kong Companies Ordinance (Cap. 32), in accordance with transitional and saving arrangements for Part 9 of the new Hong Kong Companies Ordinance (Cap. 622), “Accounts and Audit”, which are set out in sections 76 to 87 of Schedule 11 to that Ordinance. These consolidated financial statements also comply with the applicable disclosure provisions of the Rules Governing the Listing of Securities on the Stock Exchange.

These consolidated financial statements have been prepared under the historical cost convention, unless mentioned otherwise in the accounting policies in the 2014 annual financial statements (e.g. certain financial instruments that are measured at fair value).

4. TURNOVER

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

	<u>2014</u> HK\$’000	<u>2013</u> HK\$’000
Sales and production of crude oil, condensate, gas and liquefied petroleum gas	6,017,204	4,663,694
Provision of patented technology support services to oilfields	<u>103,025</u>	<u>123,862</u>
	<u><u>6,120,229</u></u>	<u><u>4,787,556</u></u>

The turnover from sales and production of crude oil, condensate, gas and liquefied petroleum gas are net of sales tax, royalty to government and sales discounts amounting to HK\$473,450,000 (2013: HK\$264,720,000), HK\$757,459,000 (2013: HK\$582,542,000) and HK\$110,683,000 (2013: HK\$208,988,000) respectively.

5. INVESTMENT AND OTHER INCOME

	<u>2014</u> HK\$'000	<u>2013</u> HK\$'000
Dividends income from listed equity investments	161	157
Interest income on bank deposits	17,567	8,973
Liquefied petroleum gas processing fees charged to concessions, net	4,659	4,941
Management fees income	6,477	5,431
Rental income	-	310
Others	6,026	15,768
	<u>34,890</u>	<u>35,580</u>

6. OTHER GAINS AND LOSSES

	<u>2014</u> HK\$'000	<u>2013</u> HK\$'000
Gain on disposals of property, plant and equipment	13,428	56,607
Net foreign exchange (losses)/gains	(25,868)	51,002
Fair value (losses)/gains on financial assets at fair value through profit or loss	(431)	121
Impairment losses on intangible assets	(41,689)	(171,706)
	<u>(54,560)</u>	<u>(63,976)</u>

7. SEGMENT INFORMATION

The Group has three operating segments as follows:

1. Exploration and production - activities relating to the exploration and production of crude oil and natural gas in Pakistan.
2. Oil exploitation - activities relating to the production of crude oil in PRC utilising production enhancement technology.
3. Oilfield support services - activities relating to the provision of oilfield support services using patented technology.

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

Segment profit or loss does not include the following items:

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

7. SEGMENT INFORMATION (CONTINUED)

Segment assets do not include the following items:

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

Segment liabilities do not include the following items:

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

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

	<u>Exploration and production</u> HK\$'000	<u>Oil exploitation</u> HK\$'000	<u>Oilfield support services</u> HK\$'000	<u>Total</u> HK\$'000
Year ended 31 December 2014				
Turnover from external customers	5,603,586	413,618	103,025	6,120,229
Segment profit/(loss)	2,242,308	73,620	(38,332)	2,277,596
Interest revenue	2,379	6,529	392	9,300
Interest expenses	8,928	711	479	10,118
Depreciation and amortisation	1,769,622	92,913	45,866	1,908,401
Income tax expense/(credit)	293,362	(8,734)	(5,907)	278,721
Other material non-cash item:				
Impairment losses on intangible assets	-	-	41,689	41,689
Additions to segment non-current assets	2,474,329	117,362	21,554	2,613,245
As at 31 December 2014				
Segment assets	10,686,897	4,648,695	127,168	15,462,760
Segment liabilities	<u>2,146,084</u>	<u>1,409,196</u>	<u>31,810</u>	<u>3,587,090</u>

7. SEGMENT INFORMATION (CONTINUED)

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

	Exploration and production HK\$'000	Oil exploitation HK\$'000	Oilfield support services HK\$'000	Total HK\$'000
Year ended 31 December 2013				
Turnover from external customers	4,236,556	427,138	123,862	4,787,556
Segment profit/(loss)	1,580,348	115,652	(138,859)	1,557,141
Interest revenue	-	3,746	255	4,001
Interest expenses	7,903	5,739	1,932	15,574
Depreciation and amortisation	1,599,489	80,553	54,878	1,734,920
Income tax expense/(credit)	29,755	(5,891)	(23,164)	700
Other material non-cash item:				
Impairment losses on intangible assets	-	-	171,706	171,706
Additions to segment non-current assets	2,893,149	170,529	37,988	3,101,666
As at 31 December 2013				
Segment assets	9,802,505	4,692,986	199,428	14,694,919
Segment liabilities	<u>1,942,943</u>	<u>1,559,167</u>	<u>41,298</u>	<u>3,543,408</u>

7. **SEGMENT INFORMATION (CONTINUED)**

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

	2014 HK\$'000	2013 HK\$'000
Profit or loss		
Total profit of operating segments	2,277,596	1,557,141
Unallocated amounts:		
Investment and other income	11,151	16,158
Other gains and losses	(1,052)	3,533
Corporate expenses	(243,672)	(163,398)
Finance costs (except for provisions - unwinding of discounts included in the exploration and production segment)	(229,577)	(240,244)
Consolidated profit for the year	<u>1,814,446</u>	<u>1,173,190</u>
Assets		
Total assets of operating segments	15,462,760	14,694,919
Unallocated amounts:		
Other receivables and other assets	12,821	10,612
Deferred tax assets	212,060	324,577
Financial assets at fair value through profit or loss	3,145	3,576
Held-to-maturity investments	151,284	-
Current tax assets	251,403	8,790
Pledged bank deposits	7,044	4,430
Bank and cash balances	2,494,348	1,709,644
Consolidated total assets	<u>18,594,865</u>	<u>16,756,548</u>
Liabilities		
Total liabilities of operating segments	3,587,090	3,543,408
Unallocated amounts:		
Other liabilities	83,771	76,104
Due to directors	7,593	7,857
Borrowings	5,085,903	5,032,587
Current tax liabilities	12,716	113,241
Provisions (except for provision for decommissioning costs included in the exploration and production segment)	420	420
Consolidated total liabilities	<u>8,777,493</u>	<u>8,773,617</u>

7. SEGMENT INFORMATION (CONTINUED)

Geographical information:

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

	Turnover		Non-current assets	
	<u>2014</u>	<u>2013</u>	<u>2014</u>	<u>2013</u>
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Hong Kong	-	-	82	137
PRC except Hong Kong	516,643	551,000	4,695,202	4,748,636
Pakistan	5,603,586	4,236,556	8,881,075	8,180,833
Consolidated total	<u>6,120,229</u>	<u>4,787,556</u>	<u>13,576,359</u>	<u>12,929,606</u>

Turnover from major customers:

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

	<u>2014</u>	<u>2013</u>
	HK\$'000	HK\$'000
Exploration and production segment		
Customer A	2,290,355	1,286,564
Customer B	1,358,846	1,439,894
Customer C	-	974,622
Customer D	<u>651,318</u>	<u>-</u>

8. FINANCE COSTS

	<u>2014</u>	<u>2013</u>
	HK\$'000	HK\$'000
Interest on bank loans	219,827	240,244
Interest on medium term notes	9,751	-
Provisions - unwinding of discounts	<u>8,928</u>	<u>7,903</u>
	<u>238,506</u>	<u>248,147</u>

9. PROFIT FOR THE YEAR

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

	<u>2014</u> HK\$'000	<u>2013</u> HK\$'000
Depreciation and amortisation (note a)	1,908,950	1,736,930
Auditors' remuneration		
- Current	3,561	3,242
- Over-provision in prior year	(20)	(20)
	3,541	3,222
Cost of inventories sold (note b)	2,689,129	2,325,488
Directors' emoluments	7,946	9,998
Operating lease charges		
- Hire of office equipment and motor vehicles	31,335	28,096
- Land and buildings	39,149	30,147
	70,484	58,243
Research and development expenditures	441	19
Staff costs including directors' emoluments		
- Salaries, bonuses and allowances	323,243	260,278
- Retirement benefits scheme contributions	42,250	38,894
- Share-based payments	13,466	12,880
	378,959	312,052
Impairment losses on intangible assets (included in other gains and losses)	41,689	171,706

Note a: Depreciation and amortisation charges include the amortisation charges on intangible assets of approximately HK\$535,633,000 (2013: HK\$585,251,000) which are included in the costs of sales and services rendered.

Note b: Cost of inventories sold includes staff costs, depreciation and amortisation, operating lease charges and research and development expenditures of approximately HK\$2,037,143,000 (2013: HK\$1,811,375,000) which are included in the amounts disclosed separately above.

10. INCOME TAX EXPENSE

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

	<u>2014</u> HK\$'000	<u>2013</u> HK\$'000
Current tax - PRC Enterprise Income Tax		
Provision for the year	13,107	12,570
Under-provision in prior years	112	4,110
	13,219	16,680
Current tax - Overseas		
Provision for the year	133,811	150,787
(Over)/under-provision in prior years	(39,158)	37,836
	94,653	188,623
	107,872	205,303
Deferred tax	196,139	(178,175)
	304,011	27,128

10. INCOME TAX EXPENSE (CONTINUED)

No provision for profits tax in Bermuda, British Virgin Islands, Republic of Panama, Mauritius or Hong Kong is required as the Group has no assessable profit for the year arising in or derived from these jurisdictions for the years ended 31 December 2014 and 2013.

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

During the year ended 31 December 2014, the Group's subsidiaries in the PRC were approved as a high technology enterprise pursuant to which the PRC subsidiaries can enjoy a preferential income tax rate of 15% for the coming financial year (2013: two financial years).

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

11. EARNINGS PER SHARE

Basic earnings per share

The calculation of basic earnings per share attributable to owners of the Company is based on the profit for the year attributable to owners of the Company of approximately HK\$1,827,887,000 (2013: HK\$1,215,211,000) and the weighted average number of ordinary shares of 13,058,801,694 (2013: 13,045,128,096) in issue during the year.

Diluted earnings per share

The calculation of diluted earnings per share attributable to owners of the Company is based on the profit for the year attributable to owners of the Company of approximately HK\$1,827,887,000 (2013: HK\$1,215,211,000) and the weighted average number of ordinary shares of 13,059,740,801 (2013: 13,046,030,452), being the weighted average number of ordinary shares of 13,058,801,694 (2013: 13,045,128,096) in issue during the year used in the basic earnings per share calculation plus the weighted average number of ordinary shares of 939,107 (2013: 902,356) assumed to have been issued at no consideration on the deemed exercise of the share options outstanding during the year.

12. TRADE AND OTHER RECEIVABLES

	<u>2014</u> HK\$'000	<u>2013</u> HK\$'000
Trade receivables (note a)	1,238,235	1,195,729
Other receivables (note b)	355,382	280,366
Total trade and other receivables	<u>1,593,617</u>	<u>1,476,095</u>

(a) Trade receivables

The Group's trading terms with customers are mainly on credit. The credit term generally ranges from 30 to 45 days (2013: ranges from 30 to 45 days). The Group seeks to maintain strict control over its outstanding receivables. Overdue balances are reviewed regularly by the directors.

12. **TRADE AND OTHER RECEIVABLES (CONTINUED)**

(a) **Trade receivables (continued)**

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

	<u>2014</u> HK\$'000	<u>2013</u> HK\$'000
0 to 30 days	1,091,600	1,052,881
31 to 60 days	96,109	142,488
61 to 90 days	50,526	-
91 to 180 days	-	360
	<u>1,238,235</u>	<u>1,195,729</u>

(b) **Other receivables**

	<u>2014</u> HK\$'000	<u>2013</u> HK\$'000
Amounts due from joint operators	137,952	117,696
Advances to staff	13,150	11,041
Central excise duty receivables	9,522	6,387
Deposits and prepayments	46,610	66,737
Sales tax receivables	118,115	54,375
Others	30,033	24,130
	<u>355,382</u>	<u>280,366</u>

13. **TRADE AND OTHER PAYABLES**

	<u>2014</u> HK\$'000	<u>2013</u> HK\$'000
Trade payables (note a)	545,457	823,494
Other payables (note b)	1,505,505	1,286,202
Total trade and other payables	<u>2,050,962</u>	<u>2,109,696</u>

(a) **Trade payables**

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

	<u>2014</u> HK\$'000	<u>2013</u> HK\$'000
0 to 30 days	345,331	267,236
31 to 45 days	61,451	42,322
Over 45 days	138,675	513,936
	<u>545,457</u>	<u>823,494</u>

13. **TRADE AND OTHER PAYABLES (CONTINUED)**

(b) **Other payables**

	<u>2014</u> HK\$'000	<u>2013</u> HK\$'000
Amount due to joint operators	242,205	202,694
Accrual for operating expenses	537,746	364,144
Bills payables	7,044	4,430
Deposits received	10,672	11,446
Salaries and welfare payables	85,056	60,058
Other tax payables	619,901	640,609
Others	2,881	2,821
	<u>1,505,505</u>	<u>1,286,202</u>

14. **DIVIDEND**

No dividend has been paid or declared by the Company during the years ended 31 December 2014 and 2013.

15. **EVENTS AFTER THE REPORTING PERIOD**

On 16 March 2015, United Energy Pakistan Limited ("UEPL"), a wholly-owned subsidiary of the Company, entered into the short-term loan agreement with UEP Wind Power (PVT.) Limited (the "Borrower") for short-term financing the wind power project in Pakistan to be operated by the Borrower. The maximum loan amount is approximately HK\$62,400,000 (equivalent to US\$8,000,000), bearing interest rate of 6.85% per annum and repayable on 31 December 2015. Mr. Zhang Hong Wei, the chairman and executive director of the Company, has substantial influence over the Borrower and the Borrower is considered as a related party of the Company. Details are set out in the Company's announcement dated 16 March 2015.

As at the date of this announcement, the Borrower has drawdown approximately HK\$43,212,000 (equivalent to US\$5,540,000) loan from UEPL.

MANAGEMENT DISCUSSION AND ANALYSIS

Financial Review

The Group continued a strong growth in earnings for the year ended 31 December 2014 (the “reporting period”). The profit attributable to the owners of the Company was approximately HK\$1,827,887,000 (2013: HK\$1,215,211,000), representing 50.4% growth from the year ended 31 December 2013 (“Last Year”). The increase in net profit was due to the continuously growth in Pakistan Assets. Profit from Pakistan Assets grew by 41.9% to HK\$2,242,308,000 (2013: HK\$1,580,348,000). This was contributed by the ramping up of production as a result of our new discoveries in MKK following the completion of gas processing facility upgrade during the year.

Turnover

The Group’s turnover for the reporting period was approximately HK\$6,120,229,000, representing an increase of 27.8% as compared with the turnover of HK\$4,787,556,000 for Last Year. The increase in turnover was mainly contributed by the increase of production in Pakistan Assets from 33,809 barrels of oil equivalent (“boe”) per day (“boed”) to 47,091 boed.

During the reporting period, the Group received provisional 2012 Petroleum Policy price notification from Pakistan Authority of new gas sales price for our fields in MKK areas. The average gas price was increased significantly from US\$3.98/Mcf in 2013 to US\$5.03/Mcf in this year.

Cost of sales and services rendered

The Group’s cost of sales and services rendered increased from approximately HK\$2,487,165,000 for the year ended 31 December 2013 to approximately HK\$2,829,447,000 for this reporting period. This was in line with higher production and sale achieved in the year. The cost of sales and services rendered included depreciation and amortisation of approximately HK\$1,855,078,000 (2013: HK\$1,686,469,000). The average unit depreciation and amortisation for upstream oil operation was HK\$102 per boe (2013: HK\$126 per boe). The decrease was mainly due to lower of unit of production rate as a result of higher oil reserves at the end of year 2014 achieved by new discoveries in Pakistan Assets in 2014 and the effort of cost control in the exploration and development activities.

Gross profit

The Group’s gross profit for the reporting period was approximately HK\$3,290,782,000 (gross profit ratio 53.8%) which represented an increase of 43.1% as compared with gross profit for 2013 of approximately HK\$2,300,391,000 (gross profit ratio 48.0%).

Exploration expenses

The Group’s exploration expenses for the reporting period was approximately HK\$272,085,000 (2013: HK\$331,784,000) which was incurred mainly for the 3D seismic data acquisition, processing and studies performed in Pakistan Assets.

Administrative expenses

The Group’s administrative expenses for the reporting period was approximately HK\$481,109,000 (2013: HK\$368,184,000), representing 7.9% (2013: 7.7%) of turnover.

Finance costs

The Group’s finance costs for the reporting period was approximately HK\$238,506,000, representing 3.9% decrease as compared with the finance costs of approximately HK\$248,147,000 for Last Year. The decrease in finance costs was mainly due to lower interest rate in the year. The average interest rate of borrowings for the year was 4.54% (2013: 4.79%).

Income tax expense

The Group’s income tax expense for the reporting period was approximately HK\$304,011,000 (2013: HK\$27,128,000). The increase in income tax expense was mainly due to the initial recognition of deferred tax assets arise from finance cost in 2013.

EBITDA

EBITDA represents the profit before finance costs, income tax expense, impairment losses on intangible assets and depreciation and amortisation. It shall be noted that EBITDA is not a measure of operating performance or liquidity defined by generally accepted accounting principles and may not be comparable to similarly titled measures presented by other companies. The EBITDA for the year was HK\$4,307,602,000, increased by 28.3% from 2013 of approximately HK\$3,357,104,000.

The Group continues to see considerable opportunity for organic and inorganic expansion. Due to the projected expansion, and, as such, the Board has not recommended the payment of final dividend for the reporting period.

The Group's Audit Committee has reviewed the audited consolidated financial statements for the year ended 31 December 2014. The Audit Committee has reviewed with management the accounting principles and practices adopted by the Group, as well as internal control and financial reporting matters, and found them to be satisfactory.

Business Review

The Group is one of the largest listed upstream oil and gas corporations in Hong Kong, with business now extended to South Asia. The Group is focused on the investment and operation of oil, natural gas and other energy related businesses. Under the implementation of "reliable operation + rapid expansion" business strategy, the performance and operations of the Group's assets in Pakistan has shown significant growth and enhancement. In the reporting period, the Group has recorded 27.8% growth in turnover and 54.7% growth in net profit compared with Last Year. The significant increase is a proof that the Group thereby is fulfilling its promises to deliver to the shareholders and investors on sustainable returns and growth.

In October 2014, the Group established the S\$1,000,000,000 multi-currency medium term note programme (the "Programme") and successfully completed the inaugural issuance of S\$100,000,000 medium term notes. The Group considers that the Programme makes available a platform to enhance its liquidity, flexibility and efficiency for future funding for capital expenditures related to the Group's development and future acquisitions.

For the year ended 31 December 2014, the Group's Pakistan Assets and Liaohe Enhanced Oil Recovery ("EOR") Project in China ("Liaohe EOR Project") recorded satisfactory growth in production and financial performance. In this reporting period, the Group delivered an average daily net production of approximately 48,911 boed, representing 38.0% increase from Last Year. The Pakistan Assets delivered an average daily net production of approximately 47,091 boed, of which 32.2% was oil and liquids, representing 39.3% increase from Last Year. The Liaohe EOR Project delivered an average daily net production of approximately 1,820 bbld, of which 100.0% was oil and liquids, representing 11.4% increase from Last Year. In terms of the net production level, the Group is ranked as one of the largest independent upstream oil and gas operator listed on the Hong Kong Stock Exchange.

During the reporting period, lifting costs and direct costs incurred and recognised in cost of sales and services rendered by the Group is approximately HK\$2,829,447,000 (Pakistan Assets: approximately HK\$2,409,894,000, Liaohe EOR Project: approximately HK\$327,270,000, Oilfield Support Services: approximately HK\$92,283,000), and the Group invested approximately HK\$2,543,638,000 of capital expenditure in oil exploration, development and production activities (Pakistan Assets: approximately HK\$2,457,820,000, Liaohe EOR Project: approximately HK\$85,818,000). The Group has drilled 38 new wells in Pakistan Assets, 20 side-track wells in Liaohe EOR Project, and acquired 1,442 km² of 3D seismic data in onshore area of Pakistan Assets. Follow on data processing and interpretation work was in progress.

Pakistan Assets:

For the year ended 31 December 2014, the Pakistan Assets achieved an average daily net production of approximately 47,091 boed, of which 32.2% was oil and liquids, representing an approximately 39.3% increase compared to Last Year. Composite Average Sales Price Before Government Take amounted to US\$48.5 per boe, representing an approximately 2.4% decrease compared to Last Year.

During the reporting period, the Group remains as one of the most-active oil and gas upstream operator in Pakistan, completed 23 exploration wells and 15 development wells and acquired 1,442km² of 3D seismic data in the MKK Blocks and the DSS Blocks. Furthermore, the Group has made 20 new oil and gas discoveries in Badin and MKK Blocks and spudded its first exploration well in the DSS Blocks after the completion of acquisition of the Pakistan Assets from British Petroleum in September 2011. In addition, in June 2014, United Energy Pakistan Limited (“UEPL”), a wholly owned subsidiary of the Company, delivers their first export shipment to the international oil market. For the reporting period, UEPL has successfully exported approximately 1,560,000 boe of oil and condensate to the international oil market. This marked another milestone and allows the Group to diversify its sales channel outside of Pakistan.

Notably, after the installation of an additional 160 mmcf/d skid-mounted gas processing plant, average daily net production in the MKK Blocks ramped up significantly in the second half of financial year of 2014 and reached approximately 31,030 boed, representing an approximately 235.3% and 72.9% increase compared to the second half of financial year of 2013 and the first half of financial year 2014, respectively. The Group will continue its strategic focus on exploration and development activities in the enormously potential-rich MKK Blocks and we expect the MKK blocks to become a major source of future organic growth. It would facilitate the implementation of the Group’s business plan in respect of the MKK Concessions which will be beneficial to the business of the Group.

Liaohe EOR Project, China:

The Group’s Liaohe EOR Project is one of the largest commercial application of fireflood technology in enhance oil recovery projects in China. The Liaohe EOR Project was approved by National Development and Reform Commission to enter into development stage in July 2010 and the project entered into production stage in February 2011.

Since Liaohe EOR Project entered into development and production stages and recorded satisfactory production growth. For the year ended 31 December 2014, Liaohe EOR Project achieved an average daily net production of approximately 1,820 bbld, representing an approximately 11.4% increase compared with Last Year. Average Sales Price Before Government Take amounted to US\$84.9 per boe, representing an approximately 8.9% decrease compared with Last Year. As at 31 December 2014, a total 264 of the 606 oil producers (representing ~44.0% of production wells) have been converted into fireflood producers.

Oilfield Support Services:

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

The Group’s successful application of fireflood technology can help promoting the technology to elsewhere in the region. This will in turn create a great business potential. Since the Chinese oilfields are aging gradually, the Group has the patented fireflood technology to explore the opportunity of “secondary development” which will enhance the production volume and life of the maturing oilfields. The Group is currently in negotiations with a number of corporations and actively exploring business opportunities.

Business and market outlook

The Group expects the price of oil will remain low in financial year 2015, which will create certain challenge to our Pakistan Assets and Liaohe EOR Project operations. However, the recent sharp fall in oil price may also provide another favorable opportunity for the Group to re-activate its acquisitions activities. Refer to our 2015 operation guidance (“2015 Guidance”) released on 16 February 2015, the Group’s average daily net production is forecasted to be in the range of 63,800 to 67,000 boed, representing at least 30.4% increase compared with 2014.

In 2012, the Group has planned to further increase its average daily net production in Pakistan to above 60,000 boed on or before 2017. The management of the Group expects that this target will be achieved in 2015, 2 years ahead of our original plan. Benefit from the significant growth in production level, the Group expects our free cashflow will remain strong and positive in year 2015 and able to fund the capital expenditure using its internal funding.

To deliver our strategy of “Win-win cooperation to achieve quantum leap growth”, our Group actively explores opportunities for acquiring quality projects together with aggressive exploration and development of existing assets, thereby enhancing the scale of the Group’s upstream operations. The Group signed a project cooperation agreement with China Development Bank at US\$5 billion for five years on 26 October 2012 and established the S\$1,000,000,000 multi-currency medium term note programme on 8 October 2014, signifying the Group’s continued ability to enjoy the preferential financial support in acquisitions. This enhances the Group’s financial power in bidding for quality assets. The Group can make use of this strong support to search for quality assets or co-operation opportunities thereby expanding the portfolio of assets and operations. This creates the best environment to achieve shareholding value maximization.

Pakistan Assets:

Notably, the country has faced a severe energy shortage starting from 2010. Pakistan, one of the most populated developing countries in Asia, has strong demand for energy. The Group, as one of the largest foreign energy companies in Pakistan, has a solid and reputed brand in the country. In view of the macro-economic development in the country, it is believed that the Group is in a good position to benefit from the opportunities for oil and gas companies in Pakistan. The Group continues to search for quality projects and opportunities to fully make use of its advantage in the sector.

Following the major discovery at Naimat West, the Group carried out a major maintenance and upgrade of its oil & gas processing facility and optimising the gas gathering system located in the MKK area. The construction of the 160 mmcfd gas processing plant (“Naimat Phase 5”) in MKK is in progress and expected to go on stream in 2015. The project consists of 2 phases:

Phase 5A: 60 mmcfd skid-mounted gas processing plant (expected first gas by April 2015)

Phase 5B: 100 mmcfd gas processing plant (expected first gas by July 2015)

After the completion of the project, the Group is expected to add approximately 110 mmcfd of sales gas from the Naimat West gas fields which were discovered in 2013. This is an important step for the Group to further ramp up the production in the year 2015.

Subsequent to the notification received on 21 January 2014, the Group received another provisional gas price notification on 17 July 2014 from Oil and Gas Regulatory (“OGRA”) for all the fields attracting a 2012 petroleum policy price. The Group is currently working on the supplemental agreements with Government of Pakistan (“GoP”) for fully implementation. The Company expects that the full implementation of the 2012 Petroleum Policy in MKK and DSS concession will provide a positive financial impact on our results.

Liaohé EOR Project, China:

Since the Liaohé EOR Project entered into development and production stages, the project has recorded double digit growth on net production for three consecutive years. The Group will continue its capital investment to increase the net average daily production and the coverage of fireflood application of Liaohé EOR Project.

Conclusion

As one of the largest listed upstream oil companies in Hong Kong, the Group will keep looking for opportunities to expand its business in China and other regions to maximize the returns for shareholders. The Group is implementing the development strategy of “Win-win cooperation to achieve quantum leap growth”. The Group will work closely with Chinese oil companies and other oil companies in search for the values creation. The Group targets at achieving enhancing oil and gas production in Pakistan, lowering the lifting cost and improvement in profit margins and it will also enhance the exploration scale, increasing the reserves ratio to build a solid base as a large-scale oil and gas operator.

Material Acquisition and Disposal

The Company does not have material acquisition and disposal during the year ended 31 December 2014.

Segment Information

Particulars of the Group’s segment information are set out in note 7 to this announcement.

Liquidity and Financial Resources

The Group maintained its strong financial position for the reporting period, with cash and cash equivalents amounting to approximately HK\$2,494,348,000 as at 31 December 2014 (2013: approximately HK\$1,709,644,000).

As at 31 December 2014, the outstanding balance of the bank loan from China Development Bank Corporation Hong Kong Branch for acquisition of the Pakistan upstream oilfield assets from British Petroleum in September 2011 was US\$560,000,000, approximately equivalent to HK\$4,368,000,000 (2013: US\$620,000,000, approximately equivalent to HK\$4,836,000,000).

On 26 June 2014, United Petroleum & Natural Gas (Panjin) Limited (“United Petroleum (Panjin)”) and United Energy International Finance Limited (“UEIFL”), both are wholly-owned subsidiaries of the Company, entered into facility agreements with Industrial Bank Company Limited Shenyang Branch and Hong Kong Branch respectively. On the same day, United Petroleum (Panjin) deposited cash of RMB 120,000,000 (approximately equivalent to HK\$151,284,000) in Industrial Bank Company Limited Shenyang Branch as pledge for issue a financing guarantee to Industrial Bank Company Limited Hong Kong Branch. As such, Industrial Bank Company Limited Hong Kong Branch granted UEIFL a one-year loan facility with limit of US\$20,000,000 (approximately equivalent to HK\$156,000,000) at interest rate of 3-month HIBOR+ 2.5659% per annum. The purpose of this loan facility was for settlement of account payables of the Group. On 27 June 2014, UEIFL has drawdown the loan in the amount of US\$18,501,240 (approximately equivalent to HK\$144,310,000) for settlement of account payables of the Group with same value. As at 31 December 2014, the outstanding amount of the loan from Industrial Bank Company Limited was US\$18,501,240 (approximately equivalent to HK\$144,310,000).

On 8 October 2014, United Energy Financing (Bermuda) Limited (“UEFBL” or the “Issuer”), a wholly-owned subsidiary of the Company, has established the S\$1,000,000,000 multicurrency medium term note programme (the “Programme”) under which it may issue the medium term notes (the “Notes”) to institutional investors and/or professional investors, as applicable, in series of aggregate principal amount of up to S\$1,000,000,000 (or its equivalent in other currencies). The Notes are expected to be issued by the Issuer and guaranteed by the Company. The Issuer has appointed CIMB Bank Berhad as arranger and dealer under the Programme. On 17 October 2014, the issue of the S\$100,000,000, 6.85% per annum Notes due 17 October 2016 under the Programme (the “First

Drawdown Notes”) was completed. The First Drawdown Notes were admitted to the Official List of the Singapore Exchange Securities Trading Limited with effect on 20 October 2014. The net proceeds from the issue of the First Drawdown Notes under the Programme, after deducting the costs and expenses relating to the issue of the First Drawdown Notes, will be used for general corporate purposes of the Group. As at 31 December 2014, the outstanding amount of the First Drawdown Notes was S\$100,000,000 (approximately equivalent to HK\$573,593,000).

As at 31 December 2014, the gearing ratio was approximately 27.4% (2013: approximately 30.0%), based on borrowings under current liabilities and non-current liabilities of approximately HK\$768,310,000 (2013: approximately HK\$664,587,000) and HK\$4,317,593,000 (2013: approximately HK\$4,368,000,000) respectively and total assets of approximately HK\$18,594,865,000 (2013: approximately HK\$16,756,548,000). As at 31 December 2014, the current ratio was approximately 1.69 times (a 2013: approximately 1.21 times), based on current assets of approximately HK\$4,806,446,000 (2013: approximately HK\$3,502,365,000) and current liabilities of approximately HK\$2,839,581,000 (2013: approximately HK\$2,895,381,000).

As at 31 December 2014, the Group’s total borrowings amounted to HK\$5,085,903,000 (2013: HK\$5,032,587,000), including secured bank loans of HK\$4,512,310,000 (2013: HK\$5,032,587,000) and medium term notes of HK\$573,593,000 (2013: Nil). The carrying value of the secured bank loans are denominated in United States dollars and the carrying value of the medium term notes is denominated in Singapore dollars. The secured bank loans are arranged at floating interest rates as at 31 December 2014 and the average interest rate of the secured bank loans as at 31 December 2014 was 4.61% (2013: 4.79%). The medium term notes are at fixed interest rate of 6.85% per annum.

Capital Structure

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

On 27 June 2014, the Company issued and allotted 9,113,299 ordinary shares to employees under the Deferred Annual Bonus Scheme, the Executive Performance Share Scheme and the Performance Share Scheme adopted by the Company on 31 January 2013.

On 31 October 2014, the Company resolved to award 5,796,864 new shares as the scheme shares to 629 Pakistan employees under the Share Match Scheme approved and adopted by the Company for Pakistan employees on 16 September 2011. The objectives of the Share Match Scheme were to provide Pakistan employees with incentives in order to retain them for the continual operation and development of the newly acquired Pakistan business and to attract suitable personnel for the growth and further development of the Group. The allotment of the 5,796,864 scheme shares was completed on 6 November 2014.

During the reporting period, 8,000,000 units of share options granted and vested under the Company’s Share Option Schemes adopted on 11 May 2006 were forfeited. As at 31 December 2014, the outstanding balance of the outstanding share options granted and vested under the Company’s Share Option Schemes adopted on 11 May 2006 was 20,000,000 units of share options.

After completion of the above allotment of shares during the reporting period, the total number of issued shares of the Company was increased from 13,053,218,339 shares as at 1 January 2014 to 13,068,128,502 shares as at 31 December 2014.

Employees

As at 31 December 2014, the Group employed a total of 1,183 full time employees, located in Hong Kong, the PRC and Pakistan. Employees’ remuneration packages have been reviewed periodically and determined with reference to the performance of the individual and prevailing market practices. Remuneration packages include base salaries, year-end bonuses, medical benefits and a contributory provident fund.

Contingent Liabilities

As at 31 December 2014 and 31 December 2013, the Company issued various unlimited corporate guarantees in favour of the President of the Islamic Republic of Pakistan and certain joint venturers of the Group, as guarantee to provide UEPL with all necessary financial and other means to enable UEPL to fully perform its obligations as stipulated in the concession agreements.

At the end of the reporting period, the Company has issued an unlimited cross guarantee to China Development Bank Corporation Hong Kong Branch in respect of a banking facility granted to a subsidiary of the Company, United Energy Group (Hong Kong) Limited. At the end of the reporting period, the directors do not consider it probable that a claim will be made against the Company under the above guarantee. The maximum liability of the Company at the end of the reporting period is the amount of bank loans drawn under the cross guarantee at that date of approximately HK\$4,368,000,000 (2013: HK\$4,836,000,000).

As at 31 December 2014, the Company has issued a guarantee to the First Drawdown Notes issued by UEFBL under the Programme. At the end of the reporting period, the directors do not consider it probable that a claim will be made against the Company under the above guarantee. The maximum liability of the Company at the end of the reporting period is the amount of the First Drawdown Notes drawn under the guarantee at that date of HK\$573,593,000 (2013: Nil).

For the years ended 31 December 2014 and 2013, 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, specialized vehicles, spares, chemicals and consumables under the petroleum concession agreement amounting to HK\$15,215,000 (2013: HK\$5,442,000).

Exposure to Fluctuations in Exchange Rates and Related Hedges

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

Major Customers and Suppliers

In 2014, the Group's five largest customers represented 85.6% of total turnover (2013: 95.0%) and the Group's five largest suppliers represented 34.3% of total cost of sales and services rendered (2013: 41.1%).

PURCHASE, SALE OR REDEMPTION OF SHARES

The Company has not redeemed any of its shares nor any of its subsidiaries has purchased or sold any of the Company's shares during the year ended 31 December 2014.

SUFFICIENCY OF PUBLIC FLOAT

The Company has maintained a sufficient public float throughout for the year ended 31 December 2014.

AUDIT COMMITTEE

The Audit Committee has reviewed the audited consolidated financial statements for the year ended 31 December 2014 and discussed with management the accounting principles and practices adopted by the Group as well as internal control and financial reporting matters.

OTHER COMMITTEE

Besides the Audit Committee, the Board has also established Remuneration Committee and Nomination Committee. Each Committee has its defined scope of duties and written terms of reference.

CLOSURE OF REGISTER OF MEMBERS

The register of members of the Company will be closed from 26 May 2015 to 29 May 2015, both days inclusive, in order to determine the identity of the Shareholders who are entitled to attend the forthcoming annual general meeting to be held on 29 May 2015 (the “AGM”). In order to be eligible to attend and vote at the forthcoming AGM, all transfer accompanied by the relevant share certificates and transfer forms must be lodged with the Company’s share registrar in Hong Kong, Tricor Secretaries Limited, at Level 22, Hopewell Centre, 183 Queen’s Road East, Hong Kong before 4:30 p.m. on 22 May 2015.

MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS

The Group has adopted the code of conduct with respect to the dealings in securities of the Company by the Directors as set out in Appendix 10 of the Listing Rules (the “Model Code”). Having made specific enquiry with all Directors, each of whom has confirmed compliance with the required standard set out in the Model Code during the year ended 31 December 2014.

CODE OF CORPORATE GOVERNANCE PRACTICES

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”) for the year ended 31 December 2014 except that:

1. The Code A.2.1 — the company have the post of chief executive officer but it was still vacant; and
2. The Code A.4.1 — the independent non-executive Directors have not been appointed for any specific terms as they are subject to retirement by rotation at least once every three years in accordance with the Company’s Bye-laws.

Although the Company has separated the duties between the chairman and chief executive officer, the post of the chief executive officer is still vacant. In this connection, the executive function of the Company is performed by the executive directors and management of the Company. Thus, significant decision of the Company is made by the Board. The Board considers that such structure will not affect the balance of power and authority between the chairman and the executive directors.

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

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 of the Board Diversity Policy the Company. The nominations of Directors were made in accordance with the Nomination Policy and the objective criteria (including without limitation, gender, age, cultural and educational background, ethnicity, professional experience, skills, knowledge and length of service), with due regard for the benefits of diversity under the Board Diversity Policy of the Company. According to the

Board Diversity Policy of the Company, selection of candidates will be based on a range of diversity perspectives, including but not limited to gender, age, cultural and educational background, ethnicity, professional experience, skills, knowledge and length of service. The ultimate decision will be based on merit and contribution that the selected candidates will bring to the Board.

SCOPE OF WORK OF AUDITOR

The figures in respect of the preliminary announcement of the Group's consolidated statement of financial position, consolidated statement of profit or loss and other comprehensive income and the related notes thereto for the year ended 31 December 2014 as set out in the preliminary announcement have been agreed by the Group's auditor, RSM Nelson Wheeler ("RSM"), to the amounts set out in the Group's draft audited consolidated financial statements for the year. The work performed by RSM in this respect did not constitute an assurance engagement in accordance with Hong Kong Standards on Auditing, Hong Kong Standards on Review Engagements or Hong Kong Standards on Assurance Engagements issued by the Hong Kong Institute of Certified Public Accountants and consequently no assurance has been expressed by RSM on the preliminary announcement.

PUBLICATION OF ANNUAL REPORT

The 2014 annual report will be despatched to the shareholders and available on the Company's website at www.uegl.com.hk and HKEx news website at www.hkexnews.hk in due course.

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

Hong Kong, 19 March 2015

As at the date of this announcement, the executive directors of the Company are Mr. Zhang Hong Wei (Chairman), Mr. Zhu Jun and Ms. Zhang Meiyang and the independent non-executive directors are Mr. Chau Siu Wai, Mr. San Fung and Mr. Zhu Chengwu.