聯合能源

年報
Annual Report 2022

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)

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CORPORATE INFORMATION

Directors

Executive Directors

Zhang Hong Wei *(Chairman)*
Zhang Meiying

Independent Non-Executive Directors

Chau Siu Wai
San Fung
Wang Ying

Company Secretary

Hung Lap Kay

Principal Place of Business

Suite 2505, 25th Floor,
Two Pacific Place,
88 Queensway, Admiralty,
Hong Kong

Registered Office

Clarendon House,
2 Church Street,
Hamilton HM11,
Bermuda

Principal Bankers

China Minsheng Banking Corporation,
Hong Kong Branch
Standard Chartered Bank
Industrial and Commercial Bank of China (Asia) Ltd.

Legal Advisers in Hong Kong

Slaughter and May
Sidney Austin
Angela Ho & Associates in association with
Lang Michener LLP

Auditor

RSM Hong Kong
Certified Public Accountants
Registered Public Interest Entity Auditor
29th Floor, Lee Garden Two,
28 Yun Ping Road,
Causeway Bay,
Hong Kong

Bermuda Principal Share Registrar and Transfer Office

Conyers Corporate Services (Bermuda) Limited
Clarendon House,
2 Church Street,
Hamilton HM 11,
Bermuda

Hong Kong Branch Share Registrar and Transfer Office

Tricor Secretaries Limited
17/F, Far East Finance Centre,
16 Harcourt Road,
Hong Kong

Website

http://www.uegl.com.hk

KEY FINANCIAL AND OPERATION SUMMARY

Financial Summary

	2022 HK'000	2021 HK'000	Change
Results			
Turnover	**10,753,743**	7,436,936	+44.6%
Gross Profit	**5,512,983**	3,357,435	+64.2%
EBITDA (Note 1)	**9,266,023**	5,843,458	+58.6%
Profit for the year	**2,601,146**	2,000,577	+30.0%
Profit for the year attributable to owners of the Company	**2,601,162**	2,000,597	+30.0%
Basic earnings per share (HK cents)	**9.94**	7.63	+30.3%
Key items in Consolidated Statement of Financial Position			
Equity attributable to owners of the Company	**15,802,040**	14,234,374	+11.0%
Total assets	**27,419,844**	25,032,350	+9.5%
Net assets	**15,807,820**	14,240,280	+11.0%

Operation Summary

Pakistan Assets	2022	2021	Change
Operation			
Average Daily Working Interest Production (boed)	**47,029**	48,287	–2.6%
Oil & Liquids Ratio (Note 2)	**17.8%**	14.6%	+3.2%
Reserve (Note 3)			
Net Entitlement 1P Reserve at the year end (mmboe)	**57.6**	58.9	–2.2%
Working Interest 2P Reserve at the year end (mmboe)	**99.5**	107.1	–7.1%
Exploration & Development Activity			
Rig workovers	**5**	6	–1
Exploration wells	**15**	13	+2
Development wells	**13**	11	+2

MENA Assets	2022	2021	Change
Operation			
Average Daily Working Interest Production (boed)	**53,216**	44,810	+18.8%
Oil & Liquids Ratio (Note 2)	**95.8%**	94.4%	+1.4%
Reserve (Note 3)			
Net Entitlement 1P Reserve at the year end (mmboe)	**104.9**	132.7	–20.9%
– Egypt Assets	**4.6**	4.7	–2.1%
– Iraq Assets	**100.3**	128.0	–21.6%
Working Interest 2P Reserve at the year end (mmboe)	**767.6**	765.8	+0.2%
– Egypt Assets	**19.5**	21.1	–7.6%
– Iraq Assets	**748.1**	744.7	+0.5%
Exploration & Development Activity			
Rig workovers	**16**	8	+8
Exploration wells	**4**	2	+2
Development wells	**29**	12	+17

Notes:

1. EBITDA represents the profit before finance costs, income tax expense, depreciation and amortisation, property, plant and equipment written off, impairment losses for intangible assets and property, plant and equipment, share of losses/profits of associates, share of loss in a joint venture, gain/loss on disposals of property, plant and equipment, gain on derecognition of right-of-use assets and lease liabilities, allowance for slow-moving inventories, other payables and accruals written back, impairment losses on/reversals of impairment losses on trade receivables and reversals of impairment losses on/impairment losses on other receivables.

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

3. Working interest reserve represents Group's proportion prior to application of the state share under the concession agreements governing the assets, while net entitlement reserve represents Group's proportion after application of the state share under the concession agreements governing the assets.

CHAIRMAN'S STATEMENT

CHAIRMAN'S STATEMENT

Energy prices continued their upward momentum in 2022 and reached the highest level of the last decade in the backdrop of the Russia Ukraine war. In the meantime, increased focus on ESG investment and energy mix transition is gaining momentum. United Energy Group Limited ("UEG" and together with its subsidiaries collectively the "Group") as an independent international energy company, continued to play its role in meeting market energy demand and supporting global energy transition whilst generating shareholder value by delivering another year of outstanding results, both from operational and financial perspectives.

2022 is a milestone year for us. I am immensely proud to report that UEG achieved all five targets set for the year in terms of increased production, reserves, efficiency, profitability and optimised cashflow.

Leveraging on our experience and expertise of the industry, we continue to replicate our Pakistan success story in the MENA region with exceptional results. We continue to unlock potential in the countries where we operate and create greater value for our Group and increase shareholder value.

2022 PERFORMANCE

UEG achieved outstanding HSSE performance throughout 2022, with zero fatalities and major incidents.

In 2022, UEG achieved an average daily gross oil and gas production of 165,883 barrels of oil equivalent with working interest daily production of 100,245 barrels. In terms of exploration, UEG made 12 commercial discoveries, of which 9 were in Pakistan and 3 in Egypt. Net working interest share of 2P (Proved and Probable) reserves reached approximately 867.1 mmboe, and the reserve-production ratio was approximately 23.7. Performance metrics were excellent, mainly due to improved operating efficiency with continued focus on safety.

Pakistan faced unprecedented floods with widespread devastation. UEG played its role in supporting its local communities by providing emergency relief supplies and medical aid. I am proud to report that our employees participated actively in these relief efforts. Despite the flood related challenges, our resilient employees ensured safe operations and maintained impressive stable production to secure energy supplies; a contribution well recognised by the Government of Pakistan. UEG expanded its foot print in Pakistan with three new exploration blocks.

Block-9 in Iraq is a key asset of our Group. Development work is on track with daily gross production reaching over 60,000 barrels in 2022. Construction of a major central processing facility is progressing swiftly and will enable Block 9 to achieve daily gross production target of 100,000 barrels in the coming year. Block-9 has achieved good financial returns with improved operating efficiency and continuous financial discipline including consistent cost-savings strategy. It is worth mentioning that our team in Block-9 is very diverse. Employees from more than 40 nationalities work together, demonstrating our values and the "united" culture of our Group.

In Egypt, our team continued to take effective measures to tap potential and increase operating efficiency through drilling good-producing new wells. Both potential performance and reserves witnessed a favorable increase. Production remained stable while we achieved desirable cost saving results. Additionally, the award of new block 11, is another expanding footprint for the Group in Egypt.

In 2022, we continued our focus on energy mix transition and investing in clean energy. In addition to investing in those projects in the countries where we operate oil and gas assets, such as Pakistan and Iraq, we are also actively exploring a 200 MW wind power project in Eastern Europe. Once completed, it will pave the path to set up our clean energy business in Eastern Europe. The Group will continuously explore new opportunities in clean energy projects in MENA and other regions in the coming years.

The Group also continued growing its CSR portfolio. We supported the flood relief efforts in Pakistan and invested in schools, colleges and hospitals, among other initiatives, to contribute to the welfare of our local communities in Pakistan, Iraq and Egypt.

We continued to focus on enhancing shareholder value by building a quality portfolio, improving operating efficiency, ensuring capital discipline and maintaining a flexible dividend payout policy without impacting its development agenda.

The Group maintains a prudent financial policy. Cost saving and investment controls underpin our competitiveness. Leverage remains at a healthy level, with strengthened cash balance. New SAP system implementation during the year further strengthen our integrated management systems to better support our business.

OUTLOOK

In 2023, we expect the global economy to continue to grow, though at a lower rate, mainly due to higher inflation and the continuing war in Ukraine. On the commodity front, since China has opened up after COVID-19, world oil demand growth is expected to increase, and oil price is projected to be at a relatively high level.

As an upstream oil and gas company, the Group will continue to focus on increased production and reserves growth to support energy demand whilst gaining momentum on its energy mix transition. It will continue to implement a low-cost strategy to ensure its competitiveness. It will further strengthen its operating strategies, which mainly include promoting high-quality development, maintaining prudent financial policy and investment decision-making and pursuing a sustainable development model.

In 2023, Group will target an average daily gross production range of 165,000 to 179,000 barrels with average daily working interest production range of 94,700 to 102,400 barrels. Capital expenditure is anticipated to reach US$990 million to US$1,050 million, which is essential to support the exploration, production and development plans of the Group.

As part of its long term plans, from the perspective of decarbonization and sustainability, UEG aims to expand its clean energy portfolio and invest over GWs clean energy projects in Europe, MENA and Central Asia. the Group will continue exploring integrating environmental friendly solutions into its existing operations, to reduce carbon emission. UEG will also proactively develop its carbon credit trading segment and advance on the roadmap to make its business carbon neutral.

HSSE will remain our top priority. As the business grows, we will continue to maintain high HSSE standards in line with our commitment to safe operations. Improved integrated systems and technology application will help run efficient and safe operations. Undoubtedly, good HSSE performance is the prerequisite to achieving operational excellence and financial targets.

With regard to financial management, the Group is committed to a more optimized and comprehensive capital structure. We remain prudent with our finances, and our strong balance sheet gives us the financial flexibility needed to support business growth and continuously create value for our shareholders in the future.

For the year 2022, all assets teams delivered good performance, despite the challenges and uncertainties we faced. This is a strong reflection of the quality & professionalism of our employees and management. For the year 2023, targets and directions have been set. I am confident that we will work together to make our goals come true.

Zhang Hong Wei
Chairman
31 March 2023

MANAGEMENT DISCUSSION AND ANALYSIS

MANAGEMENT DISCUSSION AND ANALYSIS

Business Review

The Group is one of the largest listed upstream oil and gas corporations in Hong Kong, with business presence in South Asia and MENA. The Group is principally engaged in the investment and operation of upstream oil, natural gas and other energy related businesses. Leveraging on management's extensive experience in oil and gas exploration, the Group has successfully grown its business as one of the major players in the upstream oil and gas industry. It has established a sound track record of growing its business through acquisition and capital investment in a short span of time.

Growth of the global economy in 2022 was forecasted by the IMF, to slow down from 6.2% in 2021 to 3.4% in 2022. Global economy is experiencing a number of turbulent challenges, including rising inflation, Russia's war in Ukraine and lingering COVID-19 pandemic. World oil demand was estimated to have increased by 2.5 mmbbld year-on-year to average of 99.6 mmbbld in 2022 as reported by the OPEC Monthly Oil Market Report of January 2023. Oil price remained at a high level with average Brent Oil Price in 2022 at US$100.93/bbl, which is ~42% higher than US$70.86/bbl for 2021, according to data from U.S. Energy Information Administration. Leveraging on high oil price and continuous cost optimisation focus, the Group achieved better-than-expected earnings with a profit attributable to shareholders for the reporting period of approximately HK$2,601,162,000, representing a significant increase of 30.0% compared to last year of approximately HK$2,000,597,000.

Cost of sales and services rendered by the Group for the reporting period was approximately HK$5,240,760,000, and the Group invested approximately HK$5,313,965,000 of capital expenditure in oil exploration, development and production activities. The Group drilled 61 wells during the reporting period, including 28 wells in Pakistan Assets and 33 wells in MENA Assets.

Business Strategy

As one of the largest independent upstream oil and gas corporations listed on the Hong Kong Stock Exchange, the Group mainly engage in the exploration, development, production and sales of oil and natural gas. Principal elements of its strategy are as follows:

Focus on reserve and production increase

The Group continues to concentrate exploration efforts in its major operational areas in a well-designed way. Exploration strategy and execution provided reserve addition with higher successful rate and better capex efficiency. Meanwhile, it maintained production in mature oil and gas fields through necessary workovers and enhancement measures. Additionally, it drilled new development wells, contributing incremental production with higher successful rate. The Group's oil and gas assets are being developed in a responsible manner thanks to the organic mix of assets with varying exploration and development levels. Future large-scale discoveries might be made in new exploration locations and prospective technical research play.

Unlock existing assets potential

The Group's core business is located in Pakistan, Iraq and Egypt. Its high-quality assets are being managed by a professional management team. The Group's vision is to replicate its success story in Pakistan to the MENA region and integrate development of the enlarged and diversified assets portfolio.

Promote high-quality development

The Group aims to continue develop its assets in a sustainable, efficient, economical, and environment-friendly way, in order to maintain high-quality development status. It also aims to actively develop clean energy business, in order to gain synergetic effect with its core business.

Maintain a prudent financial policy

The Group will continue to maintain a prudent, disciplined financial policy, which underpinned its success over the years. As an essential part of its corporate culture, it continues to promote process streamlining, operational efficiency, cost optimisation and disciplined decision-making of investment across the Group. This helped to maintain a relatively low lifting cost and keep its competitiveness. Cash flow and indebtedness are carefully managed in order to maintain a healthy financial position and mitigate liquidity risk.

Exploration

In 2022, the Group devoted continuous efforts in its oil and gas exploration. Adhering to the philosophy of value-driven and anchoring on exploration and discoveries of small and prolific oil and gas fields, 12 commercial discoveries were achieved of which 9 were in Pakistan and 3 in Egypt.

Technical capabilities were enhanced, and efficiency of exploration improved. The Group continued to maintain a reasonable proportion of investment to support exploration activities, in order to ensure sustainable growth. Exploration area in Pakistan increased to 22,433 Km^2 (including 5,639 Km^2 non-operated) with three exploration blocks won in the bid round in 2022. Egypt's exploration area increased to 2,634 Km^2 with addition of one new Block. Exploration breakthroughs and commercial discoveries were achieved in Mirpur Khas Khipro ("MKK") block and Middle Indus and Mehar ("MIM"), with some production being added from downthrown structures in mature blocks in Pakistan. High testing production was observed from the block of Abu Sennan in Egypt. Exploration campaign in Pakistan and Egypt continued to optimise business portfolio and enhance production.

New blocks in Pakistan and Egypt provide a foundation for the new discoveries and future growth of the Group. Work associated with the new blocks will be conducted in 2023.

Engineering Construction

In 2022, the Group carefully organised operational resources and smoothly promoted engineering construction projects. With detailed planning and efficient management, it has successfully completed its production support and facility modification projects, which ensured the achievement of production and reserve targets and contributed economic benefits to the Group.

In Iraq, production in Block 9 rose to 60,000 boed. With work progressing swiftly on a CPF, Block 9 is gaining momentum towards achieving its 100,000 boed target in the coming year. CPF will lay a solid foundation for the production capacity ramp-up of Block 9. In Siba, well Siba-10 successfully achieved first gas with flowline tie-in 15 days, supporting the full year production target.

In mature assets, new ideas of process optimization, efficiency improving, energy saving and emission reduction were explored and gained benefits from facilities upgrades and renovation. In Pakistan, Naimat West-3 compression project was implemented, which improved production and optimised value of the assets. In Egypt, ASH, ASD, ASX facilities were upgraded to save cost in Abu Sennan Block, through releasing rental equipment, optimising facility efficiency, enhancing overall performance, increasing safety standards of the facility to secure employee health environment.

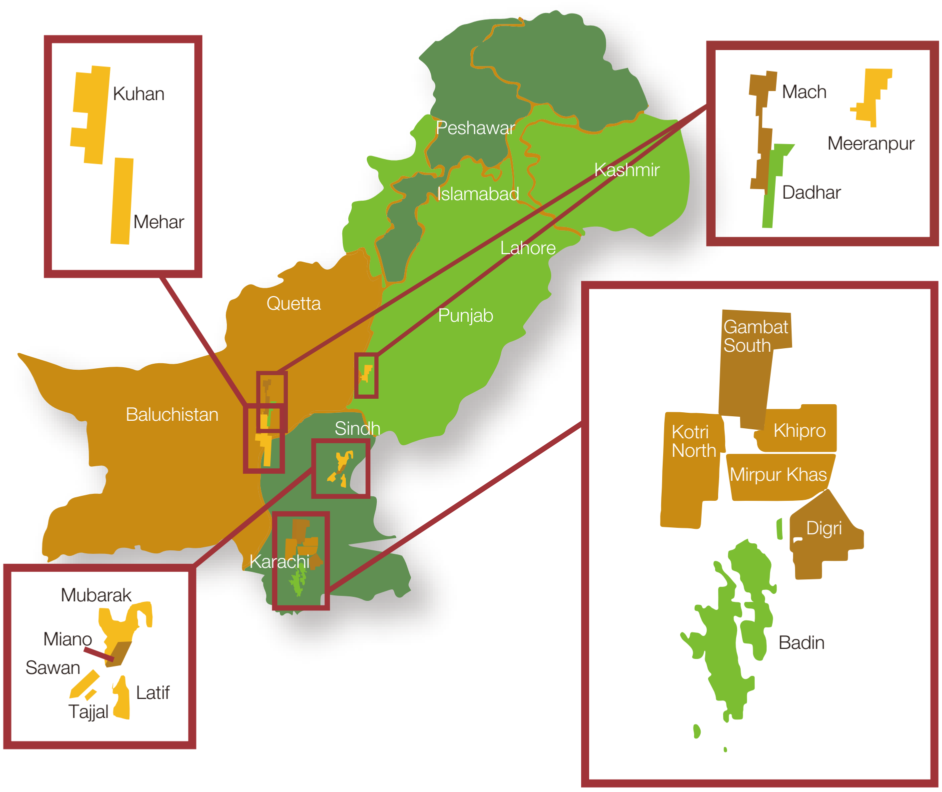
Development and Production

For the year ended 31 December 2022, the Group's average daily gross production was approximately 165,883 boed (Pakistan Assets – 69,405 boed plus MENA Assets – 96,478 boed), a 7.0% increase compared to approximately 154,984 boed last year and gross accumulated production was approximately 60.55 mmboe, a 7.0% increase compared to approximately 56.57 mmboe last year, at the same time, Group's average working interest production was 100,245 boed (Pakistan Assets – 47,029 boed plus MENA Assets – 53,216 boed), a 7.7% increase compared to approximately 93,097 boed last year, and working interest accumulated production was approximately 36.59 mmboe, a 7.7% increase compared to approximately 33.98 mmboe last year. In 2022, the Group aggressively managed decline rate of mature oil fields and achieved positive results to the gross and working interest production. Meanwhile, new exploration successes contributed to production increase. Last but not least, the negative impact of record rains and devastating floods in Pakistan was systematically managed to minimum impact and delivered stable and resilient production.

Pakistan

As of 31 December 2022, the Group holds interests in 5 areas, comprising of 16 development concessions for oil and gas production in Pakistan.

In 2022, Pakistan Assets achieved an average daily working interest production of approximately 47,029 boed, decrease by 2.6% compared to last year. Pakistan Assets have an oil and liquids ratio of ~18% which was 3 percentage points higher than last year. Accumulated gross production and working interest production for the full year was approximately 25.3 mmboe and 17.2 mmboe respectively.



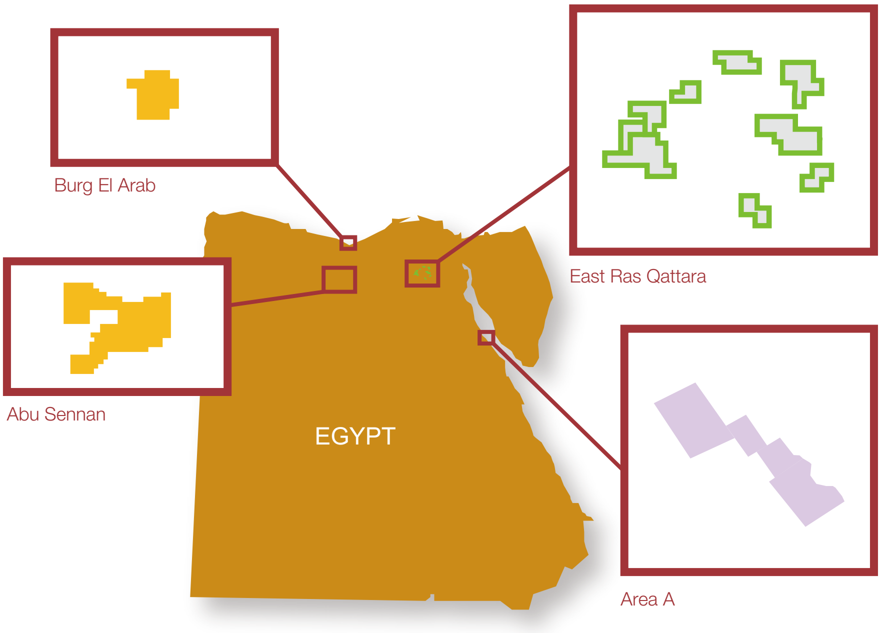
Iraq

The Group holds a 60% participating interest in the EDPSC of Block 9 in Iraq and is the Operator of this block. In 2022, average daily gross production was approximately 57,845 boed, and average daily working interest production was approximately 34,707 boed. Accumulated gross production and working interest production for the year were approximately 21.1 mmboe and 12.7 mmboe respectively. Block 9 has an oil and liquids ratio of 100%.

The Group holds a 30% participating interest in the GDPSC for the Siba contract area in Iraq and is the Operator of this block. Average daily gross production in 2022 was approximately 20,247 boed, and average daily working interest production was approximately 6,074 boed. Accumulated gross and working interest production were approximately 7.4 mmboe and 2.2 mmboe respectively. Siba has an oil and liquids ratio of ~67% almost the same compared to last year.

Egypt

The Group holds interests in four blocks in Egypt. It has a 100% participating interest in Burg El Arab. Participating interest in Area A, Abu Sennan and East Ras Qattara are 70%, 25% and 49.5% respectively. The Group are operators for all these blocks, except for East Ras Qattara. In 2022, average daily gross production was approximately 18,386 boed, and average daily working interest production was approximately 12,435 boed. Accumulated gross production and working interest production for the year were approximately 6.7 mmboe and 4.5 mmboe respectively. Egypt Assets has an oil and liquids ratio of ~98% which was 2 percentage higher than last year.



Sales and Marketing

Sales of Crude Oil

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

In 2022, the Group's total working interest crude and condensates selling volumes are 21.4 million barrels, representing a year-on-year increase of 20.2% and its average realised oil price (before government royalty, windfall levy and government take at working interest production) was approximately US$96.26/bbl, representing a year-on-year increase of 40.4%, mainly due to the increase of Brent oil price.

Sales of Natural Gas

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

In 2022, the Group's total working interest natural gas selling volumes are 14.9 mmboe, representing a year-on-year decrease of 6.6% and its average realised gas price (before government royalty, windfall levy and government take at working interest production) was approximately US$29.84/boe, representing a year-on-year increase of 20.3%, mainly due to the increase of Brent oil price.

Financial Results

Financial Review

For the year ended 31 December 2022 (the "reporting period"), the Group reported a profit attributable to the owners of the Company of approximately HK$2,601,162,000, representing an increase of 30.0% from the year ended 31 December 2021 ("last year") of approximately HK$2,000,597,000. The increase in net profit was mainly due to geopolitical conflicts in Eastern Europe led to higher international oil price and the Group's Iraqi assets has ramped up its production.

During the reporting period, the Group's average daily working interest production was approximately 100,245 boed (Pakistan Assets of 47,029 boed plus MENA Assets of 53,216 boed) compared to approximately 93,097 boed (Pakistan Assets of 48,287 boed plus MENA Assets of 44,810 boed) of last year, slightly increased by 7.7%. The Group aggressively managed decline rate of mature oil fields and achieved positive results to working interest production. Meanwhile, new exploration successes contributed to production increase. The average realised oil and gas price (before government royalty, windfall levy and government take at working interest production) was approximately US$68.93/boe, compared to approximately US$47.89/boe of last year, representing a sharp increase of 43.9%.

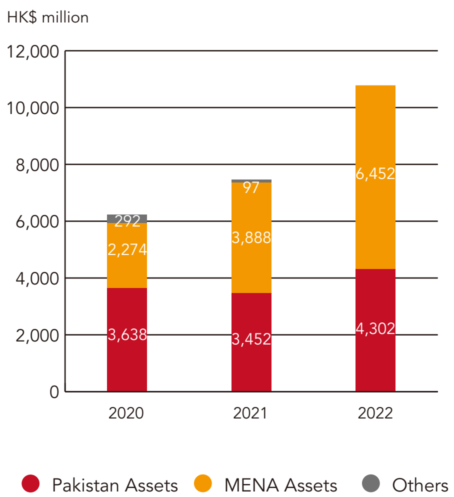
Turnover

The Group's turnover for the reporting period was approximately HK$10,753,743,000, representing a sharp increase of 44.6% as compared with the turnover of approximately HK$7,436,936,000 of last year. The increase in turnover was mainly contributed by the effect of the increased international oil price in result to increase in realised sales prices during the reporting period.

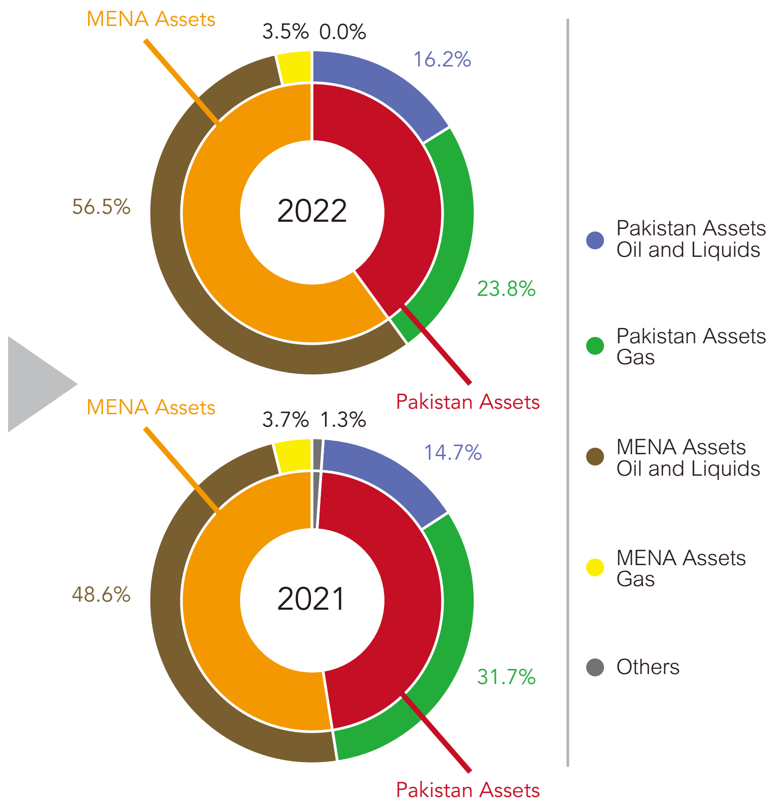
Exploration and Production Category		Year 2022	Year 2021	Change
Oil and gas sales*	USD'000	**2,520,414**	1,625,266	+55.1%
Crude oil and liquids	USD'000	**2,063,115**	1,222,342	+68.8%
Natural gas	USD'000	**445,433**	396,322	+12.4%
LPG	USD'000	**11,866**	6,602	+79.7%
Sales Volume	mmboe	**36.5**	33.9	+2.6
Crude oil and liquids	mmboe	**21.4**	17.8	+3.6
Natural gas	mmboe	**14.9**	16.0	–1.1
LPG	mmboe	**0.2**	0.1	+0.1
Realised prices*	US$/boe	**68.93**	47.89	+43.9%
Crude oil and liquids	US$/bbl	**96.26**	68.54	+40.4%
Natural gas	US$/boe	**29.84**	24.80	+20.3%
LPG	US$/boe	**58.65**	52.58	+11.5%

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

UEG 2022 FY - Turnover



Turnover Contribution by Products - 2022



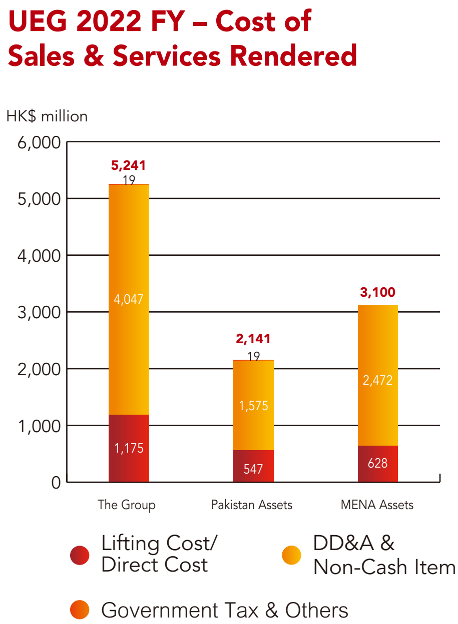
Notes:

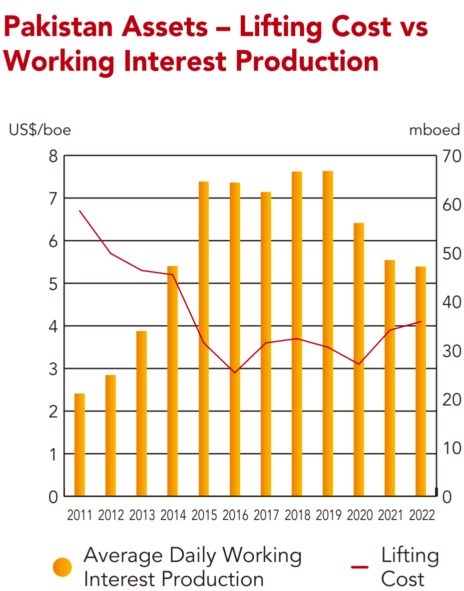
1. Turnover represents sales after government take.

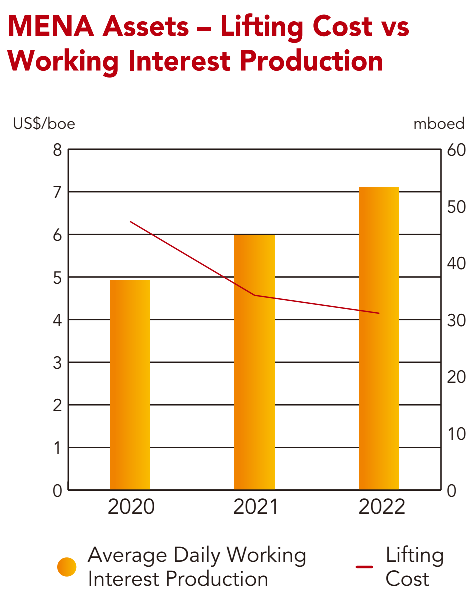
Cost of sales and services rendered

Operating expenses

The Group's operating expenses for exploration and production activities (which is defined as the cost of sales excluding depreciation and amortization, distribution expenses and allowance for slow-moving inventories) increased 5.3% to approximately HK$1,175,343,000 in 2022, compared with approximately HK$1,115,843,000 in 2021. The operating expenses per boe (at working interest production) was approximately US$4.12 in 2022, compared with approximately US$4.21 in 2021, decreased by 2.1%. For Pakistan Assets, operating expenses per boe was approximately US$4.09, increased by 5.1% (last year: approximately US$3.89 per boe); while for MENA Assets, operating expense per boe was approximately US$4.15, decreased by 9.2% (last year: approximately US$4.57 per boe).







Note:

1. Lifting cost represent cost of sales & services rendered excluding depreciation and amortisation, sales expenses and government tax.

Depreciation, depletion and amortisation

Included in the cost of sales and services rendered, the depreciation, depletion and amortisation was approximately HK$4,026,922,000, representing an increase of 41.3% as compared with the amount of approximately HK$2,849,025,000 in last year.

Gross profit

The Group's gross profit for the reporting period was approximately HK$5,512,983,000 (gross profit ratio 51.3%) which represented a sharp increase of 64.2% as compared with gross profit of approximately HK$3,357,435,000 (gross profit ratio 45.1%) for the last year. The increase in gross profit was attributed to the sharp increase of international oil price which result in increase in overall realised sales prices and increase in sales volume during the reporting period.

Exploration expenses

The Group's exploration expenses for the reporting period was approximately HK$718,761,000 (last year: approximately HK$164,256,000) which included the expenses for performance of geological and geophysical studies, surface use rights & wells and the written off loss of approximately HK$706,745,000 (last year: approximately HK$157,553,000) arising from dry exploration wells in Pakistan and Egypt Assets.

Administrative expenses

The Group's administrative expenses for the reporting period was approximately HK$523,886,000 (last year: approximately HK$574,142,000) representing 4.9% (last year: 7.7%) of the turnover.

Finance costs

The Group's finance costs for the reporting period was approximately HK$387,642,000, which represented an increase of 45.2% as compared with the finance costs of approximately HK$266,913,000 for the last year. Despite the average outstanding loan balances decreased during the reporting period, the weighted average interest rate increased from 4.77% from last year to 7.51% resulted to the increase in finance cost for the period.

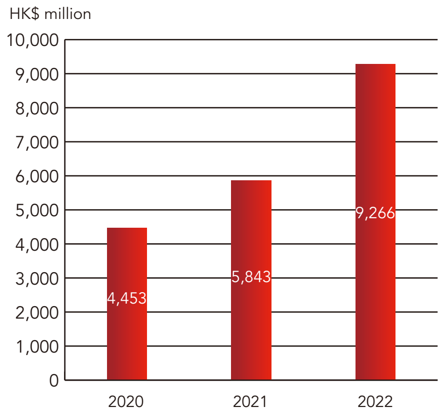
Income tax expense

The Group's income tax expense for the reporting period was approximately HK$419,950,000. This included the current income tax of approximately HK$1,194,750,000 and deferred tax income of approximately HK$774,800,000, compared with current income tax of approximately HK$411,401,000 and deferred tax expenses of approximately HK$20,838,000 for the last year respectively. The Group's effective tax rate for the reporting period was approximately 13.9%, representing a decrease 3.9 percentage points as compared with 17.8% for the last year.

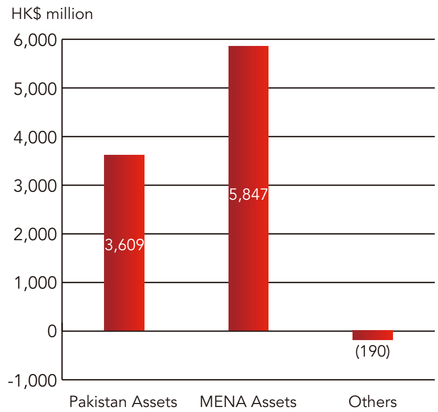
EBITDA

EBITDA represents the profit before finance costs, income tax expense, depreciation and amortisation, property, plant and equipment written off, impairment losses for intangible assets and property, plant and equipment, share of losses/profits of associates, share of loss in a joint venture, gain/loss on disposals of property, plant and equipment, gain on derecognition of right-of-use assets and lease liabilities, allowance for slow-moving inventories, other payables and accruals written back, impairment losses on/reversals of impairment losses on trade receivables and reversals of impairment losses on/impairment losses on other receivables. It shall be noted that EBITDA is not a measurement of operating performance or liquidity defined by generally accepted accounting principles and may not be comparable to similarly titled measures presented by other companies. The EBITDA for the reporting period was approximately HK$9,266,023,000, increased by 58.6% from the last year of approximately HK$5,843,458,000. The increase in EBITDA was mainly attributable to the continuous high international oil price during 2022 and the Group's Iraqi assets has ramped up its production during the reporting period.

UEG 2022 FY – EBITDA



UEG 2022 FY – EBITDA by Assets



Notes:

1. EBITDA represents the profit before finance costs, income tax expense, depreciation and amortisation, property, plant and equipment written off, impairment losses for intangible assets and property, plant and equipment, share of losses/profits of associates, share of loss in a joint venture, gain/loss on disposals of property, plant and equipment, gain on derecognition of right-of-use assets and lease liabilities, allowance for slow-moving inventories, other payables and accruals written back, impairment losses on/reversals of impairment losses on trade receivables and reversals of impairment losses on/impairment losses on other receivables.

2. Others represent corporate and administrative expenses.

Cash generated from operating activities

The Group's net cash inflow from operating activities for the reporting period was approximately HK$7,824,906,000, representing an increase of 82.8% as compared with the last year of approximately HK$4,280,826,000. This was primarily attributed to the increase in oil and gas sales cash inflows due to increased realised sales prices during the year.

Cash used in investing activities

In 2022, the Group's net cash used in investing activities increased by 128.8% to approximately HK$5,706,750,000 from last year, mainly due to the development expenditure of approximately HK$5,392,499,000 for the reporting period with an overall increase of 97.6% as compared to last year.

Cash used in financing activities

In 2022, the net cash used in financing activities was approximately HK$2,069,864,000, mainly due to the payment of special dividend of approximately HK$1,051,597,000 and repayment of bank loans of approximately HK$1,980,101,000; but offset by drawdown of bank loans of approximately HK$768,300,000 and prepayment facilities of approximately HK$390,000,000.

Dividend

No final dividend is proposed for the year ended 31 December 2022.

Business and market outlook

According to recent IMF forecast in January 2023, global economy in 2023 is projected to grow by 2.9%. Global oil demand is forecasted to increase by 2.2 mmbbld to average of 101.8 mmbbld, as per OPEC Monthly Market Report of January 2023. Global economies growth is expected below the historical (2000-2019) annual average 3.8 percent, with the rise in central bank rates to fight inflation, especially in advanced economies, as well as the continuing war in Ukraine. Oil and gas industry is expected to benefit from high energy price caused by tightened and imbalanced market.

For 2023 plans, the Group targets average daily gross production level of 165,000 to 179,000 boed, and average daily working interest production level of 94,700 to 102,400 boed. Capital expenditure is anticipated to reach US$990 million to US$1,050 million, which is essential to support exploration, development and construction plans of Group. It aims to continue with its financial discipline and manage capital expenditure to the possible extent through optimisation of its exploration program and schedule of development facilities construction; whilst balancing workload of each asset to reach economically efficient outputs.

Pakistan Assets:

According to a Pakistan energy outlook report prepared by Ministry of Planning, Development and Special Initiatives Government of Pakistan, gas demand is expected to increase from approximately 3.56 bcfd in 2020 to approximately 4.24 bcfd in 2030. On the supply side, the domestic production amounted to approximately 3.69 bcfd in 2020 and is expected to decline quickly to approximately 2.82 bcfd in 2025, and approximately 2.18 bcfd by 2030. Gas shortage in Pakistan is mitigated by importing significantly more expensive LNG from the neighboring countries. Given Group's production is predominantly in gas, our sale of natural gas is almost guaranteed to be taken up by the state-owned gas distribution customer. We continue to leverage our experience and understanding of the geology and geophysics in Lower Indus Basin, Middle Indus Basin and Western Fold Belt of Pakistan to unlock the potentials of these assets. The Group won three exploration blocks in the bid round in 2022. Compared with 2021, the extent of exploration rights rose from 14,868 Km^2 to 22,433 Km^2, approximately 51%. Besides, the Group will continue to look for similar opportunities in the market or other access alternatives, such as participating in government bidding process, and strengthen cooperation with state-owned oil companies to expand its footprint in Pakistan.

For Pakistan Assets, the Group plans to achieve an average daily working interest production of 40,500 to 44,500 boed in 2023.

MENA Assets:

In March 2019, the Group completed acquisition of KEC, which is engaged in exploration, appraisal, development and production of oil and gas assets in the MENA region. This acquisition brings high-quality assets to the Group's portfolio with significant scale and strong development potential. The production base and long reserve life of these assets are highly complementary to the Group's existing portfolio and will provide a sustainable development profile to the Group for the next two decades. As per reserve report issued by independent reserve auditor as of 31 December 2022, the MENA Assets were reported with 2P working interest reserve of 767.6 mmboe with almost 97.5% located in Iraq. The Group will leverage its strong financial capability to further unlock the potential of MENA Assets and replicate its past success story in MENA region. Average daily gross production of Block 9 in Iraq is expected to reach 130,000 boed in the near future. The gas production of Siba in Iraq is expected to reach a sustainable Plateau Production Target in the near future. Egyptian assets are mature producing assets, it will stay stable in terms of both production and reserve, in the year of 2023.

In 2023, Iraq Assets are expected to achieve an average daily working interest production of 42,700 to 44,900 boed, whereas Egypt Assets will achieve an average daily working interest production of 11,500 to 13,000 boed.

Conclusion

Continuing with the momentum of previous years, the Group achieved outstanding operational and financial performance. Quality professional management greatly contributed to these desirable results. For the way forward, Group will continue to ramp up production, optimising operation and re-investing in our people and assets. Devoted to creating value for the shareholders, we expect a fruitful year of 2023 with a more solid base of continuous growth in years to come.

Liquidity and Financial Resources

During the reporting period, the Group continues to maintain a strong financial position, with bank and cash balances amounting to approximately HK$3,255,124,000 as at 31 December 2022 (31 December 2021: approximately HK$3,170,562,000).

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

	Principal amount outstanding at 31 December 2022	
		Equivalent to
	US$	HK$
Revolving loans	255,104,000	1,989,811,000
Term loans	161,498,000	1,259,684,000
Reserves-based borrowing	23,750,000	185,250,000
Prepayment facilities	50,000,000	390,000,000
Finance leases	25,386,000	198,011,000
	515,738,000	4,022,756,000

As at 31 December 2022, the gearing ratio was approximately 15.3% (31 December 2021: 19.7%), based on borrowings, advances from a customer, and lease liabilities under current liabilities and non-current liabilities of approximately HK$2,446,943,000 (31 December 2021: approximately HK$1,868,474,000) and approximately HK$1,755,585,000 (31 December 2021: approximately HK$3,066,609,000) respectively and total assets of approximately HK$27,419,844,000 (31 December 2021: approximately HK$25,032,350,000). As at 31 December 2022, the current ratio was approximately 1.25 times (31 December 2021: approximately 1.51 times), based on current assets of approximately HK$10,005,097,000 (31 December 2021: approximately HK$7,668,588,000) and current liabilities of approximately HK$7,974,309,000 (31 December 2021: approximately HK$5,093,352,000).

As at 31 December 2022, the Group's total borrowings amounted to approximately HK$3,472,313,000 (31 December 2021: approximately HK$4,594,073,000), all of them are denominated in United States dollars. The weighted average interest rate of the borrowings as at 31 December 2022 was 7.43% (31 December 2021: 4.60%).

As at 31 December 2022, the Group's property, plant and equipment, right-of-use assets, trade receivable, advances, deposits and prepayments and bank balances, with total carrying value of approximately HK$5,459,329,000 (31 December 2021: approximately HK$3,834,155,000) and share charges in respect of the equity interests of certain subsidiaries were pledged to secure the Group's general banking facilities, finance lease, trade and other payables and exploration, performance and financial obligations of the Group.

The Group is continuously exploring opportunities to optimise its capital structure, including the debt portfolio, to support organic, as well as inorganic growth, and will over the coming 12-month period explore opportunities for tapping the international debt capital markets, including the possibility to issue a corporate bond.

Material Acquisitions and Disposal

The Group and the Company do not have material acquisition and disposal during the reporting period.

Segment Information

Particulars of the Group's segment information are set out in note 11 of the Notes to Consolidated Financial Statements in this annual report.

Capital Structure

During the reporting period, there was no change of the issued share capital of the Company. The total number of issued shares of the Company was 26,289,928,786 shares as at 1 January 2022 and 31 December 2022.

Employees

As at 31 December 2022, the Group employed a total of 2,183 full time employees in Hong Kong, PRC, Pakistan, Dubai and other MENA locations. Employees' remuneration package is reviewed periodically and determined with reference to the performance of the individual and the prevailing market practices. Remuneration package included basis salaries, year-end bonus, medical and contributory provident fund.

Contingent Liabilities

Particulars of the Group's contingent liabilities are set out in note 41 of the Notes to Consolidated Financial Statements in this annual report.

Exposure to Fluctuations in Exchange Rates and Related Hedges

The Group's monetary assets and transactions are mainly denominated in United States dollars and Hong Kong dollars, which are relatively stable. Other currency involved include Renminbi, Pakistani Rupee, Iraqi Dinar and Egyptian Pound which exchange rate impact is not considered significant. The Group did not use financial instruments for hedging purposes during the reporting period and will continue to monitor impact of any exchange fluctuations and take appropriate action to prevent any exposure to the Group.

Major Customers and Suppliers

In 2022, the Group's five largest customers represented 93.8% of total turnover (2021: 96.8%) and the Group's five largest suppliers represented 45.1% of total cost of sales and services rendered (2021: 14.7%).

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 the Rules Governing the Listing of Securities (the "Listing Rules") of the Stock Exchange of Hong Kong Limited (the "Stock Exchange").

A. INFORMATION ON CRUDE OIL AND NATURAL GAS RESERVES

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

For the year ended 31 December 2022, the Group engaged independent third party consulting firms to perform audit and review on the reserves estimates. The firms have audited over 90.9% of the Group's total net entitlement 1P reserves, and completed a high level review of the reasonableness of the process used by the Group on the other fields representing 9.1% of the Group's total net entitlement 1P reserves and its opinion stated that the estimates are reasonable.

The following table set out the estimates of Group's net entitlement 1P reserves.

	Pakistan Assets			MENA Assets			
Net entitlement proved reserves	**Oil, Condensate and LPG** (MMbbl)	**Sales Gas** (Bcf)	**Total** (MMboe)	**Oil, Condensate and LPG** (MMbbl)	**Sales Gas** (Bcf)	**Total** (MMboe)	**Total** (MMboe)
As at 31 December 2021 and 1 January 2022	16.6	245.3	58.9	120.4	74.1	132.7	191.6
Production	(3.1)	(81.9)	(17.2)	(8.2)	(3.3)	(8.7)	(25.9)
Revisions	3.0	75.1	15.9	(17.0)	(12.6)	(19.1)	(3.2)
As at 31 December 2022	16.5	238.5	57.6	95.2	58.2	104.9	162.5

Notes:

1. Boe is calculated using a conversion ratio of 5,800 Scf/Boe for Pakistan Assets and 5,000-6,000 Scf/Boe for MENA Assets.

2. Net entitlement reserve represents Group's proportion after application of the state share under the concession agreements governing the assets.

B. 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:	• 15 Exploration wells	• 4 Exploration wells
Development activities:	• 13 Development wells • 5 Rig workovers	• 29 Development wells • 16 Rig workovers
Production activities:	• Average daily working interest production of 47,029 boed	• Average daily working interest production of 53,216 boed

C. 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 year ended 31 December 2022:

	Pakistan Assets HK$'000	MENA Assets HK$'000	Total HK$'000
Exploration costs	509,303	53,194	562,497
Development costs	402,180	3,906,861	4,309,041
Production costs (Note)	714,748	658,948	1,373,696

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

CORPORATE GOVERNANCE REPORT

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

Corporate Governance Practices

For the year ended 31 December 2022, the Company has applied the principles and complied with the code provisions as set out in the Code on Corporate Governance Practices (the "Code") contained in Appendix 14 of the Listing Rules, save for the deviations which are explained below.

– The Code A.2.1 – the company have the post of chief executive officer but it was vacant;

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

Code provision A.2.1 of the Code provides that the roles of chairman and chief executive should be separate and should not be performed by the same individual. The division of responsibilities between the chairman and chief executive should be clearly established and set out in writing. Although the Company has separated the duties between the chairman and chief executive officer, the post of the chief executive officer was vacant. In this connection, the executive function of the Company is performed by the executive Directors and management of the Company. Thus, significant decision of the Company is made by the Board. The Board considers that such structure will not affect the balance of power and authority between the chairman and the executive Directors.

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

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 2022.

Directors and Officers Insurance

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

Board of Directors

Composition

As at 31 December 2022, the Board of Directors (the "Board") of the Company comprises five members and Mr. Zhang Hong Wei acts as the Chairman of the Board. Another executive Director is Ms. Zhang Meiying. The Company has three independent non-executive Directors, Mr. Chau Siu Wai, Mr. San Fung and Ms. Wang Ying, one of whom namely, Ms. Wang Ying has appropriate professional accounting experience and expertise.

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

Notes:

C – Chairman of the Board or relevant Board committees

M – Member of the Board or relevant Board committees

All Directors have distinguished themselves in their field of expertise, and have exhibited high standards of personal and professional ethics and integrity. The biographical details of each Director are disclosed on pages 47 to 48 of this annual report.

During the year ended 31 December 2022, save as disclosed above under the paragraph "Corporate Governance Practices", the Board has at all times met the requirements of the Listing Rules relating to the appointment of at least three independent non-executive Directors (representing at least one-third of the Board), with at least one independent non-executive Director possessing appropriate professional qualifications and accounting and related financial management expertise.

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

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

Function

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

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

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

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

There are 11 Board meetings being held during the year ended 31 December 2022 and the attendance of individual Directors is as follows:

	Board Meetings
Mr. Zhang Hong Wei	11/11
Ms. Zhang Meiying	11/11
Mr. Chau Siu Wai	11/11
Mr. San Fung	11/11
Ms. Wang Ying	11/11

The attendance records of individual Directors of the 2022 Annual General Meeting ("2022 AGM") held on 6 June 2022 is set out below:

	2022 AGM
Mr. Zhang Hong Wei	1/1
Ms. Zhang Meiying	1/1
Mr. Chau Siu Wai	1/1
Mr. San Fung	1/1
Ms. Wang Ying	1/1

Training and Support for Directors

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

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

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

During the year ended 31 December 2022, the Company provided reading materials on corporate governance, Directors' duties and responsibilities and regulatory update on the Listing Rules amendments to all the Directors for their reference and studying. Besides, all Directors attended other seminars and training sessions arranged by other professional firms/institutions. All Directors had provided the Company their training records for the reporting period. The Directors and officers are indemnified under a directors' and officers' liability insurance against any liability incurred by them in discharge of their duties while holding office as the Directors and officers of the Company. The Directors and officers shall not be indemnified where there is any fraud, breach of duty or breach of trust proven against them.

Responsibilities

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

Directors' Responsibilities for the Consolidated Financial Statements

The Directors acknowledge their responsibilities for the preparation of the consolidated financial statements of the Group and ensure that the consolidated financial statements of the Group are in accordance with statutory requirements and applicable accounting standards. The Directors also ensure the timely publication of the consolidated financial statements of the Group. In preparing the accounts for the year ended 31 December 2022, the Directors have, among other things:

- Selected suitable accounting policies and applied them consistently;

- Approved adoption of all Hong Kong Financial Reporting Standards ("HKFRSs") which are in conformity with the International Financial Reporting Standards ("IFRSs"). The Consolidated financial statements of the Group and the statement of financial position and reserve movement of the Company have been prepared in accordance with HKFRSs which is aligned with IFRSs as issued by the International Accounting Standard Board ("IASB"); and

- Made judgments and estimates that are prudent and reasonable; and have prepared the accounts on the going concern basis.

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

Delegation by the Board

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

Audit Committee

The Company formulated written terms of reference for the Audit Committee in accordance with the requirements of the Listing Rules. As at 31 December 2022, the Audit Committee consists of all the independent non-executive Directors, namely Mr. Chau Siu Wai, Mr. San Fung and Ms. Wang Ying. It is chaired by Mr. San Fung.

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

During the year ended 31 December 2022, there are 2 audit committee meetings being held and the external auditor of the Company has attended 2 audit committee meetings. The individual attendance of each member is as follows:

	Audit Committee Meetings
Mr. Chau Siu Wai	2/2
Mr. San Fung	2/2
Ms. Wang Ying	2/2

The members of Audit Committee have full access to and co-operation from the management and they have full discretion to invite any Director or executive to attend the meeting. The Audit Committee has performed the following functions during the year ended 31 December 2022: (1) reviewed the annual audit plan of external auditors, their audited reports and matters incidental thereto; (2) approved the appointment of external auditors including the terms of engagement; (3) discussed the risk management and internal control issues; (4) examined the application of funds; (5) reviewed the interested party transactions; and (6) reviewed the periodic financial statements of the Company and made recommendation to the Board for approval and evaluated the performance and independence of the external auditors.

Remuneration Committee

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

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

The Remuneration Committee held 2 meetings in 2022, including to review and discuss the remuneration policy, assess performance of the executive Directors, review and approve and the remuneration packages of Directors and senior management of the Group during the year ended 31 December 2022.

Nomination Committee

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

The Nomination Committee held 2 meetings in 2022 at which all committee members were present. The work carried out by the Nomination Committee during the year included to nominate the members of Board for retirement and re-election at the annual general meeting, to review the structure, size and composition of the Board and to assess the independence of independent non-executive Directors. The Nomination Committee also considered the Board Diversity Policy and whether the Board had the appropriate balance of skills, experience and diversity of perspectives necessary to enhance the effectiveness of the Board and to maintain high standards of corporate governance. After due consideration, the Nomination Committee has concluded that based on the Company's existing business model and specific needs, the current composition of the Board satisfies the Board Diversity Policy for the year under review.

Responsibilities and Remuneration of External Auditors

The statement of the external auditors of the Company, Messrs. RSM Hong Kong, about their reporting responsibilities on the consolidated financial statements of the Group is set out in the Independent Auditor Report on pages 49 to 56.

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

Services rendered:	HK$
– audit services	3,640,000
– interim financial review	380,000
– non-audit services	447,000

Risk Management and Internal Control

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

The Group has established an internal audit and risk management department (the "IARM Department"), which will report to the Board, to conduct annual review of the Group's risk management and internal control systems to ensure its effectiveness and the interest of shareholders is safeguarded. During the reporting period, the IARM Department has conducted annual review of the Group's risk management and internal control systems with implementation of stricter and regulated risk management and internal control procedures. After discussing with the IARM Department, the Board considered that the Group's risk management and internal control systems had been implemented effectively. The annual reviews covered all material controls, including financial, operational and compliance controls and risk management functions.

Company Secretary

Mr. Hung Lap Kay is the company secretary of the Company since March 2010. During the year ended 31 December 2022, Mr. Hung has taken no less than 15 hours of relevant professional trainings to update his skill and knowledge.

Communication with Shareholders

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

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

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

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

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

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

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

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

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

REPORT OF THE DIRECTORS

The Directors present their annual report and the audited consolidated financial statements for the year ended 31 December 2022.

Principal Activities

The Company acts as an investment holding company. The principal activities of its principal subsidiaries are set out in note 45 to the Consolidated Financial Statements of this annual report.

Business Review

General

For the review of the business of the Group including the future development in the Group's business and the analysis of financial key performance indicators, please refer to the section headed "Management Discussion and Analysis" on pages 10 to 25 of this annual report.

Principal risks and uncertainties facing the Group

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

Risks pertaining to the changes in oil and gas prices in international market

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

Risks pertaining to the oil & gas market in Pakistan, Egypt and Iraq

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

Risks pertaining to exploration and replacement of reserves

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

Risks pertaining to operation

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

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

Risks pertaining to mergers and acquisitions

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

Past performance and forward looking statements

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

Risks pertaining to force majeure events, natural disasters or outbreaks of contagious diseases

The Group's business could be adversely affected by natural disasters or outbreaks of epidemics, which may affect the procurement of raw materials and production, sale and exportation of the Group's products. Epidemics, pandemics or outbreaks or escalation of diseases, including, among others, Severe Acute Respiratory Syndromes ("SARS"), avian influenza, swine flu ("H1N1"), novel coronavirus in 2019 ("COVID-19") and other diseases may affect the livelihood of people in the worldwide. These natural disasters, outbreaks of contagious diseases, and other adverse public health developments in the worldwide could severely disrupt the Group's business operations by restricting travel and sales activities and delaying delivery of the Group's products, impact the productivity of the workforce, or reduce the demand for the Group's products, which may materially and adversely affect business, financial condition and results of operations of the Group.

Environmental policies and performance

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

Compliance with Laws and Regulations

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

Key relationship with major stakeholders

The Group places value to develop mutually beneficial relationships with its stakeholders, including its shareholders, employees, government and local communities, customers and suppliers. Details of communication with shareholders are included in Corporate Governance Report of this annual report on page 28.

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

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

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

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

Results

The results of the Group for the year ended 31 December 2022 and the state of affairs of the Group at that date are set out in the Consolidated Financial Statements on pages 57 to 157 of this annual report.

Major Customers and Suppliers

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

	Percentage of the Group's total	
	Sales	Purchases
The largest customer	46.8%	N/A
Five largest customers	93.8%	N/A
The largest supplier	N/A	23.7%
Five largest suppliers	N/A	45.1%

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

Share Premium and Reserves

Details of movements in the share premium and reserves of the Company and the Group during the reporting period are set out in note 36 to the Consolidated Financial Statements and on page 61 of this annual report respectively.

Segment Information

The segment information of the Group for the year ended 31 December 2022 is set out in note 11 to the Consolidated Financial Statements of this annual report.

Financial Summary

A summary of the results and of the assets, liabilities and non-controlling interests of the Group for the last five financial years, as extracted from the audited consolidated financial statements, is set out on page 158 of this annual report. This summary is for information only and does not form part of the audited Consolidated Financial Statements.

Property, Plant and Equipment

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

Bank Loans and Other Borrowings

Details of bank loans and other borrowings during the reporting period are set out in note 30 to the Consolidated Financial Statements of this annual report.

Permitted Indemnity Provision

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

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

Directors and Directors' Service Contracts

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

Executive Directors:

Mr. Zhang Hong Wei *(Chairman)*
Ms. Zhang Meiying

Independent non-executive Directors:

Mr. Chau Siu Wai
Mr. San Fung
Ms. Wang Ying

Pursuant to Bye-laws 84(1) and 84(2), Ms. Zhang Meiying, Mr. San Fung and Mr. Chan Siu Wai shall retire by rotation and being eligible, will offer themselves for re-election at the Annual General Meeting to be held on 1 June 2023.

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

Share Option Scheme

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

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

During the reporting period, no share options were granted, exercised, lapsed or cancelled under the New Scheme.

The old share option scheme of the Company (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.

On 29 August 2022, the total adjusted outstanding share options granted under the Old Scheme but not exercised 23,256,637 units of the share options were lapsed. As at 31 December 2022, There is no share options outstanding under the Old Scheme.

As at 31 December 2022, details of outstanding share options granted but not exercised under the Old Scheme are as follows:

Grant Date	Adjusted Exercise Price (Note) HK$	Vesting Period	Exercisable Period	Adjusted Number of Share Options (Note)					
				As at 1.1.2022	Granted	Exercised	Lapsed	Cancelled	As at 31.12.2022
Employees									
29.8.2012	0.93	29.8.2012 to 28.8.2013	29.8.2013 to 28.8.2022	6,976,991	–	–	6,976,991	–	–
29.8.2012	0.93	29.8.2012 to 28.8.2014	29.8.2014 to 28.8.2022	4,651,327	–	–	4,651,327	–	–
29.8.2012	0.93	29.8.2012 to 28.8.2015	29.8.2015 to 28.8.2022	4,651,327	–	–	4,651,327	–	–
29.8.2012	0.93	29.8.2012 to 28.8.2016	29.8.2016 to 28.8.2022	6,976,992	–	–	6,976,992	–	–
Total				23,256,637	–	–	23,256,637	–	–

Performance Share Unit Scheme

The Performance Share Unit Scheme (the "Share Scheme") for employees of the Group or any subsidiaries of the Group was adopted by the Company on 1 April 2019. The Share Scheme is subject to the provision of Chapter 17 of the Listing Rules. The specific objectives of the Share Scheme are (i) to drive success and growth in the shareholder value of the Group; (ii) to promote the effective achievement of the mid- and long-term performance goals of the Group; and (iii) to attract, motivate and retain core talents of the Group with rewards and incentives. Subject to any early termination as may be determined by the Board pursuant to the scheme rules of the Share Scheme, the Share Scheme shall be valid and effective for a term of 10 years commencing on the adoption date. The Company shall not make any further award which will result in the aggregate number of shares underlying all grants made pursuant to the Share Scheme (excluding awarded shares that have been forfeited in accordance with the Share Scheme) to exceed 10% of the total number of the Company's issued shares from time to time. The Board may from time to time while the Share Scheme is in force and subject to all applicable laws, determine such vesting criteria and conditions or periods for the grant to be vested.

On 17 May 2022, the Board approved to grant a total of 39,547,163 shares of the Company to 71 entitled employees of the Group under the Share Scheme for the scheme year 2022. It was the first and only grant under the Share Scheme since the date of adoption to 31 December 2022. During the reporting period, 39,547,163 shares of the Company was granted under the Share Scheme and no granted shares was vested, lapsed and cancelled.

Disclosure of Interests

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

As at 31 December 2022, the following Director had or was deemed to have interests or short positions in the shares, underlying shares or debentures of the Company and its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance (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	Name of Company	Nature of interest	Number of Shares Long Position	Number of Shares Short Position	Approximate % shareholding
Zhang Hong Wei (Note 1)	The Company	Attributable interest of controlled corporation	17,466,600,230	2,696,809,090	66.44% (L) 10.26% (S)
Zhang Meiying (Note 2)	The Company	Attributable interest of controlled corporation	1,287,700,000	800,000,000	4.90% (L) 3.04% (S)

Note:

1. Out of the 17,466,600,230 shares (66.44%), 8,029,971,845 shares (30.54%) were beneficially held by He Fu International Limited, 5,787,539,821 shares (22.01%) were beneficially held by United Petroleum & Natural Gas Holdings Limited, and 3,649,088,564 shares (13.88%) were beneficially held by United Energy Holdings Limited. United Petroleum & Natural Gas Holdings Limited and United Energy Holdings Limited are companies wholly-owned by Million Fortune Enterprises Limited, which is in turn wholly-owned by Mr. Zhang Hong Wei. He Fu International Limited is wholly-owned by Huilan Investment Limited, which is owned by 东方集团有限公司 (92%) and 东方集团产业发展有限公司 (8%). 东方集团产业发展有限公司 is wholly-owned by 东方集团有限公司, which is 94% owned by 名泽东方投资有限公司, which is in turn wholly-owned by Mr. Zhang Hong Wei. Therefore, Mr. Zhang Hong Wei is deemed to be interested in those 17,466,600,230 shares (66.44%).

2. 1,287,700,000 shares (4.9%) were beneficially held by Brand Master Group Limited which is wholly-owned by Ms. Zhang Meiying.

3. (L) denotes long position and (S) denotes short position.

Save as disclosed above, as at 31 December 2022, none of the Directors and chief executives of the Company and their respective associates had or is deemed to have any interests or short positions in the shares, underlying shares or debentures of the Company or its associated corporations (within the meaning of Part XV of the SFO) (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 and short positions which the Directors and chief executives of the Company are taken or deemed to have under such provisions of the SFO), or (ii) were required to be recorded in the register required to be kept by the Company pursuant to section 352 of the SFO, or (iii) which will be required, pursuant to the Model Code, to be notified to the Company and the Stock Exchange.

Substantial Shareholders

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

So far as is known to the Directors, as at 31 December 2022, the following person (not being Directors or chief executive of the Company) had, or was deemed to have, interests or short positions in the Shares or underlying Shares which would fall to be disclosed to the Company and the Stock Exchange under the provisions of Divisions 2 and 3 of Part XV of the SFO or who were directly or indirectly interested in 5% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of any member of the Group:

Name	Capacity and nature of interest	Number of Shares	Approximate % shareholding
Zhang Hong Wei (Note a)	Attributable interest of controlled corporation	17,466,600,230 (L) 2,696,809,090 (S)	66.44% (L) 10.26% (S)
名泽东方投资有限公司 (Note a)	Attributable interest of controlled corporation	8,029,971,845 (L)	30.54% (L)
东方集团有限公司 (Note b)	Attributable interest of controlled corporation	8,029,971,845 (L)	30.54% (L)
东方集团产业发展有限公司 (Note c)	Attributable interest of controlled corporation	8,029,971,845 (L)	30.54% (L)
Huilan Investment Limited (Note d)	Attributable interest of controlled corporation	8,029,971,845 (L)	30.54% (L)
He Fu International Limited (Note e)	Beneficial owner	8,029,971,845 (L)	30.54% (L)
东方集团股份有限公司 (Note f)	Attributable interest of controlled corporation	6,572,483,000 (L)	25.00% (L)
东方集团粮油食品有限公司 (Note f)	Attributable interest of controlled corporation	6,572,483,000 (L)	25.00% (L)
北京青龙湖嘉禾企业管理有限公司 (Note f)	Beneficial owner	6,572,483,000 (L)	25.00% (L)
Million Fortune Enterprises Limited (Note a)	Attributable interest of controlled corporation	9,436,628,385 (L) 2,696,809,090 (S)	35.89% (L) 10.26% (S)
United Petroleum & Natural Gas Holdings Limited (Note g)	Beneficial owner	5,787,539,821 (L) 1,287,700,000 (S)	22.01% (L) 4.90% (S)
United Energy Holdings Limited (Note g)	Beneficial owner	3,649,088,564 (L) 1,409,109,090 (S)	13.88% (L) 5.36% (S)
Haitong Securities Co., Ltd. (Note h)	Attributable interest of controlled corporation	3,496,809,090 (L) 1,409,109,090 (S)	13.30% (L) 5.36% (S)
Haitong International Holdings Limited (Note h)	Attributable interest of controlled corporation	3,496,809,090 (L) 1,409,109,090 (S)	13.30% (L) 5.36% (S)
Haitong International Securities Group Limited (Note h)	Attributable interest of controlled corporation	3,496,809,090 (L) 1,409,109,090 (S)	13.30% (L) 5.36% (S)
Haitong International Securities Group (Singapore) Pte. Ltd. (Note h)	Attributable interest of controlled corporation	2,087,700,000 (L)	7.94% (L)
Haitong International Securities (Singapore) Pte. Ltd. (Note h)	Person having a security interest in shares	2,087,700,000 (L)	7.94% (L)

Notes:

(a) 名泽东方投资有限公司 and Million Fortune Enterprises Limited are wholly owned by Mr. Zhang Hong Wei.

(b) 名泽东方投资有限公司 owns 94% shares of 东方集团有限公司.

(c) 东方集团产业发展有限公司 is wholly-owned by 东方集团有限公司.

(d) Huilan Investment Limited is 92% owned by 东方集团有限公司 and 8% owned by 东方集团产业发展有限公司.

(e) He Fu International Limited is wholly owned by Huilan Investment Limited.

(f) 北京青龙湖嘉禾企业管理有限公司 is jointly owned by 东方集团股份有限公司 (30%), a wholly-owned subsidiary of 东方集团股份有限公司 (30%) and 东方集团粮油食品有限公司 (40%). 东方集团粮油食品有限公司 is a wholly-owned subsidiary of 东方集团股份有限公司. Therefore, each of 东方集团股份有限公司及东方集团粮油食品有限公司 is deemed or taken to be interested in 6,572,483,000 Shares which are owned by 北京青龙湖嘉禾企业管理有限公司 as right to take the underlying Shares under the SFO.

(g) These companies are wholly owned by Million Fortune Enterprises Limited.

(h) Haitong International Securities (Singapore) Pte. Ltd. is wholly owned by Haitong International Securities Group (Singapore) Pte. Ltd. Haitong International Securities Group (Singapore) Pte. Ltd. and HTI Financial Solutions Limited are wholly owned by Haitong International Securities Group Limited. Haitong International Holdings Limited has an interest in approximately 65.00% of the issued share capital of Haitong International Securities Group Limited and is wholly owned by Haitong Securities Co., Ltd. Therefore, each of Haitong International Securities Group Limited, Haitong International Holdings Limited and Haitong Securities Co., Ltd. is deemed or taken to be interested in 3,496,809,090 Shares which are owned by Haitong International Securities (Singapore) Pte. Ltd. (2,087,700,000 Shares) and HTI Financial Solutions Limited (1,409,109,090 Shares) as right to take the underlying Shares under the SFO.

(i) (L) denotes long position and (S) denotes short position.

Save as disclosed above, as at 31 December 2022, the Directors were not aware of any other person (other than the Directors and the chief executive of the Company) who had, or was deemed to have, interests or short positions in the Shares or underlying Shares (including any interests in options in respect of such capital), which would fall to be disclosed to the Company and the Stock Exchange under the provisions of Divisions 2 and 3 of Part XV of the SFO, or who was directly or indirectly interested in 10% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of any member of the Group.

Share Capital

Particulars of the Company's share capital are set out in note 35 to the Consolidated Financial Statements of this annual report. Details of newly issued shares of the Company during the reporting period are set out in the section headed "Management Discussion and Analysis – Capital Structure" on page 25 of this annual report.

Arrangements to Purchase Shares or Debentures

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

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

Except as disclosed in note 40 to the Consolidated Financial Statements of this annual report, there were no transactions, arrangements and contracts of significance in relation to the Group's business to which the Company, its subsidiaries or holding company was a party and in which a Director of the Company had a material interest, whether directly or indirectly, subsisted at the end of the reporting period or at any time during the reporting period, except as announced.

Emolument Policy

The emolument policy for the employees of the Group is set up by the Board on the basis of their merit, qualifications and competence. The Company has adopted the share option scheme as an incentive to qualified employees (with the meanings in the share option scheme of the Company). Details of the scheme are set out in the section headed "Share Option Scheme" on page 40 and note 38 to the Consolidated Financial Statements of this annual report.

The emoluments of the Directors of the Company are decided by the Board, having regard to the Company's operating results, individual performance and comparable market statistics. Details of the remuneration of the Directors and those of the five highest paid individuals are set out in note 15 to the Consolidated Financial Statements of this annual report. Save as disclosed in note 15(a) to the Consolidated Financial Statements of this annual report, there has been no arrangement under which any Director has waived or agreed to waive any emoluments.

Management Contracts

There is no service contract entered between the Company and Directors and no contracts concerning the management and administration of the whole or any substantial part of the business of the Group were entered into or in existence during the year ended 31 December 2022.

Directors' Interests in Competing Business

During the year ended 31 December 2022, none of the Directors or their respective associates had engaged in or had any interest in any business which competes or may compete with the business of the Group.

Pre-Emptive Rights

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

Appointment of Independent Non-Executive Directors

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

Compliance with the Model Code of the Listing Rules

The Company has adopted the Model Code as set out in Appendix 10 of the Listing Rules. Having made specific enquiry with the Directors, all the Directors confirmed that they have complied with the required standard as set out in the Model Code throughout the financial year for the year ended 31 December 2022.

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

Related Party Transactions

The related party transactions conducted during the reporting period are set out in note 40 to the Consolidated Financial Statements of this annual report.

Save as disclosed below under the paragraph "Connected Transactions", the related party transactions as set out in note 40 to the Consolidated Financial Statements of this annual report do not fall under the definition of "connected transactions" or "continuing connected transactions" under Chapter 14A of the Listing Rules during the year ended 31 December 2022.

Connected Transactions

The Group had not entered into any connected transactions or continuing connected transactions which are required to be disclosed in compliance with the requirements of Chapter 14A of the Listing Rules during the year ended 31 December 2022.

Corporate Governance

In the opinion of the Directors, the Company has complied throughout the financial year for the year ended 31 December 2022 with the Code, except for code provisions A.4.1 as set out in the Code contained in Appendix 14 to the Listing Rules. Please refer to the Corporate Governance Report on pages 28 to 35 of this annual report for details.

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

Distributable Reserves

As at 31 December 2022, the aggregate amounts of the Company's reserves available for distribution to equity shareholders of the Company was approximately HK$8,488,029,000 (31 December 2021: approximately HK$9,539,626,000).

Dividends

No final dividend is proposed for the year ended 31 December 2022 (2021: Nil).

Dividends Policy

The Company has established a dividend policy ("Dividend Policy"). According to the Dividend Policy, in deciding whether to propose any dividend payout and/or determining the amount of any dividend to be paid, the Board shall take into account, inter alia:

(a) the Group's actual and expected financial performance;

(b) interests of shareholders of the Company;

(c) retained earnings and distributable reserves of the Company and each of the other members of the Group;

(d) the level of the Group's debts to equity ratio, return on equity and financial covenants to which the Group is subject;

(e) possible effects on the Group's creditworthiness;

(f) any restrictions on payment of dividends that may be imposed by the Group's lenders;

(g) the Group's expected working capital requirements and future expansion plans;

(h) liquidity position of the Group and any future commitments at the time of declaration of dividend;

(i) taxation considerations;

(j) statutory and regulatory restrictions;

(k) general business conditions and strategies;

(l) general economic conditions, business cycle of the Group's business and other internal or external factors that may have an impact on the business or financial performance and position of the Company; and

(m) other factors that the Board deems appropriate.

Pursuant to the Dividend Policy, the declaration and payment of dividends shall be subject to the discretion of the Board and the approval of the shareholders and all applicable laws and regulations and the Memorandum of Continuance and Bye-laws of the Company.

The Company will review the Dividend Policy from time to time and reserves the right in its sole and absolute discretion to update, amend and/or modify the Dividend Policy at any time. The Dividend Policy shall in no way constitute a legally binding commitment of the Company that dividend will be paid in any particular amount and shall in no way obligate the Company to propose, declare or pay any dividend at any time or from time to time.

Closure of Register of Members

The Annual General Meeting will be held on Thursday, 1 June 2023 (the "AGM"). For determining the entitlement to attend and vote at the AGM, the register of members of the Company will be closed from Monday, 29 May 2023 to Thursday, 1 June 2023, both days inclusive, during which period no transfer of shares will be effected. In order to be eligible to attend and vote at the AGM, all transfers of shares, accompanied by the relevant share certificates, must be lodged with the Company's share registrar in Hong Kong, Tricor Secretaries Limited, at 17/F, Far East Finance Centre, 16 Harcourt Road, Hong Kong before 4:30 p.m. on Thursday, 25 May 2023.

Sufficiency of Public Float

Based on the information that is publicly available to the Company and within the knowledge of the Directors, the Company has maintained a sufficient public float throughout the financial year ended 31 December 2022.

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 2022.

Events after Reporting Period

The events after reporting period are set out in note 47 to the Consolidated Financial Statements of this annual report.

Auditors

At the Company's last Annual General Meeting held on 6 June 2022, RSM Hong Kong was re-appointed as auditor of the Company. RSM Hong Kong retires, and, being eligible, offers themselves for re-appointment. A resolution for the reappointment of RSM Hong Kong will be put at the forthcoming AGM.

By order of the Board
United Energy Group Limited

Zhang Hong Wei
Chairman
Hong Kong, 31 March 2023

BIOGRAPHY OF DIRECTORS AND SENIOR MANAGEMENT

Executive Directors

Mr. Zhang Hong Wei, aged 68, joined the Company on 27 February 1998. Mr. Zhang is the Chairman of the Group. Mr. Zhang is also the Deputy Chairman of China Minsheng Banking Corporation Ltd., a joint-stock bank listed on the Shanghai Stock Exchange and on the Stock Exchange of Hong Kong Limited. Mr. Zhang has 30 more years of experience in management in the PRC. As at the date of this annual report, Mr. Zhang is beneficially interested in 17,466,600,230 shares of the Company, representing approximately 66.44% of the existing issued share capital of the Company, and is the controlling shareholder of the Company. Mr. Zhang is the father of Ms. Zhang Meiying, an executive Director appointed on 19 June 2006.

Ms. Zhang Meiying, aged 44, joined the Company on 19 June 2006 as an executive Director. Ms. Zhang previously worked in Citigroup Investment Banking Division (Hong Kong), China Minsheng Banking Corporation Limited and America Orient Group, Inc. and has over 19 years of experience in banking and financial management. Ms. Zhang Meiying holds a BBA degree in Finance and International Business from the George Washington University, USA and a Master degree in Finance Executive MBA from the Tsinghua University, China. As at the date of this annual report, Ms. Zhang is beneficially interested in 1,287,700,000 shares of the Company, representing approximately 4.9% of the existing issued share capital of the Company. Ms. Zhang has not held any directorship with other listed companies in the last 3 years. Ms. Zhang is the daughter of Mr. Zhang Hong Wei, the Chairman, executive Director and controlling shareholder of the Company.

Independent Non-executive Directors

Mr. San Fung, aged 59, joined the Company on 9 November 2004 as an independent non-executive Director. Mr. San Fung completed a course in Master of Business Administration from the International Eastwestern University of the United States and a course of EMBA from Cheung Kong Graduate School of Business and was awarded a master degree. He specialized in financial analysis in infrastructure project and has over 25 years of experience in management and business operation. Mr. San is currently the chairman of Shenzhen Jin Xun Investment Development Company Limited.

Mr. Chau Siu Wai, aged 53, joined the Company on 9 November 2004 as an independent non-executive Director. He obtained a master degree in business administration from Murdoch University in Australia. Mr. Chau has over 19 years of experience in financial reporting and investment analysis and is now the Managing Director of an investment company.

Ms. Wang Ying, aged 45, joined the Company on 1 July 2017 as an independent non-executive Director. Ms. Wang graduated from the Beijing Chemical University with major in Financial Accounting. In 2012, she also obtained a Beijing International MBA (BiMBA) from BiMBA Business School of the National School of Development at Peking University. Ms. Wang joined Pfizer Pharmaceuticals Limited ("Pfizer") since 2001 and is currently the Senior Finance Manager (Internal Compliance & Risk Control, Accounting) of Pfizer. She has more than 21 years of experience in financial accounting, risk management and internal control. Through her past working experience, Ms. Wang has gained much experience in (a) preparing and conducting review and internal audit of financial statements and reports; and (b) internal control and procedures for financial reporting. The Board considers Ms. Wang possesses appropriate accounting and financial management knowledge, experience and expertise of an independent non-executive director as required under Rule 3.10(2) of the Listing Rules.

Senior Management

Mr. Song Yu, aged 46, joined the Company in October 2009 as Investment Controller and promoted as Chief Operation Officer of the Company in October 2011. Before joining the Company, Mr. Song previously worked in different subsidiaries of Sinopec Group during the period from July 2004 to October 2009. He worked in Winfield Euro Asia Oil Service Company (Russia), a wholly-owned subsidiary of Sinopec Group in Moscow, as General Director and focused on oil trading, procurement and technical services in relation to petroleum exploration and production in Euro-Asia. Mr. Song also worked in Sinopec International Petroleum E&P Corporation ("SIPC") in Beijing and SIPC Russia and Central Asia Regional Company as In House Legal Consultant and Head of Legal respectively. Mr. Song graduated from the Tsinghua University and obtained a bachelor degree of Physics and master degree of Law in International Economic Law.

INDEPENDENT AUDITOR'S REPORT

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

Opinion

We have audited the consolidated financial statements of United Energy Group Limited (the "Company") and its subsidiaries (the "Group") set out on pages 57 to 157, which comprise the consolidated statement of financial position as at 31 December 2022, and the consolidated statement of profit or loss, the consolidated statement of profit or loss and other comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the consolidated financial statements give a true and fair view of the consolidated financial position of the Group as at 31 December 2022, and of its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with Hong Kong Financial Reporting Standards ("HKFRSs") issued by the Hong Kong Institute of Certified Public Accountants (the "HKICPA") and have been properly prepared in compliance with the disclosure requirements of the Hong Kong Companies Ordinance.

Basis for Opinion

We conducted our audit in accordance with Hong Kong Standards on Auditing ("HKSAs") issued by the HKICPA. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Consolidated Financial Statements section of our report. We are independent of the Group in accordance with the HKICPA's Code of Ethics for Professional Accountants (the "Code"), and we have fulfilled our other ethical responsibilities in accordance with the Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key Audit Matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the consolidated financial statements of the current period. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters. The key audit matters we identified are:

1. Impairment of property, plant and equipment and intangible assets

2. Estimate of oil and gas reserves

Key Audit Matters (Continued)

Key Audit Matter	How our audit addressed the Key Audit Matter
Impairment of property, plant and equipment and intangible assets	**Audit procedures performed by the component auditors of the Group's businesses in Pakistan, Middle East and North Africa and by the Group audit engagement team included:**
Refer to Note 18 and Note 20 to the consolidated financial statements and the accounting policies on pages 71 to 72 and page 84. The Group principally engages in the exploration and production of upstream oil and natural gas in Pakistan, Middle East and North Africa. As at 31 December 2022, the Group had property, plant and equipment and intangible assets with carrying values of approximately HK$11,576,820,000 and HK$4,306,573,000 respectively attributable to the exploration and production activities. Management has carried out an impairment review on the property, plant and equipment and intangible assets for possible impairment by considering events or changes in circumstances which could indicate that the carrying amounts of certain assets may not be recoverable. Such events and changes in circumstances indicating possible impairment were mainly resulting from increased discount rates and a decline in production and oil and gas reserve. Management considered certain oil and gas fields were no longer economical and that the related assets should be either recognising provision of impairment or fully written off. Provision of impairment and write-off of exploration and production assets included in property, plant and equipment and intangible assets of approximately HK$928,746,000 and HK$609,132,000 respectively were recognised during the year.	• Assessing the inherent risk of material misstatement by considering the degree of estimation uncertainty and level of other inherent risk factors including subjectivity. • Understanding and evaluating key controls over management's impairment assessment process. • Evaluating the outcome of prior period assessment of impairment of property, plant and equipment and intangible assets to assess the effectiveness of management's estimation process. • Meeting with operations and finance management to discuss asset performance, production and reserves data and future plans in order to identify any performance-related indicators of impairment.

Key Audit Matters (Continued)

Key Audit Matter	How our audit addressed the Key Audit Matter
Impairment of property, plant and equipment and intangible assets (Continued)	**Audit procedures performed by the component auditors of the Group's businesses in Pakistan, Middle East and North Africa and by the Group audit engagement team included: (Continued)**
The inherent risk in relation to the impairment of property, plant and equipment and intangible assets is considered significant as the impairment assessment involves significant estimates and assumptions which were subjective. Therefore, we identified the impairment of property, plant and equipment and intangible assets as a key audit matter.	• For those oil and gas fields which were considered no longer commercially viable with marginal or no production, we obtained the list of written off assets and their carrying values and: – Assessed the mathematical accuracy of the write-off amounts; – Assessed the written off assets performance by inspecting supporting evidence such as reserves estimates, current production information and future production plans; – Reviewed the reserves estimates report and current production information to ensure all cash generating units with indications of no commercial viability had been considered; and – Assessed the adequacy of the disclosures in the financial statements in relation to the write off of exploration and production assets.

Key Audit Matters (Continued)

Key Audit Matter	How our audit addressed the Key Audit Matter
Impairment of property, plant and equipment and intangible assets (Continued)	**Audit procedures performed by the component auditors of the Group's businesses in Pakistan, Middle East and North Africa and by the Group audit engagement team included: (Continued)** • For impairment of property, plant and equipment and intangible assets, we obtained the discounted cash flow forecast prepared by management and: – Assessed the integrity of the value in use model; – Challenged the reasonableness of management's key assumptions based on our knowledge of the business and the industry; – Reconciled input data to supporting evidence, such as approved budgets and considered the historical accuracy of those budgets; – Assessed the appropriateness of the discount rates used with the assistance of our internal valuation specialists; and – Assessed the adequacy of the impairment disclosures in the consolidated financial statements.

Key Audit Matters (Continued)

Key Audit Matter	How our audit addressed the Key Audit Matter
Estimate of oil and gas reserves	**Audit procedures performed by the component auditors of the Group's business in Pakistan, Middle East and North Africa and by the Group audit engagement team included:**
Refer to Note 5 to the consolidated financial statements and the key sources of estimation uncertainty on page 90. The estimation of oil and gas reserves is a significant area of judgement due to the technical uncertainty in assessing quantities and complex contractual arrangements dictating the Group's share of reportable volumes. These estimates have a significant impact on the financial statements, in particular in the determination of impairment losses and depreciation, depletion and amortisation charges. The inherent risk in relation to the estimate of oil and gas reserves is considered significant as it involves significant estimates and assumptions which were subjective. Therefore, we identified the estimate of oil and gas reserves as a key audit matter.	• Assessing the inherent risk of material misstatement by considering the degree of estimation uncertainty and level of other inherent risk factors such as subjectivity. • Understanding and evaluating management's internal processes and key controls over estimates of oil and gas reserves. • Evaluating the outcome of prior period estimate of oil and gas reserves to assess the effectiveness of management's estimation process. • Assessing the professional competence, objectivity and capabilities of the independent external expert engaged by the Group to audit the Group's estimates of oil and gas reserves and ensuring that the scope of work undertaken by the expert was appropriate. • Evaluating whether the methodology adopted by the reserves specialists to estimate the oil and gas reserves was consistent with recognised industry standards. • Reviewing the reports of the independent external experts on their audit of the reserves shared by the Group and ensuring that the updated estimates of oil and gas reserves were properly included in the Group's impairment assessment and in accounting for depreciation, depletion and amortisation.

Other Information

The directors are responsible for the other information. The other information comprises all of the information included in the annual report other than the consolidated financial statements and our auditor's report thereon.

Our opinion on the consolidated financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of Directors and Audit Committee for the Consolidated Financial Statements

The directors are responsible for the preparation of the consolidated financial statements that give a true and fair view in accordance with HKFRSs issued by the HKICPA and the Hong Kong Companies Ordinance, and for such internal control as the directors determine is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, the directors are responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the Group or to cease operations, or have no realistic alternative but to do so.

The Audit Committee assists the directors in discharging their responsibilities for overseeing the Group's financial reporting process.

Auditor's Responsibilities for the Audit of the Consolidated Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. We report our opinion solely to you, as a body, in accordance with section 90 of the Companies Act 1981 of Bermuda and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with HKSAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

Auditor's Responsibilities for the Audit of the Consolidated Financial Statements (Continued)

As part of an audit in accordance with HKSAs, we exercise professional judgement and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.

- Conclude on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with the Audit Committee, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

Auditor's Responsibilities for the Audit of the Consolidated Financial Statements (Continued)

We also provide the Audit Committee with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, actions taken to eliminate threats or safeguards applied.

From the matters communicated with the Audit Committee, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

The engagement partner on the audit resulting in this independent auditor's report is Wong Poh Weng.

RSM Hong Kong
Certified Public Accountants

31 March 2023
29th Floor, Lee Garden Two,
28 Yun Ping Road,
Causeway Bay,
Hong Kong

CONSOLIDATED STATEMENT OF PROFIT OR LOSS

For the year ended 31 December 2022

	Note	2022 HK$'000	2021 HK$'000
Turnover	8	**10,753,743**	7,436,936
Cost of sales and services rendered		**(5,240,760)**	(4,079,501)
Gross profit		**5,512,983**	3,357,435
Investment and other income	9	**167,201**	111,818
Other gains and losses	10	**(715,746)**	82,675
Exploration expenses		**(718,761)**	(164,256)
Administrative expenses		**(523,886)**	(574,142)
Other operating expenses		**(125,969)**	(54,839)
Profit from operations		**3,595,822**	2,758,691
Finance costs	12	**(387,642)**	(266,913)
Share of (losses)/profits of associates		**(66,707)**	21,552
Share of loss in a joint venture		**(120,377)**	(80,514)
Profit before tax		**3,021,096**	2,432,816
Income tax expense	14	**(419,950)**	(432,239)
Profit for the year	13	**2,601,146**	2,000,577
Attributable to:			
Owners of the Company		**2,601,162**	2,000,597
Non-controlling interests		**(16)**	(20)
		2,601,146	2,000,577
Earnings per share	16		
Basic (cents per share)		**9.94**	7.63
Diluted (cents per share)		**9.94**	7.63

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the year ended 31 December 2022

	2022 HK$'000	2021 HK$'000
Profit for the year	**2,601,146**	2,000,577
Other comprehensive income after tax:		
Item that will not be reclassified to profit or loss:		
Remeasurement gains on defined benefit pension plans, net of tax credit of approximately HK$296,000 (2021: HK$171,000)	**1,395**	1,961
Items that may be reclassified to profit or loss:		
Exchange differences on translating foreign operations	**8,697**	(16,536)
Other comprehensive income for the year, net of tax	**10,092**	(14,575)
Total comprehensive income for the year	**2,611,238**	1,986,002
Attributable to:		
Owners of the Company	**2,611,254**	1,986,022
Non-controlling interests	**(16)**	(20)
	2,611,238	1,986,002

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 31 December 2022

	Note	2022 HK$'000	2021 HK$'000
Non-current assets			
Property, plant and equipment	18	**11,739,252**	10,835,151
Right-of-use assets	19	**565,305**	529,901
Intangible assets	20	**4,323,573**	5,339,724
Investment in associates	21	**395,488**	474,896
Investment in a joint venture	22	**–**	120,377
Advances, deposits and prepayments	23	**368,070**	62,948
Deferred tax assets	34	**23,059**	765
		17,414,747	17,363,762
Current assets			
Inventories	24	**389,310**	287,216
Trade and other receivables	25	**6,315,856**	4,145,308
Financial assets at fair value through profit or loss ("FVTPL")	26	**2,063**	1,991
Employee retirement benefits assets	44(b)	**9,247**	12,005
Current tax assets		**33,497**	51,506
Bank and cash balances	27	**3,255,124**	3,170,562
		10,005,097	7,668,588
Current liabilities			
Trade and other payables	28	**4,773,530**	2,817,659
Due to a director	29	**442**	1,431
Borrowings	30	**1,885,969**	1,760,607
Lease liabilities	31	**170,974**	107,867
Provisions	32	**3,564**	2,113
Financial guarantee contracts	33	**14,786**	21,496
Current tax liabilities		**1,125,044**	382,179
		7,974,309	5,093,352
Net current assets		**2,030,788**	2,575,236
Total assets less current liabilities		**19,445,535**	19,938,998

Consolidated Statement of Financial Position (Continued)

At 31 December 2022

	Note	2022 HK$'000	2021 HK$'000
Non-current liabilities			
Borrowings	30	**1,586,344**	2,833,466
Lease liabilities	31	**169,241**	233,143
Provisions	32	**620,165**	606,588
Employee retirement benefits obligations	44(b)	**27,886**	46,372
Deferred tax liabilities	34	**1,234,079**	1,979,149
		3,637,715	5,698,718
NET ASSETS		**15,807,820**	14,240,280
Capital and reserves			
Share capital	35	**262,899**	262,899
Reserves	37(a)	**15,539,141**	13,971,475
Equity attributable to owners of the Company		**15,802,040**	14,234,374
Non-controlling interests		**5,780**	5,906
TOTAL EQUITY		**15,807,820**	14,240,280

Approved by the Board of Directors on 31 March 2023 and are signed on its behalf by:

Zhang Hong Wei
Executive Director

Zhang Meiying
Executive Director

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended 31 December 2022

	Attributable to owners of the Company											
	Share capital (note 35) HK$'000	Share premium account (note 37(b)) HK$'000	Merger reserve (note 37(b)) HK$'000	Contributed surplus reserve (note 37(b)) HK$'000	Foreign currency translation reserve (note 37(b)) HK$'000	Share-based capital reserve (note 37(b)) HK$'000	Performance share unit scheme reserve (note 37(b)) HK$'000	Statutory reserve (note 37(b)) HK$'000	Retained earnings HK$'000	Total HK$'000	Non-controlling interests HK$'000	Total equity HK$'000
At 1 January 2021	262,839	2,510,520	(2,286,000)	10,159,925	16,755	14,924	(82,092)	2,623	2,307,676	12,907,170	8,622	12,915,792
Total comprehensive income for the year	–	–	–	–	(16,536)	–	–	–	2,002,558	1,986,022	(20)	1,986,002
Issue of shares under employees performance share schemes (note 35(a))	60	9,239	–	–	–	–	–	–	–	9,299	–	9,299
Purchase of shares under performance share unit scheme (note 38(d))	–	–	–	–	–	–	(50,514)	–	–	(50,514)	–	(50,514)
Purchase of non-controlling interest	–	–	–	–	–	–	–	–	2,696	2,696	(2,696)	–
Dividend paid (note 17)	–	–	–	(620,299)	–	–	–	–	–	(620,299)	–	(620,299)
Changes in equity for the year	60	9,239	–	(620,299)	(16,536)	–	(50,514)	–	2,005,254	1,327,204	(2,716)	1,324,488
At 31 December 2021	262,899	2,519,759	(2,286,000)	9,539,626	219	14,924	(132,606)	2,623	4,312,930	14,234,374	5,906	14,240,280
At 1 January 2022	**262,899**	**2,519,759**	**(2,286,000)**	**9,539,626**	**219**	**14,924**	**(132,606)**	**2,623**	**4,312,930**	**14,234,374**	**5,906**	**14,240,280**
Total comprehensive income for the year	**-**	**-**	**-**	**-**	**8,697**	**-**	**-**	**-**	**2,602,557**	**2,611,254**	**(16)**	**2,611,238**
Transfer of share option reserve upon the lapse of share options	**-**	**-**	**-**	**-**	**-**	**(14,924)**	**-**	**-**	**14,924**	**-**	**-**	**-**
Equity-settled share-based payments under performance share unit scheme (note 38(d))	**-**	**-**	**-**	**-**	**-**	**7,899**	**-**	**-**	**-**	**7,899**	**-**	**7,899**
Purchase of non-controlling interest	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**110**	**110**	**(110)**	**-**
Dividend paid (note 17)	**-**	**-**	**-**	**(1,051,597)**	**-**	**-**	**-**	**-**	**-**	**(1,051,597)**	**-**	**(1,051,597)**
Changes in equity for the year	**-**	**-**	**-**	**(1,051,597)**	**8,697**	**(7,025)**	**-**	**-**	**2,617,591**	**1,567,666**	**(126)**	**1,567,540**
At 31 December 2022	**262,899**	**2,519,759**	**(2,286,000)**	**8,488,029**	**8,916**	**7,899**	**(132,606)**	**2,623**	**6,930,521**	**15,802,040**	**5,780**	**15,807,820**

CONSOLIDATED STATEMENT OF CASH FLOWS

For the year ended 31 December 2022

	Note	2022 HK$'000	2021 HK$'000
CASH FLOWS FROM OPERATING ACTIVITIES			
Profit before tax		3,021,096	2,432,816
Adjustments for:			
Allowance for slow-moving inventories		19,500	–
Allowance for trade receivables		14,226	–
Allowance for other receivables		–	801
Depreciation and amortisation		4,065,072	2,909,693
Depreciation of right-of-use assets		86,920	62,548
Fair value gains on financial assets at FVTPL		(72)	(259)
Finance costs		387,642	266,913
(Gain)/loss on disposals of property, plant and equipment		(11,342)	6,337
Gain on derecognition of right-of-use assets and lease liabilities		(2,658)	–
Investment income		(27,090)	(9,258)
Impairment losses on intangible assets		609,132	–
Impairment losses on property, plant and equipment		219,421	–
Imputed interest income on financial guarantee liabilities		(6,710)	(1,109)
Other payables and accruals written back		(37,518)	–
Property, plant and equipment written off		709,325	162,787
Reversal of allowance for trade receivables		–	(57,399)
Reversal of allowance for other receivables		(1,877)	–
Share-based payments		13,379	8,221
Share of losses/(profits) of associates		66,707	(21,552)
Share of loss in a joint venture		120,377	80,514
Operating profit before working capital changes		9,245,530	5,841,053
(Increase)/decrease in inventories		(121,594)	44,224
Increase in trade and other receivables		(2,191,347)	(1,043,210)
(Increase)/decrease in advances, deposits and prepayments		(30,599)	6,068
Increase/(decrease) in trade and other payables		1,590,589	(288,459)
(Increase)/decrease in employee retirement benefits assets		(1,155)	56
(Decrease)/increase in employee retirement benefits obligations		(6,899)	12,752
(Decrease)/increase in due to a director		(989)	1,409
Increase in provisions		38,039	127,911
Cash generated from operations		8,521,575	4,701,804
Interest paid		(254,867)	(221,422)
Interest on lease liabilities	39(b)	(13,819)	(6,678)
Income taxes paid		(427,983)	(192,878)
Net cash generated from operating activities		7,824,906	4,280,826

Consolidated Statement of Cash Flows (Continued)

For the year ended 31 December 2022

	Note	2022 HK$'000	2021 HK$'000
CASH FLOWS FROM INVESTING ACTIVITIES			
Investment to a joint venture		–	(200,891)
Repayment from a supplier		–	180,218
Increase in deposit paid for acquisition of property, plant and equipment		(333,635)	(6,240)
Decrease in term deposits		–	7,800
(Placement)/withdrawal of restricted bank deposits		(7,616)	245,166
Purchases of property, plant and equipment	39(a)(ii) & 39(a)(iii)	(5,392,499)	(2,729,241)
Interest received		27,000	9,186
Net cash used in investing activities		(5,706,750)	(2,494,002)
CASH FLOWS FROM FINANCING ACTIVITIES			
Dividends received		90	72
Borrowings raised, net of direct transaction cost	39(b)	768,300	724,402
Repayment of borrowings	39(b)	(1,980,101)	(1,400,609)
Advances from a customer	39(b)	390,000	–
Purchase of shares under performance share unit scheme		–	(50,514)
Principal elements of lease payments	39(b)	(196,556)	(104,951)
Dividends paid to owners of the Company		(1,051,597)	(620,299)
Net cash used in financing activities		(2,069,864)	(1,451,899)
NET INCREASE IN CASH AND CASH EQUIVALENTS		48,292	334,925
Effect of foreign exchange rate changes		28,654	(4,678)
CASH AND CASH EQUIVALENTS AT 1 JANUARY		3,092,509	2,762,262
CASH AND CASH EQUIVALENTS AT 31 DECEMBER		3,169,455	3,092,509
ANALYSIS OF CASH AND CASH EQUIVALENTS			
Bank and cash balances		3,255,124	3,170,562
Less: Restricted bank deposits		(85,669)	(78,053)
Cash and cash equivalents		3,169,455	3,092,509

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2022

1. General Information

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

The Company is an investment holding company. The principal activities of its principal subsidiaries are set out in note 45 to the consolidated financial statements.

In the opinion of the Company's directors, He Fu International Limited, a company incorporated in British Virgin Islands, is the immediate parent; Mingze Orient Investment Limited#, a company incorporated in People's Republic of China, is the ultimate parent and Mr. Zhang Hong Wei is the ultimate controlling party of the Company.

\# The English translation of the ultimate parent company is for reference only. The official name – 名泽东方投资有限公司 is in Chinese.

2. Basis of Preparation

These consolidated financial statements have been prepared in accordance with all applicable Hong Kong Financial Reporting Standards ("HKFRSs") issued by the Hong Kong Institute of Certified Public Accountants (the "HKICPA"). HKFRSs comprise Hong Kong Financial Reporting Standards ("HKFRS"); Hong Kong Accounting Standards ("HKAS"); and Interpretations. These consolidated financial statements also comply with the applicable disclosure provisions of the Rules Governing the Listing of Securities on the Stock Exchange and with the disclosure requirements of the Hong Kong Companies Ordinance (Cap. 622). Significant accounting policies adopted by the Group are disclosed below.

The HKICPA has issued certain new and revised HKFRSs that are first effective or available for early adoption for the current accounting period of the Group. Note 3 provides information on any changes in accounting policies resulting from initial application of these developments to the extent that they are relevant to the Group for the current and prior accounting periods reflected in these consolidated financial statements.

3. Adoption of New and Revised Hong Kong Financial Reporting Standards

(a) Application of new and revised HKFRSs

The Group has applied the following amendments to HKFRSs issued by the HKICPA for the first time, which are mandatorily effective for the annual period beginning on or after 1 January 2022 for the preparation of the consolidated financial statements:

Amendments to HKAS 16	Property, Plant and Equipment: Proceeds before Intended Use
Amendments to HKAS 37	Onerous Contracts – Cost of Fulfilling a Contract
Amendments to HKFRS 3	Reference to the Conceptual Framework
Amendments to HKFRS 16 (March 2021)	COVID-19 Related Rent Concessions beyond 30 June 2021
Annual Improvements Project	Annual Improvements to HKFRS Standards 2018-2020
Amendments to Accounting Guideline 5	Merger Accounting for Common Control Combinations

The Group did not change its accounting policies or make retrospective adjustments as a result of adopting the abovementioned amended standards or annual improvements.

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

The Group has not applied any new standard, amendments to standards and interpretation that have been issued but are not yet effective for the financial year beginning 1 January 2022. The new standard, amendments to standards and interpretation include the following which may be relevant to the Group.

	Effective for accounting periods beginning on or after
Amendments to HKAS 1 – Classification of Liabilities as Current or Non-current	1 January 2024
Amendments to HKAS 1 – Non-current Liabilities with Covenants	1 January 2024
Amendments to HKAS 1 and HKFRS Practice Statement 2 – Disclosure of Accounting Policies	1 January 2023
Amendments to HKAS 8 – Definition of Accounting Estimates	1 January 2023
Amendments to HKAS 12 – Deferred Tax Related to Assets and Liabilities Arising from a Single Transaction	1 January 2023
Amendments to HKFRS 16 – Lease Liability in a Sales and Leaseback	1 January 2024
Amendments to HKFRS 10 and HKAS 28 – Sale or Contribution of Assets between an Investor and its Associate or Joint Venture	To be determined by the HKICPA
Hong Kong Interpretation 5 (2020) Presentation of Financial Statements – Classification by the Borrower of a Term Loan that Contains a Repayment on Demand Clause	1 January 2024

The Group is in the process of making an assessment of what the impact of these amendments and new standards is expected to be in the period of initial application. So far it has concluded that the adoption of them is unlikely to have a significant impact on the consolidated financial statements.

4. Significant Accounting Policies

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

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

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

(a) Consolidation

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

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

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

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

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

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

4. Significant Accounting Policies (Continued)

(a) Consolidation (Continued)

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

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

(b) Separate financial statements

In the Company's statement of financial position, investments in subsidiaries is stated at cost less impairment loss, unless the investment is classified as held for sale (or included in a disposal group that is classified as held for sale). Cost includes direct attributable costs of investments. The results of subsidiaries are accounted for by the Company on the basis of dividend received or receivable.

Impairment testing of the investments in subsidiaries is required upon receiving a dividend from these investments if the dividend exceeds the total comprehensive income of the subsidiaries in the period the dividend is declared or if the carrying amount of the investments in the separate financial statements exceeds the carrying amount in the consolidated financial statements of the investee's net assets including goodwill.

(c) Associates

Associates are entities over which the Group has significant influence. Significant influence is the power to participate in the financial and operating policy decisions of an entity but is not control or joint control over those policies. The existence and effect of potential voting rights that are currently exercisable or convertible, including potential voting rights held by other entities, are considered when assessing whether the Group has significant influence. In assessing whether a potential voting right contributes to significant influence, the holder's intention and financial ability to exercise or convert that right is not considered.

Investment in an associate is accounted for in the consolidated financial statements by the equity method and is initially recognised at cost. Identifiable assets and liabilities of the associate in an acquisition are measured at their fair values at the acquisition date. The excess of the cost of the investment over the Group's share of the net fair value of the associate's identifiable assets and liabilities is recorded as goodwill which is included in the carrying amount of the investment. Any excess of the Group's share of the net fair value of the identifiable assets and liabilities over the cost of acquisition is recognised in consolidated profit or loss.

4. Significant Accounting Policies (Continued)

(c) Associates (Continued)

The Group assesses whether there is an objective evidence that the interest in an associate may be impaired. When any objective evidence exists, the entire carrying amount of the investment (including goodwill) is tested for impairment in accordance with HKAS 36 as a single asset by comparing its recoverable amount (higher of value in use and fair value less costs of disposal) with its carrying amount. Any impairment loss recognised is not allocated to any asset, including goodwill, that forms part of the carrying amount of the investment. Any reversal of that impairment loss is recognised in accordance with HKAS 36 to the extent that the recoverable amount of the investment subsequently increases.

The Group's share of an associate's post-acquisition profits or losses and other comprehensive income is recognised in consolidated statement of profit or loss and other comprehensive income. When the Group's share of losses in an associate equals or exceeds its interest in the associate (which includes any long-term interests that, in substance, form part of the Group's net investment in the associate), the Group does not recognise further losses, unless it has incurred obligations or made payments on behalf of the associate. If the associate subsequently reports profits, the Group resumes recognising its share of those profits only after its share of the profits equals the share of losses not recognised.

The gain or loss on the disposal of an associate that results in a loss of significant influence represents the difference between (i) the fair value of the consideration of the sale plus the fair value of any investment retained in that associate and (ii) the Group's entire carrying amount of that associate (including goodwill) and any related accumulated foreign currency translation reserve. If an investment in an associate becomes an investment in a joint venture, the Group continues to apply the equity method and does not remeasure the retained interest.

Unrealised profits on transactions between the Group and its associates are eliminated to the extent of the Group's interests in the associates. Unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the asset transferred. Accounting policies of associates have been changed where necessary to ensure consistency with the policies adopted by the Group.

In the Company's statement of financial position, investments in associates are stated at cost less impairment losses, unless classified as held for sale (or included in a disposal group that is classified as held for sale).

(d) Joint arrangements

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

4. Significant Accounting Policies (Continued)

(d) Joint arrangements (Continued)

A joint arrangement is either a joint operation or a joint venture. A joint operation is a joint arrangement whereby the parties that have joint control of the arrangement have rights to the assets, and obligations for the liabilities, relating to the arrangement. A joint venture is a joint arrangement whereby the parties that have joint control of the arrangement have rights to the net assets of the arrangement. The Group has assessed the type of each of its joint arrangements and determined them to be joint operation or joint venture.

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

Investment in a joint venture is accounted for in the consolidated financial statements by the equity method and is initially recognised at cost. Identifiable assets and liabilities of the joint venture in an acquisition are measured at their fair values at the acquisition date. The excess of the cost of the investment over the Group's share of the net fair value of the joint venture's identifiable assets and liabilities is recorded as goodwill, which is included in the carrying amount of the investment. Any excess of the Group's share of the net fair value of the identifiable assets and liabilities over the cost of acquisition is recognised in consolidated profit or loss.

The Group assesses whether there is an objective evidence that the interest in a joint venture may be impaired. When any objective evidence exists, the entire carrying amount of the investment (including goodwill) is tested for impairment in accordance with HKAS 36 as a single asset by comparing its recoverable amount (higher of value in use and fair value less costs of disposal) with its carrying amount. Any impairment loss recognised is not allocated to any asset, including goodwill, that forms part of the carrying amount of the investment. Any reversal of that impairment loss is recognised in accordance with HKAS 36 to the extent that the recoverable amount of the investment subsequently increases.

The Group's share of a joint venture's post-acquisition profits or losses and other comprehensive income is recognised in consolidated statement of profit or loss and other comprehensive income. When the Group's share of losses in a joint venture equals or exceeds its interest in the joint venture (which includes any long-term interests that, in substance, form part of the Group's net investment in the joint venture), the Group does not recognise further losses, unless it has incurred obligations or made payments on behalf of the joint venture. If the joint venture subsequently reports profits, the Group resumes recognising its share of those profits only after its share of the profits equals the share of losses not recognised.

4. Significant Accounting Policies (Continued)

(d) Joint arrangements (Continued)

The gain or loss on the disposal of a joint venture that results in a loss of joint control represents the difference between (i) the fair value of the consideration of the sale plus the fair value of any investment retained in that joint venture and (ii) the Group's entire carrying amount of that joint venture (including goodwill) and any related accumulated foreign currency translation reserve. If an investment in a joint venture becomes an investment in an associate, the Group continues to apply the equity method and does not remeasure the retained interest.

Unrealised profits on transactions between the Group and its joint ventures are eliminated to the extent of the Group's interests in the joint ventures. Unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the asset transferred. Accounting policies of joint ventures have been changed where necessary to ensure consistency with the policies adopted by the Group.

(e) Foreign currency translation

(i) Functional and presentation currency

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

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

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

Non-monetary assets and liabilities that are measured in terms of historical cost in a foreign currency are translated using the foreign exchange rates ruling at the transaction dates. The transaction date is the date on which the company initially recognises such non-monetary assets or liabilities. Non-monetary items that are measured at fair value in foreign currencies are translated using the exchange rates at the dates when the fair values are determined.

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

4. Significant Accounting Policies (Continued)

(e) Foreign currency translation (Continued)

(iii) Translation on consolidation

The results and financial position of all foreign operations (none of which has the currency of hyperinflationary economy) that have a functional currency different from the Company's presentation currency are translated into the Company's presentation currency as follows:

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

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

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

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

Goodwill and fair value adjustments arising on the acquisition of a foreign entity are treated as assets and liabilities of the foreign entity and translated at the closing rate.

(f) Property, plant and equipment (other than oil and gas properties and exploration and evaluation expenditures)

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

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

4. Significant Accounting Policies (Continued)

(f) Property, plant and equipment (other than oil and gas properties and exploration and evaluation expenditures) (Continued)

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

Buildings	5% – 10%
Leasehold improvements	5% – 33.33%
Vessels	20%
Aircrafts	6.67%
Motor vehicles	20% – 30%
Furniture, fixtures and equipment	10% – 33.33%
Plant and machinery	20%

The residual values, useful lives and depreciation method are reviewed and adjusted, if appropriate, at the end of each reporting period, with the effect of any changes in estimate accounted for on a prospective basis.

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

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

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

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

(g) Oil and gas properties and exploration and evaluation expenditures

Oil and gas properties are accounted for using the successful efforts method of accounting. Under this method, all costs for development wells, support equipment and facilities, and proved mineral interests in oil and gas properties are capitalised. Geological and geophysical costs are expensed when incurred. Exploration and evaluation expenditures are capitalised and no depreciation or amortisation is charged until determination of the related exploratory wells find commercial reserves. Commercial reserves are the estimated quantities of crude oil and natural gas which geological and engineering data demonstrate with reasonable certainty to be recoverable in future years from known reservoirs under existing economic and operating conditions, i.e., prices and costs as of the date the estimate is made.

4. Significant Accounting Policies (Continued)

(g) Oil and gas properties and exploration and evaluation expenditures (Continued)

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

Exploration and evaluation expenditures are stated at cost less impairment losses. Depreciation begins when the relevant assets are transferred to oil and gas properties and available for use.

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

(h) Decommissioning cost

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

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

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

4. Significant Accounting Policies (Continued)

(i) Leases

At inception of a contract, the Group assesses whether the contract is, or contains, a lease. A contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration. Control is conveyed where the customer has both the right to direct the use of the identified asset and to obtain substantially all of the economic benefits from that use.

Where the contract contains lease component(s) and non-lease component(s), the Group has elected not to separate non-lease components and accounts for each lease component and any associated non-lease components as a single lease component for all leases.

At the lease commencement date, the Group recognises a right-of-use asset and a lease liability, except for short-term leases that have a lease term of 12 months or less and leases of low-value assets. When the Group enters into a lease in respect of a low-value asset, the Group decides whether to capitalise the lease on a lease-by-lease basis. The lease payments associated with those leases which are not capitalised are recognised as an expense on a systematic basis over the lease term.

Where the lease is capitalised, the lease liability is initially recognised at the present value of the lease payments payable over the lease term, discounted using the interest rate implicit in the lease or, if that rate cannot be readily determined, using a relevant incremental borrowing rate. After initial recognition, the lease liability is measured at amortised cost and interest expense is calculated using the effective interest method.

To determine the incremental borrowing rate, the Group:

- where possible, uses recent third-party financing received by the individual lessee as a starting point, adjusted to reflect changes in financing conditions since third party financing was received, and

- makes adjustments specific to the lease, e.g. term, country, currency and security.

The right-of-use asset recognised when a lease is capitalised is initially measured at cost, which comprises the initial amount of the lease liability plus any lease payments made at or before the commencement date, and any initial direct costs incurred. Where applicable, the cost of the right-of-use assets also includes an estimate of costs to dismantle and remove the underlying asset or to restore the underlying asset or the site on which it is located, discounted to their present value, less any lease incentives received. The right-of-use asset is subsequently stated at cost less accumulated depreciation and impairment losses.

4. Significant Accounting Policies (Continued)

(i) Leases (Continued)

Right-of-use assets in which the Group is reasonably certain to obtain ownership of the underlying leased assets at the end of the lease term are depreciated from commencement date to the end of the useful life. Otherwise, right-of-use assets are depreciated on a straight-line basis over the shorter of its estimated useful life and the lease term.

When the Group obtains ownership of the underlying leased assets at the end of the lease term, upon exercising purchase options, the cost of the relevant right-of-use assets and the related accumulated depreciation and impairment loss are transferred to property, plant and equipment/the carrying amount of the relevant right-of-use asset is transferred to property, plant and equipment.

Refundable rental deposits paid are accounted under HKFRS 9 and initially measured at fair value. Adjustments to fair value at initial recognition are considered as additional lease payments and included in the cost of right-of-use assets.

The lease liability is remeasured when there is a change in future lease payments arising from a change in an index or rate, or there is a change in the Group's estimate of the amount expected to be payable under a residual value guarantee, or there is a change arising from the reassessment of whether the Group will be reasonably certain to exercise a purchase, extension or termination option. When the lease liability is remeasured in this way, a corresponding adjustment is made to the carrying amount of the right-of-use asset, or is recorded in profit or loss if the carrying amount of the right-of-use asset has been reduced to zero.

The lease liability is also remeasured when there is a change in the scope of a lease or the consideration for a lease that is not originally provided for in the lease contract ("lease modification") that is not accounted for as a separate lease. In this case the lease liability is remeasured based on the revised lease payments and lease term using a revised discount rate at the effective date of the modification.

(j) Intangible assets

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

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

4. Significant Accounting Policies (Continued)

(k) Club membership

Club membership with indefinite useful life is stated at cost less any impairment losses. Impairment is reviewed annually or when there is any indication that the club membership has suffered an impairment loss.

(l) Inventories

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

(m) Recognition and derecognition of financial instruments

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

Financial assets and financial liabilities are initially measured at fair value. Transaction costs that are directly attributable to the acquisition or issue of financial assets and financial liabilities (other than financial assets and financial liabilities at FVTPL) are added to or deducted from the fair value of the financial assets or financial liabilities, as appropriate, on initial recognition. Transaction costs directly attributable to the acquisition of financial assets or financial liabilities at fair value through profit or loss are recognised immediately in profit or loss.

The Group derecognises a financial asset only when the contractual rights to the cash flows from the asset expire, or when it transfers the financial asset and substantially all the risks and rewards of ownership of the asset to another entity. If the Group neither transfers nor retains substantially all the risks and rewards of ownership and continues to control the transferred asset, the Group recognises its retained interest in the asset and an associated liability for amounts it may have to pay. If the Group retains substantially all the risks and rewards of ownership of a transferred financial asset, the Group continues to recognise the financial asset and also recognises a collateralised borrowing for the proceeds received.

The Group derecognises financial liabilities when, and only when, the Group's obligations are discharged, cancelled or have expired. The difference between the carrying amount of the financial liability derecognised and the consideration paid and payable, including any non-cash assets transferred or liabilities assumed, is recognised in profit or loss.

4. Significant Accounting Policies (Continued)

(m) Recognition and derecognition of financial instruments (Continued)

Financial assets and liabilities are offset and the net amount reported in the balance sheet when there is a legally enforceable right to offset the recognised amounts and there is an intention to settle on a net basis or realise the asset and settle the liability simultaneously. The legally enforceable right must not be contingent on future events and must be enforceable in the normal course of business and in the event of default, insolvency or bankruptcy of the company or the counterparty.

(n) Financial assets

All regular way purchases or sales of financial assets are recognised and derecognised on a trade date basis. Regular way purchases or sales are purchases or sales of financial assets that require delivery of assets within the time frame established by regulation or convention in the marketplace. All recognised financial assets are measured subsequently in their entirety at either amortised cost or fair value, depending on the classification of the financial assets.

Debt investments

Debt investments held by the Group are classified into one of the following measurement categories:

– amortised cost, if the investment is held for the collection of contractual cash flows which represent solely payments of principal and interest. Interest income from the investment is calculated using the effective interest method.

– fair value through other comprehensive income ("FVTOCI") – recycling, if the contractual cash flows of the investment comprise solely payments of principal and interest and the investment is held within a business model whose objective is achieved by both the collection of contractual cash flows and sale. Changes in fair value are recognised in other comprehensive income, except for the recognition in profit or loss of expected credit losses ("ECL"), interest income (calculated using the effective interest method) and foreign exchange gains and losses. When the investment is derecognised, the amount accumulated in other comprehensive income is recycled from equity to profit or loss.

– FVTPL if the investment does not meet the criteria for being measured at amortised cost or FVTOCI (recycling). Changes in the fair value of the investment (including interest) are recognised in profit or loss.

4. Significant Accounting Policies (Continued)

(n) Financial assets (Continued)

Equity investments

An investment in equity securities is classified as FVTPL unless the equity investment is not held for trading purposes and on initial recognition of the investment the Group makes an election to designate the investment at FVTOCI (non-recycling) such that subsequent changes in fair value are recognised in other comprehensive income. Such elections are made on an instrument-by-instrument basis, but may only be made if the investment meets the definition of equity from the issuer's perspective. Where such an election is made, the amount accumulated in other comprehensive income remains in the fair value reserve (non-recycling) until the investment is disposed of. At the time of disposal, the amount accumulated in the fair value reserve (non-recycling) is transferred to retained earnings. It is not recycled through profit or loss. Dividends from an investment in equity securities, irrespective of whether classified as at FVTPL or FVTOCI, are recognised in profit or loss as other income.

(o) Trade and other receivables

A receivable is recognised when the Group has an unconditional right to receive consideration. A right to receive consideration is unconditional if only the passage of time is required before payment of that consideration is due. If revenue has been recognised before the Group has an unconditional right to receive consideration, the amount is presented as a contract asset.

Trade receivables are recognised initially at the amount of consideration that is unconditional unless they contain significant financing components, when they are recognised at fair value. The Group holds the trade receivables with the objective of collecting the contractual cash flows and therefore measures them subsequently at amortised cost using the effective interest method less allowance for credit losses.

(p) Cash and cash equivalents

Cash and cash equivalents comprise cash at bank and on hand, demand deposits with banks and other financial institutions, and short-term, highly liquid investments that are readily convertible into known amounts of cash and which are subject to an insignificant risk of changes in value, having been within three months of maturity at acquisition. Bank overdrafts that are repayable on demand and form an integral part of the Group's cash management are also included as a component of cash and cash equivalents for the purpose of the consolidated statement of cash flows. Cash and cash equivalents are assessed for ECL.

(q) Financial liabilities and equity instruments

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

4. Significant Accounting Policies (Continued)

(r) Borrowings

Borrowings are recognised initially at fair value, net of transaction costs incurred, and subsequently measured at amortised cost using the effective interest method. Any difference between the proceeds (net of transaction costs) and the redemption amount is recognised in profit or loss over the period of the borrowings using the effective interest method. Fees paid on the establishment of loan facilities are recognised as transaction costs of the loan to the extent that it is probable that some or all of the facility will be drawn down. In this case, the fee is deferred until the draw-down occurs. To the extent there is no evidence that it is probable that some or all of the facility will be drawn down, the fee is capitalised as a prepayment for liquidity services and amortised over the period of the facility to which it relates.

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

(s) Financial guarantee contracts

Financial guarantee contracts are recognised as a financial liability at the time the guarantee is issued. The liability is initially measured at fair value and subsequently at the higher of:

– the amount determined in accordance with the ECL model under HKFRS 9 and

– the amount initially recognised less, where appropriate, the cumulative amount of income recognised in accordance with the principles of HKFRS 15.

The fair value of financial guarantees is determined based on the present value of the difference in cash flows between the contractual payments required under the debt instrument and the payments that would be required without the guarantee, or the estimated amount that would be payable to a third party for assuming the obligations.

Where guarantees in relation to loans or other payables of associates are provided for no compensation, the fair values are accounted for as contributions and recognised as part of the cost of the investment.

(t) Trade and other payables

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

(u) Equity instruments

An equity instrument is any contract that evidence a residual interest in the assets of an entity after deducting all of its liabilities. Equity instruments issued by the Company are recorded at the proceeds received, net of direct issue costs.

4. Significant Accounting Policies (Continued)

(v) Shares held for employee share scheme

Where the Group purchases the company's equity instruments, for example as the result of a share buy-back or a share-based payment plan, the consideration paid, including any directly attributable incremental costs (net of income taxes) is deducted from equity attributable to the owners of the Company as treasury shares until the shares are cancelled or reissued. Where such ordinary shares are subsequently reissued, any consideration received, net of any directly attributable incremental transaction costs and the related income tax effects, is included in equity attributable to the owners of the Company.

Shares held by the trust of performance share unit scheme (note 38(d)) are disclosed as treasury shares and deducted from contributed equity.

(w) Revenue and other income

Revenue is recognised when control over a product or service is transferred to the customer, at the amount of promised consideration to which the Group is expected to be entitled, excluding those amounts collected on behalf of third parties. Revenue excludes value added tax or other sales taxes and is after deduction of any trade discounts.

Revenue from the sales and production of crude oil, condensate, gas and liquefied petroleum gas is recognised when control of the goods has transferred, being when the promised goods have been physically delivered to the designated oil tankers, pipe or other delivery mechanism and is measured based on the Group's working interest and the terms specified in the production sharing contracts/ petroleum concession agreements. A receivable is recognised by the Group when the goods are delivered to the customers as this represents the point in time at which the right to consideration becomes unconditional, as only the passage of time is required before payment is due.

Revenue from management services is recognised as a performance obligation satisfied over time when the management services are rendered.

Interest income is recognised as it accrues using the effective interest method. For financial assets measured at amortised cost that are not credit-impaired, the effective interest rate is applied to the gross carrying amount of the asset. For credit impaired financial assets, the effective interest rate is applied to the amortised cost (i.e. gross carrying amount net of loss allowance) of the asset.

Income from sales of scrap materials are recognised at a point in time when control of the products has transferred to the customer, being when the products are delivered to the customer, and there is no unfulfilled obligation that could affect the customer's acceptance of the products. Payment of the transaction price is due immediately when goods are delivered.

Income from liquefied petroleum gas processing fees, software costs and technical services charged to concessions are recognised at the point in time when the services are rendered.

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

Investment income is recognised when the rights to receive payments are established.

4. Significant Accounting Policies (Continued)

(x) Employee benefits

(i) Employee leave entitlements

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

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

The Group operates various post-employment schemes, including both defined benefit and defined contribution pension plans.

(ii) Pension obligations

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

For the defined benefit retirement plans, the liability/(asset) recognised in the consolidated statement of financial position is the present value of the defined benefits obligations less the fair value of plan assets. When there is a surplus in a defined benefits plan, the net defined benefit asset is measured at the lower of the surplus in the defined benefit plan and the asset ceiling. The defined benefit obligation is calculated annually by independent actuaries using the projected unit credit method. The present value of the defined benefit obligation is determined by discounting the estimated future cash outflows using interest rates of high-quality corporate bonds that are denominated in the currency in which the benefits will be paid, and that have terms to maturity approximating the terms of the related pension obligation. If there is no deep market in such bonds, the market rates on government bonds are used.

Remeasurements of the net defined benefit liability/(asset) – which include actuarial gains and losses, the return on plan assets (excluding amounts included in net interest on the net defined benefit liability/(asset)), and any change in the effect of the asset ceiling (excluding amounts included in net interest on the net defined benefit liability/(asset)) – are recognised in other comprehensive income in the period in which they arise and will not be reclassified to profit or loss. Service costs and net interest on the net defined benefit liability/(asset) are recognised immediately in profit or loss.

Net interest is calculated by applying the discount rate at the beginning of the period to the net defined benefit liability or asset. However, if the Group remeasures the net defined benefit liability or asset before plan amendment, curtailment or settlement, the Group determines net interest for the remainder of the annual reporting period after the plan amendment, curtailment or settlement using the benefits offered under the plan and the plan assets after the plan amendment, curtailment or settlement and the discount rate used to remeasure such net defined benefit liability or asset, taking into account any changes in the net defined benefit liability or asset during the period resulting from contributions or benefit payments.

4. Significant Accounting Policies (Continued)

(x) Employee benefits (Continued)

(iii) Termination benefits

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

(y) Share-based payments

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

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

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

(z) Borrowing costs

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

To the extent that funds are borrowed generally and used for the purpose of obtaining a qualifying asset, the amount of borrowing costs eligible for capitalisation is determined by applying a capitalisation rate to the expenditures on that asset. The capitalisation rate is the weighted average of the borrowing costs applicable to the borrowings of the Group that are outstanding during the period, other than borrowings made specifically for the purpose of obtaining a qualifying asset. Any specific borrowing that remain outstanding after the related asset is ready for its intended use or sale is included in the general borrowing pool for calculation of capitalisation rate on general borrowings.

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

4. Significant Accounting Policies (Continued)

(aa) Government grants

A government grant is recognised when there is reasonable assurance that the Group will comply with the conditions attaching to it and that the grant will be received.

Government grants that become receivable as compensation for expenses or losses already incurred or for the purpose of giving immediate financial support to the Group with no future related costs are recognised in profit or loss in the period in which they become receivable.

(bb) Taxation

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

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

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

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

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

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

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

4. Significant Accounting Policies (Continued)

(bb) Taxation (Continued)

For the purposes of measuring deferred tax for leasing transactions in which the Group recognises the right-of-use assets and the related lease liabilities, the Group first determines whether the tax deductions are attributable to the right-of-use assets or the lease liabilities.

For leasing transactions in which the tax deductions are attributable to the lease liabilities, the Group applies HKAS 12 requirements to right-of-use assets and lease liabilities separately. Temporary differences relating to right-of-use assets and lease liabilities are not recognised at initial recognition and over the lease terms due to application of the initial recognition exemption.

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

In assessing any uncertainty over income tax treatments, the Group considers whether it is probable that the relevant tax authority will accept the uncertain tax treatment used, or proposed to be use by individual group entities in their income tax filings. If it is probable, the current and deferred taxes are determined consistently with the tax treatment in the income tax filings. If it is not probable that the relevant taxation authority will accept an uncertain tax treatment, the effect of each uncertainty is reflected by using either the most likely amount or the expected value.

(cc) Impairment of non-financial assets

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

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

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

4. Significant Accounting Policies (Continued)

(dd) Impairment of financial assets

The Group recognises a loss allowance for ECL on investments in debt instruments that are measured at amortised cost, trade receivables as well as on financial guarantee contracts. The amount of ECL is updated at each reporting date to reflect changes in credit risk since initial recognition of the respective financial instrument.

The Group always recognises lifetime ECL for trade receivables. The ECL on these financial assets are estimated using a provision matrix based on the Group's historical credit loss experience, adjusted for factors that are specific to the debtors, general economic conditions and an assessment of both the current as well as the forecast direction of conditions at the reporting date, including time value of money where appropriate.

For all other financial instruments, the Group recognises lifetime ECL when there has been a significant increase in credit risk since initial recognition. However, if the credit risk on the financial instrument has not increased significantly since initial recognition, the Group measures the loss allowance for that financial instrument at an amount equal to 12-month ECL.

Lifetime ECL represents the ECL that will result from all possible default events over the expected life of a financial instrument. In contrast, 12-month ECL represents the portion of lifetime ECL that is expected to result from default events on a financial instrument that are possible within 12 months after the reporting date.

Significant increase in credit risk

In assessing whether the credit risk on a financial instrument has increased significantly since initial recognition, the Group compares the risk of a default occurring on the financial instrument at the reporting date with the risk of a default occurring on the financial instrument at the date of initial recognition. In making this assessment, the Group considers both quantitative and qualitative information that is reasonable and supportable, including historical experience and forward-looking information that is available without undue cost or effort. Forward-looking information considered includes the future prospects of the industries in which the Group's debtors operate, obtained from economic expert reports, financial analysts, governmental bodies, relevant think-tanks and other similar organisations, as well as consideration of various external sources of actual and forecast economic information that relate to the Group's core operations.

4. Significant Accounting Policies (Continued)

(dd) Impairment of financial assets (Continued)

Significant increase in credit risk (Continued)

In particular, the following information is taken into account when assessing whether credit risk has increased significantly since initial recognition:

– an actual or expected significant deterioration in the financial instrument's external (if available) or internal credit rating;

– significant deterioration in external market indicators of credit risk for a particular financial instrument;

– existing or forecast adverse changes in business, financial or economic conditions that are expected to cause a significant decrease in the debtor's ability to meet its debt obligations;

– an actual or expected significant deterioration in the operating results of the debtor;

– significant increases in credit risk on other financial instruments of the same debtor;

– an actual or expected significant adverse change in the regulatory, economic, or technological environment of the debtor that results in a significant decrease in the debtor's ability to meet its debt obligations.

Irrespective of the outcome of the above assessment, the Group presumes that the credit risk on a financial asset has increased significantly since initial recognition when contractual payments are more than 30 days past due, unless the Group has reasonable and supportable information that demonstrates otherwise.

Despite the foregoing, the Group assumes that the credit risk on a financial instrument has not increased significantly since initial recognition if the financial instrument is determined to have low credit risk at the reporting date. A financial instrument is determined to have low credit risk if:

(i) the financial instrument has a low risk of default,

(ii) the debtor has a strong capacity to meet its contractual cash flow obligations in the near term, and

(iii) adverse changes in economic and business conditions in the longer term may, but will not necessarily, reduce the ability of the borrower to fulfil its contractual cash flow obligations.

The Group considers a financial asset to have low credit risk when the asset has external credit rating of "investment grade" in accordance with the globally understood definition or if an external rating is not available, the asset has an internal rating of "performing". Performing means that the counterparty has a strong financial position and there is no past due amounts.

4. Significant Accounting Policies (Continued)

(dd) Impairment of financial assets (Continued)

Significant increase in credit risk (Continued)

For financial guarantee contracts, the date that the Group becomes a party to the irrevocable commitment is considered to be the date of initial recognition for the purposes of assessing the financial instrument for impairment. In assessing whether there has been a significant increase in the credit risk since initial recognition of a financial guarantee contracts, the Group considers the changes in the risk that the specified debtor will default on the contract.

The Group regularly monitors the effectiveness of the criteria used to identify whether there has been a significant increase in credit risk and revises them as appropriate to ensure that the criteria are capable of identifying significant increase in credit risk before the amount becomes past due.

Definition of default

The Group considers the following as constituting an event of default for internal credit risk management purposes as historical experience indicates that receivables that meet either of the following criteria are generally not recoverable.

- when there is a breach of financial covenants by the counterparty; or
- information developed internally or obtained from external sources indicates that the debtor is unlikely to pay its creditors, including the Group, in full (without taking into account any collaterals held by the Group).

Irrespective of the above analysis, the Group considers that default has occurred when a financial asset is more than 90 days past due unless the Group has reasonable and supportable information to demonstrate that a more lagging default criterion is more appropriate.

Credit-impaired financial assets

A financial asset is credit-impaired when one or more events that have a detrimental impact on the estimated future cash flows of that financial asset have occurred. Evidence that a financial asset is credit-impaired includes observable data about the following events:

- significant financial difficulty of the issuer or the counterparty;
- a breach of contract, such as a default or past due event;
- the lender(s) of the counterparty, for economic or contractual reasons relating to the counterparty's financial difficulty, having granted to the counterparty a concession(s) that the lender(s) would not otherwise consider;
- it is becoming probable that the counterparty will enter bankruptcy or other financial reorganization; or
- the disappearance of an active market for that financial asset because of financial difficulties.

4. Significant Accounting Policies (Continued)

(dd) Impairment of financial assets (Continued)

Write-off policy

The Group writes off a financial asset when there is information indicating that the debtor is in severe financial difficulty and there is no realistic prospect of recovery, including when the debtor has been placed under liquidation or has entered into bankruptcy proceedings, or in the case of trade receivables, when the amounts are over two years past due, whichever occurs sooner. Financial assets written off may still be subject to enforcement activities under the Group's recovery procedures, taking into account legal advice where appropriate. Any recoveries made are recognised in profit or loss.

Measurement and recognition of ECL

The measurement of ECL is a function of the probability of default, loss given default (i.e. the magnitude of the loss if there is a default) and the exposure at default. The assessment of the probability of default and loss given default is based on historical data adjusted by forward-looking information as described above. As for the exposure at default, for financial assets, this is represented by the assets' gross carrying amount at the reporting date; for financial guarantee contracts, the exposure includes the amount drawn down as at the reporting date, together with any additional amounts expected to be drawn down in the future by default date determined based on historical trend, the Group's understanding of the specific future financing needs of the debtors, and other relevant forward-looking information.

For financial assets, the ECL is estimated as the difference between all contractual cash flows that are due to the Group in accordance with the contract and all the cash flows that the Group expects to receive, discounted at the original effective interest rate.

For a financial guarantee contract, as the Group is required to make payments only in the event of a default by the debtor in accordance with the terms of the instrument that is guaranteed, the expected loss allowance is the expected payments to reimburse the holder for a credit loss that it incurs less any amounts that the Group expects to receive from the holder, the debtor or any other party.

If the Group has measured the loss allowance for a financial instrument at an amount equal to lifetime ECL in the previous reporting period, but determines at the current reporting date that the conditions for lifetime ECL are no longer met, the Group measures the loss allowance at an amount equal to 12-month ECL at the current reporting date, except for assets for which simplified approach was used.

The Group recognises an impairment gain or loss in profit or loss for all financial instruments with a corresponding adjustment to their carrying amount through a loss allowance account, except for investments in debt instruments that are measured at FVTOCI, for which the loss allowance is recognised in other comprehensive income and accumulated in the investment revaluation reserve, and does not reduce the carrying amount of the financial asset in the statement of financial position.

4. Significant Accounting Policies (Continued)

(ee) Provisions and contingent liabilities

Provisions are recognised for liabilities of uncertain timing or amount when the Group has a present legal or constructive obligation arising as a result of a past event, it is probable that an outflow of economic benefits will be required to settle the obligation and a reliable estimate can be made. Where the time value of money is material, provisions are stated at the present value of the expenditures expected to settle the obligation. The discount rate used to determine the present value is a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the liability. The increase in the provision due to the passage of time is recognised as interest expense.

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

(ff) Events after the reporting period

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

(gg) Dividend distribution

Dividends are recognised as liabilities when they are declared (i.e. the dividends are appropriately authorised and no longer at the discretion of the entity). Typically, dividends are recognised as liabilities in the period in which their distribution is approved at the shareholders' annual general meeting. Interim dividends are recognised when paid.

5. Critical Judgements and Key Estimates

In applying the Group's accounting policies, which are described in note 4, the directors are required to make judgements (other than those involving estimations) that have a significant impact on the amounts recognised and to make estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

Critical judgements in applying accounting policies

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

Joint control assessment

The Group holds certain interests on its joint arrangements (note 46). The directors have determined that the Group has joint control over these arrangements as under the contractual agreements, unanimous consent is required from all parties to the agreements for all relevant activities.

Key sources of estimation uncertainty

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

(a) Estimation of crude oil and gas reserves

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

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

5. Critical Judgements and Key Estimates (Continued)

Key sources of estimation uncertainty (Continued)

(b) Property, plant and equipment and depreciation

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

The carrying amount of property, plant and equipment (other than freehold land, oil and gas properties, construction in progress, exploration and evaluation expenditures and spare parts) as at 31 December 2022 was approximately HK$274,405,000 (2021: HK$204,004,000).

(c) Impairment of property, plant and equipment, right-of-use assets and intangible assets

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

Impairment loss of approximately HK$828,533,000 was provided for the carrying amounts of intangible assets, property, plant and equipment and right-of-use assets for the year ended 31 December 2022 (2021: HK$Nil).

(d) Decommissioning cost

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

The carrying amount of decommissioning cost provisions as at 31 December 2022 was approximately HK$623,199,000 (2021: HK$608,171,000).

5. Critical Judgements and Key Estimates (Continued)

Key sources of estimation uncertainty (Continued)

(e) Impairment of trade receivables

The management of the Group estimates the amount of impairment loss for ECL on trade receivables based on the credit risk of trade receivables. The amount of the impairment loss based on ECL model is measured as the difference between all contractual cash flows that are due to the Group in accordance with the contract and all the cash flows that the Group expects to receive, discounted at the effective interest rate determined at initial recognition. Where the future cash flows are less than expected, or being revised downward due to changes in facts and circumstances, a material impairment loss may arise.

As at 31 December 2022, the carrying amount of trade receivables is approximately HK$4,918,554,000 (net of allowances for trade receivables and price adjustments of approximately HK$25,959,000 and HK$198,843,000 respectively (2021: HK$3,337,736,000 (net of allowances for trade receivables and price adjustments of approximately HK$11,733,000 and HK$232,233,000 respectively)).

(f) Income tax

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

During the year, approximately HK$419,950,000 (2021: HK$432,239,000) of income tax was charged to profit or loss based on the estimated profit from continuing operations.

(g) Allowance for slow-moving inventories

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

During the year, approximately HK$19,500,000 (2021: HK$Nil) of allowance for slow-moving inventories was charged to profit or loss.

(h) Estimation of future capital expenditure

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

5. Critical Judgements and Key Estimates (Continued)

Key sources of estimation uncertainty (Continued)

(i) Actuarial assumptions on defined benefit retirement plans

Accounting for defined benefit plans may be complex because actuarial assumptions are required to measure the obligation and the expense, with the possibility that actual results differ from the assumed results. These differences are known as actuarial gains and losses. Defined benefits obligations are measured using the Projected Unit Credit Method ("PUCM"), according to which the Group has to make a reliable estimate of the amount of benefits earned in return for services rendered in current and prior periods, using actuarial techniques. In addition, in cases where defined benefit plans are funded, the Group has to estimate the fair value of plan assets. As a result, the use of the PUCM involves a number of actuarial assumptions. These assumptions include demographic assumptions such as mortality, turnover and retirement age and financial assumptions such as discount rates, salary and benefit levels. Such assumptions are subject to judgements and may develop materially differently than expected and therefore may result in significant impacts on defined benefits obligations.

The carrying amount of employee retirement benefit assets and employee retirement benefit obligations as at 31 December 2022 was approximately HK$9,247,000 and HK$27,886,000 respectively (2021: employee retirement benefit assets and employee retirement benefit obligations of approximately HK$12,005,000 and HK$46,372,000 respectively).

6. Financial Risk Management

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

(a) Interest rate risk

The Group's cash flow interest rate risk primarily relates to variable-rate bank loans and bank and cash balances. Borrowings obtained at variable rates expose the Group to cash flow interest-rate risk.

At 31 December 2022, if interest rates at that date had been 50 basis points lower/higher with all other variables held constant, consolidated profit after tax for the year would have been approximately HK$11,229,000 higher/lower and retained earnings as at 31 December 2022 would have been approximately HK$11,229,000 higher/lower, arising mainly as a result of lower/higher interest expenses on the borrowings and lease liabilities bearing interest at variable rates.

At 31 December 2021, if interest rates at that date had been 50 basis points lower/higher with all other variables held constant, consolidated profit after tax for the year would have been approximately HK$11,791,000 higher/lower and retained earnings as at 31 December 2021 would have been approximately HK$11,791,000 higher/lower, arising mainly as a result of lower/higher interest expenses on the borrowings and advance from customers bearing interest at variable rates.

6. Financial Risk Management (Continued)

(b) Liquidity risk

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

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

	Carrying amount HK$'000	Total contractual undiscounted cash outflow HK$'000	Less than 1 year or on demand HK$'000	Between 1 and 2 years HK$'000	Between 2 and 5 years HK$'000	Over 5 years HK$'000
At 31 December 2022						
Trade and other payables	**3,640,780**	**3,650,755**	**3,650,755**	**–**	**–**	**–**
Due to a director	**442**	**442**	**442**	**–**	**–**	**–**
Borrowings	**3,472,313**	**3,751,853**	**2,080,451**	**1,417,805**	**253,597**	**–**
Financial guarantee contracts	**14,786**	**339,565**	**339,565**	**–**	**–**	**–**
Lease liabilities	**340,215**	**375,837**	**195,327**	**142,486**	**38,024**	**–**
At 31 December 2021						
Trade and other payables	2,163,250	2,163,250	2,163,250	–	–	–
Due to a director	1,431	1,431	1,431	–	–	–
Borrowings	4,594,073	4,890,612	1,937,160	1,745,076	1,208,376	–
Financial guarantee contracts	21,496	433,770	433,770	–	–	–
Lease liabilities	341,010	369,906	121,716	120,988	127,202	–

The amounts included in above for financial guarantee contracts are the maximum amounts the Group could be required to settle under the arrangement for the full guaranteed amount if that amount is claimed by the counterparty to the guarantors. Based on the expectations at the end of the reporting period, the Group considers that it is more likely than not that no amount will be payable under the arrangement. However, this estimate is subject to change depending on the probability of the counterparty claiming under the guarantee.

(c) Credit risk

Credit risk is the risk that a counterparty will not meet its obligations under a financial instrument or customer contract, leading to a financial loss. The Group is exposed to credit risk from its operating activities (primarily trade receivables) and from its financing activities, including deposits with banks and financial institutions, foreign exchange transactions and other financial instruments. The Group's exposure to credit risk arising from cash and cash equivalents is limited because the counterparties are banks and financial institutions with high credit-rating assigned by international credit-rating agencies, for which the Group considers to have low credit risk.

Except for the financial guarantee given by the Group as set out in note 33, the Group does not provide any other guarantees which would expose the Group to credit risk. The maximum exposure to credit risk in respect of these financial guarantees at the end of the reporting period is disclosed in note 33.

6. Financial Risk Management (Continued)

(c) Credit risk (Continued)

Trade receivables

As at 31 December 2022, approximately 46% and 39% (2021: 37% and 48%) of the Group's trade receivables were due from the largest customer within exploration and production activities in Pakistan and Iraq respectively. The Group has policies and procedures to monitor the collection of the trade receivables to limit the exposure to non-recoverable of the receivables and there is no history of default for these large customers of the Group.

Customer credit risk is managed by each business unit subject to the Group's established policy, procedures and control relating to customer credit risk management. Individual credit evaluations are performed on all customers requiring credit over a certain amount. These evaluations focus on the customer's past history of making payments when due and current ability to pay, and take into account information specific to the customer as well as pertaining to the economic environment in which the customer operates. Trade receivables are due within 30 to 45 days from the date of billing. As at 31 December 2022, trade receivables of approximately HK$1,143,030,000 (2021: HK$264,501,000) was pledged as collaterals for obtaining banking facilities letter.

The Group considers the probability of default upon initial recognition of asset and whether there has been a significant increase in credit risk on an ongoing basis throughout the reporting period. To assess whether there is a significant increase in credit risk, the Group compares the risk of a default occurring on the asset as at the reporting date with the risk of default as at the date of initial recognition. The Group measures loss allowances for trade receivables at an amount equal to lifetime ECLs, which is calculated based on Probability of Default ("PD"), Exposure at Default ("EAD") and Loss Given Default ("LGD").

The product of the PD, EAD and LGD are defined as follows:

- PD represents the likelihood of a borrower defaulting on its financial obligation.
- EAD is based on the amounts the Group expects to be owed at the time of default.
- LGD represents the Group's expectation of the extent of loss on a defaulted exposure. It varies by type of counterparty and availability of collateral.

The ECL is determined by projecting the PD, LGD and EAD for each individual exposure. These three components are multiplied together and adjusted based on the forward-looking information.

6. Financial Risk Management (Continued)

(c) Credit risk (Continued)

Trade receivables (Continued)

The Group's current credit risk grading framework comprises the following categories:

Category	Description	Basis for recognising ECL
Performing	For financial assets where there has low risk of default or has not been a significant increase in credit risk since initial recognition and that are not credit impaired (refer to as Stage 1)	12-month ECL
Doubtful	For financial assets where there has been a significant increase in credit risk since initial recognition but that are not credit impaired (refer to as Stage 2)	Lifetime ECL – not credit impaired
Default	Financial assets are assessed as credit impaired when one or more events that have a detrimental impact on the estimated future cash flow of that assets have occurred (refer to as Stage 3)	Lifetime ECL – credit impaired
Write-off	There is evidence indicating that the debtor is in severe financial difficulty and the Group has no realistic prospect of recovery	Amount is written off

The tables below detail the credit quality of the Group's trade receivables and the Group's maximum exposure to credit risk by credit risk rating grades.

31 December 2022	Internal credit rating	12-month or lifetime ECL	Gross carrying amount HK$'000	Loss allowance HK$'000	Net carrying amount HK$'000
Trade receivables	Performing	Lifetime ECL	**5,036,744**	**–**	**5,036,744**
Trade receivables	Doubtful	Lifetime ECL – not credit impaired	**106,612**	**(25,959)**	**80,653**

31 December 2021	Internal credit rating	12-month or lifetime ECL	Gross carrying amount HK$'000	Loss allowance HK$'000	Net carrying amount HK$'000
Trade receivables	Performing	Lifetime ECL	3,335,505	–	3,335,505
Trade receivables	Doubtful	Lifetime ECL – not credit impaired	246,197	(11,733)	234,464

6. Financial Risk Management (Continued)

(c) Credit risk (Continued)

Trade receivables (Continued)

Movement in the loss allowance for trade receivables during the year is as follows:

	2022 HK$'000	2021 HK$'000
At 1 January	11,733	69,132
Additions	14,226	–
Reversals	–	(57,399)
At 31 December	25,959	11,733

The increase in trade receivables past due over 2 years resulted an increase in loss allowance of approximately HK$14,226,000 for the year ended 31 December 2022.

The decrease in trade receivables past due over 2 years resulted in reversal of loss allowance of approximately HK$57,399,000 for the year ended 31 December 2021.

Financial assets at amortised cost

All of the Group's financial assets measured at amortised cost are considered to have low credit risk, and the loss allowance recognised during the year was therefore limited to 12-month expected losses. Management considers 'low credit risk' for financial assets measured at amortised cost when they have a low of default and the issuer has a strong capacity to meet its contractual cash flow obligations in the near term.

Financial assets at amortised cost include due form joint operators, sales tax receivables, loans to employees and other receivables.

As of 31 December 2022, an allowance was made for estimated irrecoverable other receivables of approximately HK$762,000 (2021: HK$2,639,000).

	2022 HK$'000	2021 HK$'000
At 1 January	2,639	1,838
Additions	–	801
Reversals	(1,877)	–
At 31 December	762	2,639

6. Financial Risk Management (Continued)

(d) Price risk

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

The directors of the Company consider that the price risk exposure for the years ended 31 December 2022 and 2021 are insignificant to the Group and therefore no sensitivity analysis is presented thereon.

(e) Foreign currency risk

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

At 31 December 2022, if the HK$ had weakened/strengthened by 8 per cent against the RMB with all other variables held constant, consolidated profit after tax for the year would have been approximately HK$1,234,000 higher/lower and retained earnings as at 31 December 2022 would have been approximately HK$1,234,000 higher/lower, arising mainly as a result of the foreign exchange gain/loss on bank and cash balances, trade and other receivables, and trade and other payables denominated in RMB.

At 31 December 2021, if the HK$ had weakened/strengthened by 3 per cent against the RMB with all other variables held constant, consolidated profit after tax for the year would have been approximately HK$1,245,000 higher/lower and retained earnings as at 31 December 2021 would have been approximately HK$1,245,000 higher/lower, arising mainly as a result of the foreign exchange gain/loss on bank and cash balances, trade and other receivables, and trade and other payables denominated in RMB.

At 31 December 2022, if the HK$ had weakened/strengthened by 5 per cent against the PKR with all other variables held constant, consolidated profit after tax for the year would have been approximately HK$7,118,000 lower/higher and retained earnings as at 31 December 2022 would have been approximately HK$7,118,000 lower/higher, arising mainly as a result of the foreign exchange loss/gain on bank and cash balances, trade and other receivables, and trade and other payables denominated in PKR.

At 31 December 2021, if the HK$ had weakened/strengthened by 5 per cent against the PKR with all other variables held constant, consolidated profit after tax for the year would have been approximately HK$8,011,000 lower/higher and retained earnings as at 31 December 2021 would have been approximately HK$8,011,000 lower/higher, arising mainly as a result of the foreign exchange loss/gain on bank and cash balances, trade and other receivables, and trade and other payables denominated in PKR.

6. Financial Risk Management (Continued)

(e) Foreign currency risk (Continued)

At 31 December 2022, if the HK$ had weakened/strengthened by 10 per cent against the EGP with all other variables held constant, consolidated profit after tax for the year would have been approximately HK$1,839,000 higher/lower and retained earnings as at 31 December 2022 would have been approximately HK$1,839,000 higher/lower, arising mainly as a result of the foreign exchange gain/loss on bank and cash balances, other receivables, and trade and other payables denominated in EGP.

At 31 December 2021, if the HK$ had weakened/strengthened by 10 per cent against the EGP with all other variables held constant, consolidated profit after tax for the year would have been approximately HK$3,032,000 higher/lower and retained earnings as at 31 December 2021 would have been approximately HK$3,032,000 higher/lower, arising mainly as a result of the foreign exchange gain/loss on bank and cash balances, other receivables, and trade and other payables denominated in EGP.

The directors of the Company consider that the foreign currency exposure in respect of US$ and Iraqi Dinar for the years ended 31 December 2022 and 2021 are insignificant to the Group and therefore no sensitivity analysis is presented thereon.

(f) Categories of financial instruments at 31 December

	2022 HK$'000	2021 HK$'000
Financial assets:		
Financial assets at FVTPL:		
Mandatorily measured at FVTPL		
– Held for trading	**2,063**	1,991
Financial assets measured at amortised cost	**9,361,630**	6,984,923
Financial liabilities:		
Financial liabilities at amortised cost	**7,113,535**	6,758,754
Financial guarantee contracts	**14,786**	21,496

(g) Fair value

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

7. Fair Value Measurements

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

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

8. Turnover

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

	2022 HK$'000	2021 HK$'000
Sales and production of crude oil, condensate, gas, liquefied petroleum gas and petrochemical	**10,753,743**	7,436,936

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

For the year ended 31 December

	Crude oil, condensate, gas, liquefied petroleum gas and petrochemical	
	2022 HK$'000	2021 HK$'000
Primary geographical markets		
– Pakistan	**3,173,488**	2,583,269
– Singapore	**1,128,271**	868,588
– Egypt	**1,415,670**	1,111,890
– Iraq	**5,036,314**	2,776,502
– People's Republic of China ("PRC")	**–**	96,687
Revenue from external customers	**10,753,743**	7,436,936

The turnover from sales and production of crude oil, condensate, gas, liquefied petroleum gas and petrochemical are net of sales tax, royalty to government, sales discounts and windfall levy amounting to approximately HK$513,053,000 (2021: HK$488,770,000), HK$611,382,000 (2021: HK$475,234,000), HK$15,688,000 (2021: HK$6,321,000), and HK$200,455,000 (2021: HK$72,536,000) respectively.

Notes to the Consolidated Financial Statements (Continued)

For the year ended 31 December 2022

9. Investment and Other Income

	2022 HK$'000	2021 HK$'000
Dividends income from listed equity investments	90	72
Interest income on:		
Bank deposits	26,072	8,581
Loan receivables	928	605
Total interest income	27,000	9,186
Liquefied petroleum gas processing fees charged to concessions, net	5,728	3,026
Income from software costs charged to concessions	2,917	5,960
Income from technical services charged to concessions	68,798	69,056
Income from operation and maintenance services provided	25,219	–
Service income from trade of petrochemical products and other commodities	21,343	–
Management fees income	2,342	3,195
Recovery of bad debts from joint operation partner	1,458	5,277
Rental income	3,102	4,671
Sales of scrap materials	3,949	7,146
Others	5,255	4,229
	167,201	111,818

10. Other Gains and Losses

	2022 HK$'000	2021 HK$'000
Fair value gains on financial assets at FVTPL	72	259
Gain/(loss) on disposals of property, plant and equipment	11,342	(6,337)
Gain on derecognition of right-of-use assets and lease liabilities	2,658	–
Net foreign exchange gains	69,436	36,280
Reversals of impairment losses/(impairment losses) on other receivables	1,877	(801)
(Impairment losses)/reversals of impairment losses on trade receivables	(14,226)	57,399
Impairment losses on intangible assets	(609,132)	–
Impairment losses on property, plant and equipment	(219,421)	–
Imputed interest income on financial guarantee contracts	6,710	1,109
Property, plant and equipment written off	(2,580)	(5,234)
Other payables and accruals written back	37,518	–
	(715,746)	82,675

11. Segment Information

Operating segment information

Operating segments are identified on the basis of internal reports about components of the Group that are regularly reviewed by the chief operating decision maker in order to allocate resources to the segment and to assess its performance.

As the Group is principally engaged in the activities relating to the exploration and production of crude oil and natural gas in Pakistan, Middle East and North Africa, which are subject to similar business risk, and resources are allocated based on what is beneficial to the Group in enhancing the value of the Group as a whole, the Group's chief operating decision maker considers the performance assessment of the Group should be based on the profit before tax of the Group as a whole. Therefore, management considers there to be only one operating segment under the requirements of Hong Kong Financial Reporting Standard 8 "Operating Segments".

Geographical information:

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

	Turnover		Non-current assets	
	2022	2021	**2022**	2021
	HK$'000	HK$'000	**HK$'000**	HK$'000
Hong Kong	**–**	–	**583,579**	731,620
PRC except Hong Kong	**–**	96,687	**46,263**	113,988
Pakistan	**3,173,488**	2,583,269	**7,688,676**	8,633,467
Singapore	**1,128,271**	868,588	**–**	–
Egypt	**1,415,670**	1,111,890	**1,284,955**	1,305,526
Iraq	**5,036,314**	2,776,502	**7,753,813**	6,561,744
Others	**–**	–	**859**	13,813
Consolidated total	**10,753,743**	7,436,936	**17,358,145**	17,360,158

Turnover from major customers:

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

	2022	2021
	HK$'000	HK$'000
Customer A	**2,511,220**	2,319,166
Customer B	**1,128,271**	868,588
Customer C	**1,029,835**	799,878
Customer D	**5,036,314**	2,776,502

12. Finance Costs

	2022 HK$'000	2021 HK$'000
Interest on bank loans	333,986	226,194
Interest expense on lease liabilities	37,881	18,670
Interest on advance from customers	5,927	13,684
Provisions – unwinding of discounts (note 32)	20,440	11,121
Total borrowing costs	398,234	269,669
Amount capitalised	(10,592)	(2,756)
	387,642	266,913

The weighted average capitalisation rate on funds borrowed generally is at a rate of 11.3% per annum (2021: 6.0% per annum).

13. Profit for the Year

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

	2022 HK$'000	2021 HK$'000
Auditors' remuneration	7,284	6,391
Depreciation and amortisation (note (a))	4,065,072	2,909,693
Depreciation on right-of-use assets	86,920	62,548
Cost of inventories sold (note (b))	5,158,185	4,015,018
Impairment losses on intangible assets (included in other gains and losses)	609,132	–
Impairment losses on property, plant and equipment (included in other gains and losses)	219,421	–
Property, plant and equipment written off (included in other gains and losses of approximately HK$2,580,000 (2021: HK$5,234,000) and exploration expenses of approximately HK$706,745,000 (2021: HK$157,553,000))	709,325	162,787
Allowance for slow-moving inventories	19,500	–
Allowance for trade receivables	14,226	–
Reversal of allowance for trade receivables	–	(57,399)
Allowance for other receivables	–	801
Reversal of allowance for other receivables	(1,877)	–
Staff costs excluding directors' emoluments (note (c))		
– Salaries, bonuses and allowances	485,677	411,886
– Retirement benefits scheme contributions	49,332	42,036
– Share-based payments	13,379	8,821
	548,388	462,743

13. Profit for the Year (Continued)

Notes:

(a) Amortisation charges on intangible assets of approximately HK$407,019,000 (2021: HK$361,523,000) which are included in the costs of sales and services rendered.

(b) Cost of inventories sold includes staff costs, depreciation and amortisation, short term leases expenses and allowance for slow-moving inventories of approximately HK$4,428,555,000 (2021: HK$3,180,964,000) which are included in the amounts disclosed separately above.

(c) For the year ended 31 December 2022, COVID-19 related government grants amounted to approximately HK$384,000 (2021: HK$Nil) have been offset against staff costs.

14. Income Tax Expense

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

	2022 HK$'000	2021 HK$'000
Current tax – Overseas		
Provision for the year	**1,084,888**	411,401
Under-provision in prior years	**109,862**	–
	1,194,750	411,401
Deferred tax (note 34)	**(774,800)**	20,838
	419,950	432,239

No provision for profits tax in Austria, Cayman Islands, Bermuda, British Virgin Islands ("BVI"), Jersey, Kuwait, Dubai, Netherlands, United States of America, Republic of Panama, Mauritius, Singapore or Hong Kong is required as the Group has no assessable profit for the year arising in or derived from these jurisdictions for the years ended 31 December 2022 and 2021.

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

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

14. Income Tax Expense (Continued)

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

	2022 HK$'000	2021 HK$'000
Profit before tax	**3,021,096**	2,432,816
Tax at the weighted average tax rate of 32% (2021: 35%)	**977,397**	855,657
Tax effect of income that is not taxable	**(674,847)**	(306,920)
Tax effect of expenses that are not deductible	**985,449**	415,402
Tax effect of share of losses/(profits) of associates	**10,046**	(3,455)
Tax effect of share of loss in a joint venture	**19,862**	13,285
Tax effect of tax losses not recognised	**1,045**	703
Tax effect of utilisation of tax losses not previously recognised	**(35)**	–
Tax effect on deferred tax balance resulting from a change in tax rate	**29,767**	–
Tax effect of other temporary differences recognised	**(575,354)**	(67,721)
Tax effect of withholding tax on gain derived from the Group's Iraq Branches	**4,403**	2,078
Tax effect of withholding tax on gain derived from the Group's Mauritius and Dubai subsidiaries	**25,228**	21,037
Tax effect of depletion allowance	**(348,009)**	(286,529)
Tax effect of royalty deduction	**(260,916)**	(214,828)
Tax effect of super tax in Pakistan introduced initially	**105,200**	–
Tax effect of minimum turnover tax charged in Pakistan	**10,852**	3,530
Under-provision in prior years	**109,862**	–
Income tax expense	**419,950**	432,239

15. Directors' and Employee Benefits

(a) Directors' emoluments

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

	Emoluments paid or receivable in respect of a person's services as a director, whether of the Company or its subsidiaries undertaking					
	Fees HK$'000	Salaries HK$'000	Discretionary bonus HK$'000	Retirement benefits scheme contributions HK$'000	Housing allowance HK$'000	Total HK$'000
Year ended 31 December 2022						
Executive directors:						
Mr. Zhang Hong Wei	**–**	**7,800**	**–**	**–**	**43,818**	**51,618**
Ms. Zhang Meiying	**–**	**4,526**	**–**	**18**	**975**	**5,519**
	–	**12,326**	**–**	**18**	**44,793**	**57,137**
Independent non-executive directors:						
Mr. Chau Siu Wai	**120**	**–**	**–**	**–**	**–**	**120**
Mr. San Fung	**120**	**–**	**–**	**–**	**–**	**120**
Ms. Wang Ying	**120**	**–**	**–**	**–**	**–**	**120**
	360	**–**	**–**	**–**	**–**	**360**
	360	**12,326**	**–**	**18**	**44,793**	**57,497**
Year ended 31 December 2021						
Executive directors:						
Mr. Zhang Hong Wei	–	7,800	–	–	27,727	35,527
Ms. Zhang Meiying	–	4,550	1,000	18	1,064	6,632
	–	12,350	1,000	18	28,791	42,159
Independent non-executive directors:						
Mr. Chau Siu Wai	120	–	–	–	–	120
Mr. San Fung	120	–	–	–	–	120
Ms. Wang Ying	120	–	–	–	–	120
	360	–	–	–	–	360
	360	12,350	1,000	18	28,791	42,519

For the year ended 31 December 2022, COVID-19 related government grants amounted to approximately HK$24,000 (2021: HK$Nil) have been offset against directors' emoluments.

None of the directors waived any emoluments during the year (2021: HK$Nil).

15. Directors' and Employee Benefits (Continued)

(b) Employees' emoluments

The five highest paid individuals in the Group during the year included two directors (2021: two directors) whose emoluments are reflected in the analysis presented above. The emoluments of the remaining three (2021: three) individuals are set out below:

	2022 HK$'000	2021 HK$'000
Salaries and other benefits	19,659	19,031
Share-based payments	3,604	2,320
	23,263	21,351

The emoluments fell within the following bands:

	Number of individuals	
	2022	2021
HK$6,000,001 to HK$6,500,000	–	1
HK$6,500,001 to HK$7,000,000	1	–
HK$7,000,001 to HK$7,500,000	–	1
HK$7,500,001 to HK$8,000,000	–	1
HK$8,000,001 to HK$8,500,000	1	–
HK$8,500,001 to HK$9,000,000	1	–
	3	3

No emoluments were paid by the Group to any of the directors or the highest paid individuals as an inducement to join or upon joining the Group or as compensation for loss of office during the year (2021: HK$Nil).

15. Directors' and Employee Benefits (Continued)

(c) Information about loans, quasi-loans and other dealings in favour of directors, controlled bodies corporate and connected entities

(i) The information about quasi-loans and other dealings entered into by the Company or subsidiary undertaking of the Company in favour of certain connected entities of Mr. Zhang Hong Wei, a director of the holding company of the Company, is as follows:

Name of the borrower	Nature of connection	Total amount receivable HK$'000	Outstanding amount at the beginning of the year HK$'000	Outstanding amount at the end of the year HK$'000	Maximum outstanding amount during the year HK$'000	Amount due but not paid HK$'000	Provision for doubtful debts made HK$'000	Term	Interest rate	Security
As at 31 December 2022										
Quasi-loans or credit transactions:										
Orient Group Beijing Investment Holding Limited	Controlled body corporate of Mr. Zhang Hong Wei	**28,590**	**27,662**	**28,590**	**28,590**	**-**	**-**	**Repayable on or before 29 September 2023**	**3 months LIBOR plus 1.7% per annum**	**Nil**
As at 31 December 2021										
Quasi-loans or credit transactions:										
Orient Group Beijing Investment Holding Limited	Controlled body corporate of Mr. Zhang Hong Wei	27,662	27,169	27,662	27,662	-	-	Repayable on or before 29 September 2022	3 months LIBOR plus 1.7% per annum	Nil

Notes to the Consolidated Financial Statements (Continued)

For the year ended 31 December 2022

15. Directors' and Employee Benefits (Continued)

(c) Information about loans, quasi-loans and other dealings in favour of directors, controlled bodies corporate and connected entities (Continued)

(ii) The information about guarantees or security provided to certain controlled bodies corporate and connected entities of Mr. Zhang Hong Wei in respect of loans, quasi-loans or credit transactions is as follows:

Name of the borrower	Nature of connection	Nature of guarantee or security	Maximum liability that may be incurred under the guarantee: at the beginning of the year HK$'000	at the end of the year HK$'000	during the year HK$'000	Amounts or liabilities incurred during the financial year for the purpose of fulfilling the guarantee or discharge the security HK$'000
As at 31 December 2022						
Loan						
UEP Wind Power (Private) Limited	Controlled body corporate of Mr. Zhang Hong Wei	Corporate guarantee	**433,770**	**339,565**	**433,770**	**-**
As at 31 December 2021						
Loan						
UEP Wind Power (Private) Limited	Controlled body corporate of Mr. Zhang Hong Wei	Corporate guarantee	531,111	433,770	531,111	-

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

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

16. Earnings Per Share

(a) Basic earnings per share

The calculation of basic earnings per share attributable to owners of the Company is based on the profit for the year attributable to owners of the Company of approximately HK$2,601,162,000 (2021: HK$2,000,597,000) and the weighted average number of ordinary shares of 26,163,186,786 (2021: 26,216,780,258) in issue during the year.

(b) Diluted earnings per share

The calculation of diluted earnings per share attributable to owners of the Company for the year is based on the profit for the year attributable to owners of the Company of approximately HK$2,601,162,000 (2021: HK$$2,000,597,000) and the weighted average number of ordinary shares of 26,163,689,965 (2021: 26,221,461,587), being the weighted average number of ordinary shares of 26,163,186,786 (2021: 26,216,780,258) in issue during the year used in the basic earnings per share calculation plus the weighted average number of ordinary shares of 503,179 (2021: 4,681,329) assumed to have been issued at no consideration on the deemed exercise of the share options outstanding during the year.

17. Dividend

	2022 **HK$'000**	2021 HK$'000
2022 Special dividend of HK4 cents per ordinary share paid	**1,051,597**	–
2020 Final dividend of HK2.36 cents per ordinary share paid	**–**	620,299
	1,051,597	620,299

The Board did not recommend payment of a final dividend for the years ended 31 December 2022 and 2021.

Notes to the Consolidated Financial Statements (Continued)

For the year ended 31 December 2022

18. Property, Plant and Equipment

	Freehold land HK$'000	Buildings HK$'000	Leasehold improvements HK$'000	Vessels HK$'000	Aircraft HK$'000	Motor vehicles HK$'000	Furniture, fixtures and equipment HK$'000	Plant and machinery HK$'000	Oil and gas properties HK$'000	Construction in progress HK$'000	Exploration and evaluation expenditures HK$'000	Spare part HK$'000	Total HK$'000
Cost													
At 1 January 2021	15,844	6,994	27,401	55,918	74,658	89,059	414,210	132,101	20,637,759	299,709	699,837	570,756	23,024,246
Additions	–	–	–	230	–	–	47,434	–	1,726,649	205,857	425,592	163,514	2,569,276
Addition due to revision in decommissioning costs estimate	–	–	–	–	–	–	–	–	127,911	–	–	–	127,911
Written off	–	–	–	–	–	–	–	–	(35,578)	(2,622)	(136,367)	–	(174,567)
Transfers	–	–	–	–	–	1,938	29,715	19,137	641,656	(250,751)	(234,321)	(207,374)	–
Exchange differences	–	134	884	–	–	–	1,938	47	484	–	–	–	3,487
At 31 December 2021 and 1 January 2022	**15,844**	**7,128**	**28,285**	**56,148**	**74,658**	**90,997**	**493,297**	**151,285**	**23,098,881**	**252,193**	**754,741**	**526,896**	**25,550,353**
Additions	**–**	**–**	**–**	**115**	**–**	**51**	**82,675**	**–**	**4,026,146**	**343,791**	**550,480**	**454,444**	**5,457,702**
Addition due to revision in decommissioning costs estimate	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**38,039**	**–**	**–**	**–**	**38,039**
Written off	**–**	**(3,980)**	**(4,503)**	**–**	**–**	**–**	**–**	**(1,400)**	**(14,332)**	**(2,580)**	**(706,745)**	**–**	**(733,540)**
Transfers	**–**	**–**	**–**	**–**	**–**	**162**	**25,244**	**50,461**	**667,606**	**(213,117)**	**(157,522)**	**(372,834)**	**–**
Exchange differences	**–**	**(201)**	**(2,192)**	**–**	**–**	**–**	**(5,860)**	**(71)**	**(723)**	**–**	**–**	**–**	**(9,047)**
At 31 December 2022	**15,844**	**2,947**	**21,590**	**56,263**	**74,658**	**91,210**	**595,356**	**200,275**	**27,815,617**	**380,287**	**440,954**	**608,506**	**30,303,507**
Accumulated depreciation and impairment losses													
At 1 January 2021	–	4,953	11,235	44,736	14,913	80,855	362,111	97,198	11,561,131	–	–	–	12,177,132
Charge for the year	–	454	4,430	11,222	4,977	7,071	34,306	18,137	2,467,573	–	–	–	2,548,170
Written off	–	–	–	–	–	–	–	–	(11,780)	–	–	–	(11,780)
Exchange differences	–	134	473	–	–	–	542	47	484	–	–	–	1,680
At 31 December 2021 and 1 January 2022	**–**	**5,541**	**16,138**	**55,958**	**19,890**	**87,926**	**396,959**	**115,382**	**14,017,408**	**–**	**–**	**–**	**14,715,202**
Charge for the year	**–**	**454**	**4,336**	**52**	**4,977**	**1,516**	**47,475**	**24,656**	**3,574,587**	**–**	**–**	**–**	**3,658,053**
Impairment losses	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**219,421**	**–**	**–**	**–**	**219,421**
Written off	**–**	**(3,980)**	**(4,503)**	**–**	**–**	**–**	**–**	**(1,400)**	**(14,332)**	**–**	**–**	**–**	**(24,215)**
Exchange differences	**–**	**(201)**	**(1,318)**	**–**	**–**	**–**	**(1,893)**	**(71)**	**(723)**	**–**	**–**	**–**	**(4,206)**
At 31 December 2022	**–**	**1,814**	**14,653**	**56,010**	**24,867**	**89,442**	**442,541**	**138,567**	**17,796,361**	**–**	**–**	**–**	**18,564,255**
Carrying amount													
At 31 December 2022	**15,844**	**1,133**	**6,937**	**253**	**49,791**	**1,768**	**152,815**	**61,708**	**10,019,256**	**380,287**	**440,954**	**608,506**	**11,739,252**
At 31 December 2021	15,844	1,587	12,147	190	54,768	3,071	96,338	35,903	9,081,473	252,193	754,741	526,896	10,835,151

18. Property, Plant and Equipment (Continued)

Due to the depletion of commercial oil and gas reserves and the results of technical evaluation, the management considered that future economic benefits of certain property, plant and equipment in the exploration and production activities are no longer expected. As such, the carrying amounts of exploration and evaluation expenditures, construction in progress and oil and gas properties attributable to the exploration and production activities which amounted to approximately HK$706,745,000, HK$2,580,000 and HK$Nil respectively (2021: HK$136,367,000, HK$2,622,000 and HK$23,798,000 respectively) had been written off during the year.

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

During the year ended 31 December 2022, the management of the Group determined that there were impairments for the oil and gas assets related to certain concessions which had been allocated to individual cash generating units. As the recoverable amounts of these concessions were less than their carrying amounts at the end of the year, the management decided to impair the relevant assets included in these concessions. Therefore, impairment losses of approximately HK$219,421,000 and HK$609,132,000 (note 20) for the oil and gas properties and intangible assets respectively have been recognised for the year ended 31 December 2022.

The recoverable amounts of the relevant assets had been determined on the basis of its value in use using the discounted cash flow method. Discount rates applied should reflect the return required by the market and risks inherent in the cash flows being discounted, which includes country risks of the assets and risk-free rate. The impairment of the relevant assets made in these concessions was mainly resulted from increased discount rates as disclosed below, which contributed from increased country risks of these concessions and increased risk-free rate due to increase in market interest rate globally and changes in market condition during the year. The future cash flows from the concessions were discounted to their present values using a pre-tax discount rate ranged from 15.61% to 27.31% per annum (2021: ranged from 11.57% to 20.43% per annum).

At 31 December 2022, the carrying amount of property, plant and equipment pledged as security for the Group's borrowings amounted to approximately HK$2,598,996,000 (2021: HK$2,844,205,000) (note 30).

Notes to the Consolidated Financial Statements (Continued)

For the year ended 31 December 2022

19. Right-of-use Assets

	Properties HK$'000	Plant and machinery HK$'000	Motor vehicles HK$'000	Aircraft HK$'000	Total HK$'000
At 1 January 2021	87,310	–	11,743	485,862	584,915
Additions	2,566	–	3,158	–	5,724
Depreciation	(25,959)	–	(3,273)	(33,316)	(62,548)
Exchange differences	1,810	–	–	–	1,810
At 31 December 2021 and 1 January 2022	**65,727**	**–**	**11,628**	**452,546**	**529,901**
Additions	**–**	**209,568**	**12,851**	**–**	**222,419**
Depreciation	**(25,931)**	**(88,424)**	**(4,896)**	**(33,316)**	**(152,567)**
Derecognition upon early termination of leases	**(31,878)**	**–**	**–**	**–**	**(31,878)**
Exchange differences	**(2,570)**	**–**	**–**	**–**	**(2,570)**
At 31 December 2022	**5,348**	**121,144**	**19,583**	**419,230**	**565,305**

Lease liabilities of approximately HK$340,215,000 (2021: HK$341,010,000) are recognised with related right-of-use assets of approximately HK$565,305,000 as at 31 December 2022 (2021: HK$529,901,000). The lease agreements do not impose any covenants other than the security interests in the leased assets that are held by the lessor. Leased assets may not be used as security for borrowing purposes.

	2022 HK$'000	2021 HK$'000
Depreciation expenses on right-of-use assets (included in administrative expenses of approximately HK$64,143,000 (2021: HK$62,548,000), cost of sales and services rendered of approximately HK$22,777,000 (2021: HK$Nil) and approximately HK$65,647,000 (2021: HK$Nil) was capitalised to property, plant and equipment)	**152,567**	62,548
Interest expense on lease liabilities (included in finance cost of approximately HK$27,289,000 (2021: HK$18,670,000) and approximately HK$10,592,000 (2021: HK$Nil) was capitalised to property, plant and equipment)	**37,881**	18,670
Expenses relating to short-term lease (included in administrative expenses of approximately HK$5,822,000 (2021: HK$2,499,000) and cost of sales and services rendered of approximately HK$3,955,000 (2021: HK$6,035,000))	**9,777**	8,534

Details of total cash outflow for leases are set out in note 39(c).

For both years, the Group leases various offices, plant and machinery, motor vehicles and aircraft for its operations. Lease contracts are entered into for fixed term of 2 to 5 years (2021: 2 to 5 years). Lease terms are negotiated on an individual basis and contain a wide range of different terms and conditions. In determining the lease term and assessing the length of the non-cancellable period, the Group applies the definition of a contract and determines the period for which the contract is enforceable.

20. Intangible Assets

	Concession and lease rights HK$'000	Club membership HK$'000	Total HK$'000
Cost			
At 1 January 2021, 31 December 2021, 1 January 2022 and 31 December 2022	9,551,320	17,000	9,568,320
Accumulated amortisation and impairment losses			
At 1 January 2021	3,867,073	–	3,867,073
Amortisation for the year	361,523	–	361,523
At 31 December 2021 and 1 January 2022	**4,228,596**	**–**	**4,228,596**
Amortisation for the year	**407,019**	**–**	**407,019**
Impairment losses	**609,132**	**–**	**609,132**
At 31 December 2022	**5,244,747**	**–**	**5,244,747**
Carrying amount			
At 31 December 2022	**4,306,573**	**17,000**	**4,323,573**
At 31 December 2021	5,322,724	17,000	5,339,724

Concession and lease rights

Concession and lease rights represent the rights for oil and gas exploration and production in Pakistan, Middle East and North Africa which will expire on various dates, in accordance with the respective development and production leases, between years 2023 and 2043. The amortisation of concession and lease rights is determined using the unit-of-production method over the proved and probable reserves of petroleum.

During the year, impairment losses of intangible assets attributable to the exploration and production activities amounted to approximately HK$609,132,000 were recognised. The assessments by the management are disclosed in note 18 to the consolidated financial statements.

21. Investment in Associates

	2022 HK$'000	2021 HK$'000
Unlisted investments:		
Cost of investment (note (a))	**22,605**	22,605
Share of net assets	**226,040**	305,448
Goodwill	**146,843**	146,843
	395,488	474,896

Details of the Group's associates at 31 December 2022 are as follows:

Name	Place of incorporation/ registration	Issued and paid up capital	Percentage of ownership interest/voting power/profit sharing 2022	2021	Principal activities
Orient Group Beijing Investment Holding Limited	Mauritius	47,769,535 ordinary shares of US$1 each	**48%**	48%	Investment holding
UEP Wind Power (Private) Limited (note (b))	Pakistan	659,974,655 ordinary shares of PKR10 each	**48.52%**	48.52%	Developing and operating of wind power project in Pakistan
Orient Art Limited	British Virgin Islands	350,000,000 ordinary shares of HK$1 each	**20%**	20%	Trading in artworks
東方藝術品有限公司	PRC	Registered capital of RMB100,000,000 (Note 42(c))	**20%**	20%	Not yet commenced business

The above list contains the particulars of associates which principally affected the results and net assets of the Group.

Notes:

(a) The Group acted as the guarantor to provide corporate guarantee to secure bank borrowings granted to its associate and agreed to repay the outstanding loan and interest accrual if the associate default the loan repayment. The fair value of the financial guarantee contract was determined by an independent professional valuer and it was recognised as investment in associates and financial guarantee contracts in the Group's consolidated statement of financial position.

(b) The Group held 48.52% effective equity interest in UEP Wind Power (Private) Limited through directly held 48% and 1% equity interests in Orient Group Beijing Investment Holding Limited and Super Success Investments Limited respectively.

21. Investment in Associates (Continued)

The following table shows information on the associate that is material to the Group. This associate is accounted for using the equity method in the consolidated financial statements. The summarised financial information presented is based on the HKFRS financial statements of the associate.

Name	UEP Wind Power (Private) Limited 2022	2021
Principal place of business/country of incorporation	Pakistan	
Principal activities	Developing and operating of wind power project in Pakistan	
% of ownership interests/voting rights held by the Group	**48.52%/48.52%**	48.52%/48.52%
	HK$'000	HK$'000
At 31 December:		
Non-current assets	**1,078,370**	1,349,834
Current assets	**261,790**	367,662
Non-current liabilities	**(553,097)**	(754,430)
Current liabilities	**(360,144)**	(362,614)
Net assets	**426,919**	600,452
Group's share of net assets	**207,141**	291,339
Cost of investment	**22,605**	22,605
Goodwill	**146,843**	146,843
Group's share of carrying amount of interests	**376,589**	460,787
Year ended 31 December:		
Revenue	**137,733**	152,950
(Loss)/profit from operations	**(67,615)**	6,705
Other comprehensive income	**(16,583)**	(10,105)
Total comprehensive income	**(84,198)**	(3,400)

UEP Wind Power (Private) Limited is a strategic investment of the Group, providing access to wind power business in Pakistan.

21. Investment in Associates (Continued)

The following table shows, in aggregate, the Group's share of the amounts of all individually immaterial associates that are accounted for using the equity method.

	2022 HK$'000	2021 HK$'000
At 31 December:		
Carrying amounts of the Group's investments in associates	**18,899**	14,109
Year ended 31 December:		
Share of the associates' profit for the year	**908**	14,847
Share of the associates' other comprehensive income	**3,882**	(968)
Share of the associates' total comprehensive income	**4,790**	13,879

22. Investment in a Joint Venture

	2022 HK$'000	2021 HK$'000
Unlisted investment:		
Share of net assets	**–**	120,377

Details of the Group's joint venture at 31 December 2022 are as follows:

Name	Place of incorporation/ registration	Issued and paid up capital	Percentage of ownership interest/voting power/profit sharing 2022	2021	Principal activities
Genuine Fair Limited	British Virgin Islands	10 ordinary shares of US$1 each	**40%**	40%	Investment holding

The following table shows the Group's share of the amounts of the immaterial joint venture that is accounted for using the equity method.

	2022 HK$'000	2021 HK$'000
At 31 December:		
Carrying amounts of the Group's investments in a joint venture	**–**	120,377
Year ended 31 December:		
Share of the joint venture's loss for the year	**(120,377)**	(80,514)
Share of the joint venture's other comprehensive income	**–**	–
Share of the joint venture's total comprehensive income	**(120,377)**	(80,514)

The Group has not recognised loss for the year amounting to approximately HK$117,000 (2021: HK$Nil) for Genuine Fair Limited. The accumulated losses not recognised were approximately HK$117,000 (2021: HK$Nil).

23. Advances, Deposits and Prepayments

	2022 **HK$'000**	2021 HK$'000
Advances to staff	**1,504**	1,019
Deposits and prepayments (note (i))	**32,931**	55,689
Deposits paid for acquisition of property, plant and equipment	**333,635**	6,240
	368,070	62,948

Note:

(i) At 31 December 2022, deposits of approximately HK$31,343,000 (2021: HK$Nil) is pledged as security for the commitment of exploration expenditures of the Group.

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

	2022 **HK$'000**	2021 HK$'000
US$	**364,993**	59,133
PKR	**3,077**	3,815
Total	**368,070**	62,948

24. Inventories

	2022 **HK$'000**	2021 HK$'000
Finished goods	**45,385**	35,965
Spare parts and consumables	**382,925**	270,751
Less: allowance for inventories	**(39,000)**	(19,500)
	389,310	287,216

25. Trade and Other Receivables

	2022 HK$'000	2021 HK$'000
Trade receivables (note (a))	**5,143,356**	3,581,702
Allowance for trade receivables	**(25,959)**	(11,733)
Allowance for price adjustments (note (b))	**(198,843)**	(232,233)
	4,918,554	3,337,736
Other receivables (note (c))	**1,398,064**	810,211
Allowance for other receivables	**(762)**	(2,639)
	1,397,302	807,572
Total trade and other receivables	**6,315,856**	4,145,308

(a) Trade receivables

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

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

	2022 HK$'000	2021 HK$'000
0 to 30 days	**2,346,088**	1,849,353
31 to 60 days	**262,016**	289,171
61 to 90 days	**916,341**	920,228
Over 90 days	**1,618,911**	522,950
	5,143,356	3,581,702

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

	2022 HK$'000	2021 HK$'000
US$	**5,129,944**	3,549,230
PKR	**13,412**	32,472
Total	**5,143,356**	3,581,702

At 31 December 2022, the carrying amount of trade receivables pledged as security for the Group's borrowings amounted to approximately HK$1,143,030,000 (2021: HK$264,501,000) (note 30).

25. Trade and Other Receivables (Continued)

(b) Allowance for price adjustments

This represents the provision for the possible price adjustment in gas prices as per the draft gas price notifications submitted to the relevant regulatory authorities in Pakistan in respect of certain gas sales agreements. Since the final price notification has not yet been received from the regulatory authorities, the management had estimated the potential price differential based on the draft notifications and a possible price reduction (excluding royalty expenses) of approximately HK$198,843,000 (2021: HK$232,233,000) was provided.

(c) Other receivables

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

	2022 HK$'000	2021 HK$'000
Due from joint operators	**394,418**	395,465
Advances to staff	**10,750**	9,919
Central excise duty receivables	**10,780**	18,022
Deposits and prepayments	**122,224**	90,480
Sales tax receivables	**118,759**	228,828
Other tax receivables	**29,365**	18,047
Withholding tax receivables	**1,331**	3,566
Amount due from an associate (note (i))	**28,590**	27,662
Sundry debtors	**640,091**	–
Others	**40,994**	15,583
	1,397,302	807,572

Note:

(i) As at 31 December 2022, the amount due from associate of the Group, Orient Group Beijing Investment Holding Limited, which is unsecured, interest bearing at a rate of 3 months LIBOR plus 1.7% per annum (2021: 3 months LIBOR plus 1.7% per annum) and repayable on or before 29 September 2023.

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

	2022 HK$'000	2021 HK$'000
HK$	**21,051**	19,807
RMB	**40,060**	27,223
US$	**1,157,997**	479,117
PKR	**174,618**	278,369
Others	**3,576**	3,056
Total	**1,397,302**	807,572

26. Financial Assets at Fair Value through Profit or Loss

	2022 HK$'000	2021 HK$'000
Equity securities, at fair value		
Listed in Hong Kong at market value	**2,063**	1,991

The carrying amounts of the above financial assets are mandatorily measured at fair value through profit or loss in accordance with HKFRS 9.

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

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

27. Bank and Cash Balances

	2022 HK$'000	2021 HK$'000
Cash at bank and on hand (note (a) and (b))	**2,217,855**	3,059,869
Restricted bank deposits (note (c))	**85,669**	78,053
Term deposits matured within 3 months (note (b))	**951,600**	32,640
Total bank and cash balances	**3,255,124**	3,170,562

At 31 December 2022, the bank and cash balances of the Group denominated in RMB amounted to approximately HK$23,355,000 (2021: HK$66,200,000). Conversion of RMB into foreign currencies is subject to the PRC's Foreign Exchange Control Regulations and Administration of Settlement, Sale and Payment of Foreign Exchange Regulations.

Notes:

(a) At 31 December 2022, the carrying amount of cash at bank and on hand amounted to approximately HK$910,866,000 (2021: HK$Nil) and HK$233,019,000 (2021: HK$194,850,000) are pledged as securities for the payment of consideration relating to the acquisition of property, plant and equipment and the Group's borrowings (note 30) respectively.

(b) At 31 December 2022, the carrying amount of cash at bank and on hand and term deposits matured within 3 months amounted to approximately HK$37,177,000 (2021: HK$Nil) is pledged as security for the commitments of exploration expenditures of the Group.

(c) At 31 December 2022, approximately HK$85,669,000 (2021: HK$78,053,000) are restricted deposits held at bank as security charge over the Group's borrowings (note 30).

28. Trade and Other Payables

	2022 HK$'000	2021 HK$'000
Trade payables (note (a))	**606,629**	281,335
Other payables (note (b))	**4,166,901**	2,536,324
Total trade and other payables	**4,773,530**	2,817,659

(a) Trade payables

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

	2022 HK$'000	2021 HK$'000
0 to 30 days	**449,269**	227,342
31 to 60 days	**49,993**	19,231
61 to 90 days	**29,638**	9,000
Over 90 days	**77,729**	25,762
	606,629	281,335

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

	2022 HK$'000	2021 HK$'000
RMB	**193**	214
US$	**434,827**	193,444
PKR	**131,823**	67,150
Others	**39,786**	20,527
Total	**606,629**	281,335

28. Trade and Other Payables (Continued)

(b) Other payables

	2022 HK$'000	2021 HK$'000
Accrual for operating and capital expenses	**1,670,309**	1,140,385
Due to joint operators	**112,976**	84,523
Deposits received	**67**	73
Advances from a customer (note (i))	**390,000**	–
Salaries and welfare payables	**195,214**	138,156
Provision for infrastructure funds	**560,403**	464,383
Other tax payables	**1,132,750**	654,409
Sundry creditors	**42,197**	–
Others	**62,985**	54,395
	4,166,901	2,536,324

Note:

(i) The Group entered into an agreement with a customer for secured crude oil prepayment facilities to the extent of approximately HK$390,000,000 (equivalent to approximately US$50,000,000). Advances drawn under the facilities bear interest rates at 3.75% per annum plus 3 months Term SOFR, are repayable principally by the delivery of the Group's crude oil entitlement and are guaranteed by unlimited corporate guarantee granted by the Company.

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

	2022 HK$'000	2021 HK$'000
HK$	**15,538**	6,021
RMB	**48,103**	51,699
US$	**3,227,292**	1,755,566
PKR	**861,115**	714,698
Others	**14,853**	8,340
Total	**4,166,901**	2,536,324

29. Due to a Director

The amount due to a director is unsecured, interest-free and repayable on demand.

30. Borrowings

	2022 HK$'000	2021 HK$'000
Bank loans, secured	**3,472,313**	4,594,073

The borrowings are repayable as follows:

	2022 HK$'000	2021 HK$'000
Within one year	**1,885,969**	1,760,607
More than one year, but not exceeding two years	**1,351,271**	1,649,506
More than two years, but not more than five years	**235,073**	1,183,960
	3,472,313	4,594,073
Less: Amount due for settlement within 12 months (shown under current liabilities)	**(1,885,969)**	(1,760,607)
Amount due for settlement after 12 months	**1,586,344**	2,833,466

The carrying amounts of the Group's borrowings are denominated in US dollars.

The weighted average effective interest rate of the secured bank loans as at 31 December 2022 was 7.43% (2021: 4.60%).

Bank loans are arranged at floating rates, thus exposing the Group to cash flow interest rate risk.

As at 31 December 2022, bank loans are secured or guaranteed by the following:

(i) share charge over the entire equity interests of the wholly owned subsidiaries of the Company including Asia Resources Oil Limited, UEP Alpha Limited, UEP Beta GmbH, United Energy Pakistan Holdings Limited, United Energy Pakistan Limited, Gold Cheers Corporation Limited, BowEnergy Resources (Pakistan) SRL, KEC (MENA) Limited, KEC (Egypt) Limited, Kuwait Energy Egypt Limited, United Energy Egypt Limited and Kuwait Energy (Eastern Desert) for Petroleum Services S.A.E.;

(ii) certain property, plant and equipment, trade receivables and bank and cash balances of the Group with an aggregate carrying value of approximately HK$4,060,714,000 (equivalent to approximately US$520,604,000) (2021: HK$3,381,609,000 (equivalent to approximately US$433,540,000));

(iii) unlimited corporate guarantee provided by the Company and its wholly owned subsidiaries of the Company including Asia Resources Oil Limited, UEP Alpha Limited, UEP Beta GmbH, United Energy Pakistan Holdings Limited, United Energy Pakistan Limited, KEC (Egypt) Limited, Kuwait Energy Egypt Limited, United Energy Egypt Limited and Kuwait Energy (Eastern Desert) for Petroleum Services S.A.E.; and

(iv) unlimited personal guarantee provided by the executive directors of the Company.

Notes to the Consolidated Financial Statements (Continued)
For the year ended 31 December 2022

31. Lease Liabilities

	Minimum lease payments		Present value of minimum lease payments	
	2022	2021	**2022**	2021
	HK$'000	HK$'000	**HK$'000**	HK$'000
Within one year	**195,327**	121,716	**170,974**	107,867
In the second to fifth years, inclusive	**180,510**	248,190	**169,241**	233,143
	375,837	369,906	**340,215**	341,010
Less: Future finance charges	**(35,622)**	(28,896)	**N/A**	N/A
Present value of lease obligations	**340,215**	341,010	**340,215**	341,010
Less: Amount due for settlement within 12 months (shown under current liabilities)			**(170,974)**	(107,867)
Amount due for settlement after 12 months			**169,241**	233,143

The weighted average incremental borrowing rates applied to lease liabilities range from 1.72% to 18.25% (2021: 2.60% to 4.90%).

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

	2022	2021
	HK$'000	HK$'000
HK$	**5,580**	12,348
RMB	**–**	56,503
US$	**308,686**	256,549
PKR	**25,949**	15,610
Total	**340,215**	341,010

32. Provisions

	Dismantling costs in respect of leasehold improvements HK$'000	Decommissioning costs HK$'000	Total HK$'000
At 1 January 2021	530	494,925	495,455
Less:			
Reversal of provisions recognised during the year	–	(3,888)	(3,888)
Actual costs incurred during the year	–	(25,786)	(25,786)
Add:			
Provisions recognised during the year	–	131,799	131,799
Unwinding of discounts	–	11,121	11,121
At 31 December 2021 and 1 January 2022	**530**	**608,171**	**608,701**
Less:			
Reversal of provisions recognised during the year	**–**	**(9,996)**	**(9,996)**
Actual costs incurred during the year	**–**	**(43,451)**	**(43,451)**
Add:			
Provisions recognised during the year	**–**	**48,035**	**48,035**
Unwinding of discounts	**–**	**20,440**	**20,440**
At 31 December 2022	**530**	**623,199**	**623,729**

32. Provisions (Continued)

	2022 HK$'000	2021 HK$'000
Analysed as:		
Current liabilities	**3,564**	2,113
Non-current liabilities	**620,165**	606,588
	623,729	608,701

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.

33. Financial Guarantee Contracts

	2022 HK$'000	2021 HK$'000
Fair value of financial guarantees	**14,786**	21,496

At the end of the reporting period, the Group has issued certain guarantees of approximately HK$715,282,000 (2021: HK$715,282,000) to a bank in respect of banking facilities granted to an associate of the Group. Under the guarantees, the Group is liable for all or any of the borrowings of the associate from the bank upon failure of the guaranteed associate to make payments when due.

The maximum liability of the Group at the end of the reporting period under guarantees is the amount of bank loans drawn and the related interest accrued under the guarantees at that date of approximately HK$339,565,000 (2021: HK$433,770,000).

34. Deferred Tax

The following are the deferred tax liabilities and assets recognised by the Group.

	Accelerated tax depreciation HK$'000	Intangible assets HK$'000	Allowance for inventories HK$'000	Finance costs HK$'000	Allowance for price adjustments HK$'000	Provision for expected credit losses HK$'000	Provision for workers' funds HK$'000	Pre-commercial expenditure for concession rights surrendered HK$'000	Defined benefit liabilities HK$'000	Tax losses HK$'000	Others HK$'000	Total HK$'000
At 1 January 2021	591,571	1,823,400	(14,094)	(249,860)	(153,528)	(28,349)	(32,181)	114,689	4,175	(97,492)	(3,563)	1,954,768
(Credit)/charge to profit or loss for the year (note 14)	(160,385)	92,209	-	40,196	30,413	22,639	(535)	(49)	-	(371)	(3,279)	20,838
Credit to other comprehensive income for the year	-	-	-	-	-	-	-	-	(171)	-	-	(171)
Exchange differences	(8,006)	-	418	-	(674)	-	3,134	-	(72)	7,791	358	2,949
At 31 December 2021 and 1 January 2022	**423,180**	**1,915,609**	**(13,676)**	**(209,664)**	**(123,789)**	**(5,710)**	**(29,582)**	**114,640**	**3,932**	**(90,072)**	**(6,484)**	**1,978,384**
(Credit)/charge to profit or loss for the year (note 14)	**(566,034)**	**(258,031)**	**(11,648)**	**(264)**	**4,119**	**4,292**	**(5,819)**	**-**	**-**	**60,726**	**(2,141)**	**(774,800)**
Credit to other comprehensive income for the year	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**(296)**	**-**	**-**	**(296)**
Exchange differences	**(15,157)**	**-**	**904**	**-**	**1,909**	**-**	**7,118**	**-**	**(844)**	**12,497**	**1,305**	**7,732**
At 31 December 2022	**(158,011)**	**1,657,578**	**(24,420)**	**(209,928)**	**(117,761)**	**(1,418)**	**(28,283)**	**114,640**	**2,792**	**(16,849)**	**(7,320)**	**1,211,020**

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

	2022 HK$'000	2021 HK$'000
Deferred tax liabilities	**1,234,079**	1,979,149
Deferred tax assets	**(23,059)**	(765)
	1,211,020	1,978,384

At the end of the reporting period, the Group has unused tax losses and other deductible temporary differences of approximately HK$151,506,000 and HK$5,879,000 respectively (2021: HK$339,124,000 and HK$6,908,000 respectively) that are available for offsetting against future taxable profits. A deferred tax asset has been recognised in respect of approximately HK$38,294,000 (2021: HK$225,180,000) of such losses. No deferred tax assets have been recognised in respect of the remaining approximately HK$113,212,000 (2021: HK$113,944,000) due to unpredictability of future profit streams. Included in unrecognised tax losses are of approximately HK$3,817,000 (2021: HK$6,915,000) that will expire from 2023 to 2027 (2021: from 2022 to 2026). Other tax losses and other deductible temporary differences may be carried forward indefinitely.

Temporary differences in connection with the interests in subsidiaries, associates and joint venture are insignificant.

35. Share Capital

	Note	**2022** Number of shares '000	**2022** Amount HK$'000	2021 Number of shares '000	2021 Amount HK$'000
Authorised:					
Ordinary shares of HK$0.01 each		**60,000,000**	**600,000**	60,000,000	600,000
Issued and fully paid:					
Ordinary shares of HK$0.01 each					
At 1 January		**26,289,928**	**262,899**	26,283,850	262,839
Issue of shares under employees performance share schemes	(a)	**–**	**–**	6,078	60
At 31 December		**26,289,928**	**262,899**	26,289,928	262,899

Note:

(a) During the year ended 31 December 2021, 6,078,376 ordinary shares of HK$0.01 each pursuant to the employees performance share schemes of the Company were issued and allotted to employees in Pakistan.

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

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

The Group's strategy is to maintain a solid base to support the operations and development of its business in the long term. No changes were made in the objectives, policies or processes during the years ended 31 December 2022 and 2021.

The Group monitors its capital structure with reference to its debt position. The Group's strategy is to maintain the equity and debt in a balanced position and ensure there are adequate working capital to service its debt obligations. The Group's debt to asset ratio, being the Group's total liabilities over its total assets, at 31 December 2022 was 42% (2021: 43%).

The externally imposed capital requirement for the Group are: (i) in order to maintain its listing on The Stock Exchange it has to have a public float of at least 25% of the issued shares; and (ii) to meet financial covenants attached to the interest-bearing borrowings.

The Group receives a report from the share registrars periodically on substantial share interests showing the non-public float and it demonstrates continuing compliance with the 25% limit throughout the year. As at 31 December 2022, 28.66% (2021: 28.66%) of the shares were in public hands.

Breaches in meeting the financial covenants would permit the bank to immediately call borrowings. There have been no breaches in the financial covenants of any interest-bearing borrowing for the years ended 31 December 2022 and 2021.

36. Statement of Financial Position of the Company and Reserve Movement of the Company

(a) Statement of financial position of the Company

	Note	2022 HK$'000	2021 HK$'000
Non-current assets			
Property, plant and equipment		**4,988**	5,587
Right-of-use assets		**424,364**	463,282
Investments in subsidiaries		**4,744**	11
Investments in an associate		**22,605**	22,605
Intangible assets		**17,000**	17,000
		473,701	508,485
Current assets			
Other receivables		**54,307**	52,132
Financial assets at fair value through profit or loss		**2,063**	1,991
Due from subsidiaries		**11,878,901**	10,303,190
Bank and cash balances		**331,893**	367,123
		12,267,164	10,724,436
Current liabilities			
Other payables		**22,892**	13,852
Lease liabilities		**86,335**	83,503
Due to subsidiaries		**10,269,460**	9,419,712
Due to a director		**442**	1,431
Financial guarantee contracts		**86,996**	179,853
Provisions		**530**	–
		10,466,655	9,698,351
Net current assets		**1,800,509**	1,026,085
Total assets less current liabilities		**2,274,210**	1,534,570
Non-current liabilities			
Lease liabilities		**101,753**	183,887
Provisions		**–**	530
		101,753	184,417
NET ASSETS		**2,172,457**	1,350,153
Capital and reserves			
Share capital		**262,899**	262,899
Reserves	36(b)	**1,909,558**	1,087,254
TOTAL EQUITY		**2,172,457**	1,350,153

The Company's statement of financial position was approved by the Board of Directors on 31 March 2023 and signed on its behalf by:

Zhang Hong Wei
Executive Director

Zhang Meiying
Executive Director

36. Statement of Financial Position of the Company and Reserve Movement of the Company (Continued)

(b) Reserve movement of the Company

	Share premium account HK$'000	Contributed surplus reserve HK$'000	Share-based capital reserve HK$'000	Performance share unit scheme reserve HK$'000	Accumulated losses HK$'000	Total HK$'000
At 1 January 2021	2,510,520	10,159,925	14,924	(82,092)	(12,855,799)	(252,522)
Purchase of shares under performance share unit scheme (note 38(d))	–	–	–	(50,514)	–	(50,514)
Issue of shares under employees performance share schemes (note 35(a))	9,239	–	–	–	–	9,239
Dividend paid (note 17)	–	(620,299)	–	–	–	(620,299)
Profit and other comprehensive income for the year	–	–	–	–	2,001,350	2,001,350
At 31 December 2021	2,519,759	9,539,626	14,924	(132,606)	(10,854,449)	1,087,254
At 1 January 2022	**2,519,759**	**9,539,626**	**14,924**	**(132,606)**	**(10,854,449)**	**1,087,254**
Transfer of share option reserve upon the lapse of share options	**–**	**–**	**(14,924)**	**–**	**14,924**	**–**
Equity-settled share-based payments under performance share unit scheme (note 38(d))	**–**	**–**	**7,899**	**–**	**–**	**7,899**
Dividend paid (note 17)	**–**	**(1,051,597)**	**–**	**–**	**–**	**(1,051,597)**
Profit and other comprehensive income for the year	**–**	**–**	**–**	**–**	**1,866,002**	**1,866,002**
At 31 December 2022	**2,519,759**	**8,488,029**	**7,899**	**(132,606)**	**(8,973,523)**	**1,909,558**

37. Reserves

(a) Group

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

(b) Nature and purpose of reserves

(i) Share premium account

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

(ii) Merger reserve

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

(iii) Contributed surplus reserve

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

(iv) Foreign currency translation reserve

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

(v) Share-based capital reserve

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

(vi) Performance share unit scheme reserve

Performance share unit scheme reserve arose as a result of purchasing of Company's shares for performance share unit scheme or granting the shares to relevant eligible employees of the Group. The reserve is dealt with in accordance with the accounting policies set out in note 4(v) to the consolidated financial statements.

(vii) Statutory reserve

Transfer from retained profits to the statutory reserve were made in accordance with the relevant PRC rules and regulations and the articles of association of the Company's subsidiaries established in the PRC, and were approved by the respective boards of directors.

38. Share-Based Payments

(a) Share option scheme

The Company's share option scheme was adopted pursuant to the shareholders' resolution passed on 11 May 2006 for the primary purpose of providing opportunity to directors, employees and consultants to acquire proprietary interests of the Group and was expired on 10 May 2016 (the "Old Scheme").

On 27 May 2016, a new share option scheme (the "New Scheme") was adopted by the shareholders of the Company pursuant to the shareholder's resolution. Under the New Scheme, the Board of Directors of the Company may grant options to eligible person (including all directors, employees of the Group, consultants, advisors, agents, customers, service providers, contractors and business partners of any members of the Group).

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

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

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

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

On 29 August 2022, all outstanding share options under Old Scheme were lapsed following the expiry of the share option scheme. No share options were granted, exercised, or cancelled under the Old Scheme during the year ended 31 December 2022.

During the years ended 31 December 2022 and 2021, no share options were granted, exercised, lapsed or cancelled under the New Scheme.

38. Share-Based Payments (Continued)

(a) Share option scheme (Continued)

Details of the specific categories of options under the Old Scheme are as follows:

Grantee	Date of grant	Vesting period	Exercise period	Adjusted exercise price HK$	Number of share options outstanding as at 31 December 2022	Number of share options outstanding as at 31 December 2021
Employees	29.08.2012	29.08.2012 to 28.08.2013	29.08.2013 to 28.08.2022	0.93	–	6,976,991
	29.08.2012	29.08.2012 to 28.08.2014	29.08.2014 to 28.08.2022	0.93	–	4,651,327
	29.08.2012	29.08.2012 to 28.08.2015	29.08.2015 to 28.08.2022	0.93	–	4,651,327
	29.08.2012	29.08.2012 to 28.08.2016	29.08.2016 to 28.08.2022	0.93	–	6,976,992
					–	23,256,637

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

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

	2022		2021	
	Number of share options	**Weighted average exercise price HK$**	Number of share options	Weighted average exercise price HK$
Outstanding at the beginning of the year	**23,256,637**	**0.930**	23,256,637	0.930
Lapsed during the year	**(23,256,637)**	**0.930**	–	–
Outstanding at the end of the year	**–**	**N/A**	23,256,637	0.930
Exercisable at the end of the year	**–**	**N/A**	23,256,637	0.930

The options outstanding at the end of year 2021 have a weighted average remaining contractual life of 0.66 years and the exercise price is HK$0.93. During the year, no expense was recognised in relation to the Old Scheme (2021: HK$Nil).

38. Share-Based Payments (Continued)

(a) Share option scheme (Continued)

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

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

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

(b) Employees performance share schemes

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

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

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

38. Share-Based Payments (Continued)

(b) Employees performance share schemes (Continued)

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

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

Fair value of the Scheme Shares at the grant date is determined with reference to the closing market price of the Company's ordinary share at the date of grant. The Group recognised the total expenses of approximately HK$5,480,000 (2021: HK$8,221,000) for the year ended 31 December 2022 in relation to the Employees Performance Share Schemes.

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

Pursuant to the Board's resolution passed on 22 December 2021, the directors of the Company resolved and approved that the Trust Period of the Employees Performance Share Schemes is extended to 31 March 2025.

38. Share-Based Payments (Continued)

(b) Employees performance share schemes (Continued)

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

			Number of Scheme Shares					
Name of the scheme	Date of grant	Fair value per share	Outstanding as at 1 January 2022	Granted during the year	Vested during the year	Lapsed during the year	Outstanding as at 31 December 2022	Vesting period
Performance share scheme	2 January 2019	HK$1.18	4,454,344	–	(4,454,344)	–	–	2 January 2019 to 1 January 2022
Executive performance share scheme	2 January 2019	HK$1.18	710,311	–	(710,311)	–	–	2 January 2019 to 1 January 2022
Deferred annual bonus scheme	2 January 2019	HK$1.18	810,733	–	(810,733)	–	–	2 January 2019 to 1 January 2022
Performance share scheme	2 January 2020	HK$1.60	4,122,551	–	(162,912)	(40,911)	3,918,728	2 January 2020 to 1 January 2023
Executive performance share scheme	2 January 2020	HK$1.60	650,757	–	–	–	650,757	2 January 2020 to 1 January 2023
Deferred annual bonus scheme	2 January 2020	HK$1.60	770,373	–	–	–	770,373	2 January 2020 to 1 January 2023
Performance share scheme	4 January 2021	HK$1.45	4,552,727	–	(504,707)	(56,078)	3,991,942	4 January 2021 to 3 January 2024
Executive performance share scheme	4 January 2021	HK$1.45	706,588	–	–	–	706,588	4 January 2021 to 3 January 2024
Deferred annual bonus scheme	4 January 2021	HK$1.45	819,061	–	–	–	819,061	4 January 2021 to 3 January 2024
			17,597,445	–	(6,643,007)	(96,989)	10,857,449	

38. Share-Based Payments (Continued)

(c) Shares match scheme

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

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

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

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

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

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

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

Fair value of the Ascertained Scheme Shares at the grant date is determined with reference to the closing market price of the Company's ordinary share as at the date of grant. The Group recognised the total expenses of approximately HK$600,000 for the year ended 31 December 2021 in relation to the share match scheme.

38. Share-Based Payments (Continued)

(d) Performance share unit scheme

On 1 April 2019, the Company adopted the 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 year ended 31 December 2022, no shares were purchased by the trustee from the market (2021: 69,808,000 shares were purchased by the trustee from the market at an average price of HK$0.72 per share, with an aggregate amount of approximately HK$132,606,000).

On 17 May 2022, 39,547,163 shares were granted to eligible employees pursuant to the PSU Scheme by the Company. The shares will be vested after three years from the grant date.

The fair value of the shares at grant date was estimated by taking the market price of the Company's shares on grant date. The Group recognised the total expenses of approximately HK$7,899,000 (2021: HK$Nil) for the year ended 31 December 2022 in relation to the PSU Scheme.

At 31 December 2022, there are 126,742,000 shares (2021: 126,742,000 shares) held by the trustee.

39. Notes to the Consolidated Statement of Cash Flows

(a) Major non-cash transaction

(i) During the year ended 31 December 2021, crude oil prepayment facilities amounted to approximately HK$538,200,000 were settled by the delivery of the Group's crude oil entitlement.

(ii) During the year, additions of property, plant and equipment amounted to approximately HK$59,112,000 (2021: HK$69,000) were transferred from advances, deposits and prepayments.

(iii) During the year, interest expense on lease liabilities of approximately HK$10,592,000 (2021: HK$Nil) and depreciation on right-of-use assets of approximately HK$65,647,000 (2021: HK$Nil) were capitalised to property, plant and equipment.

(iv) Additions to right-of-use assets during the year of approximately HK$222,419,000 (2021: HK$5,724,000) was financed by leases liabilities.

39. Notes to the Consolidated Statement of Cash Flows (Continued)

(b) Reconciliation of liabilities arising from financing activities

The table below details changes in the Group's liabilities arising from financing activities, including both cash and non-cash changes. Liabilities arising from financing activities are those for which cash flows were, or future cash flows will be, classified in the Group's consolidated statement of cash flows as cash flows from financing activities.

	Trade and other payables – Advances from a customer HK$'000 (note 28(b))	Borrowings HK$'000 (note 30)	Lease liabilities HK$'000 (note 31)	Total HK$'000
As at 1 January 2022	–	4,594,073	341,010	4,935,083
Changes from operating cash flows:				
Interest on lease liabilities	–	–	(13,819)	(13,819)
Changes from financing cash flows:				
Principal elements of lease payments	–	–	(196,556)	(196,556)
Advances from a customer	390,000	–	–	390,000
Borrowings raised, net of direct transaction cost	–	768,300	–	768,300
Repayment of borrowings	–	(1,980,101)	–	(1,980,101)
	390,000	(1,211,801)	(196,556)	(1,018,357)
Non-cash transaction:				
Additions to lease liabilities	–	–	222,419	222,419
Derecognition of lease liabilities	–	–	(34,536)	(34,536)
Capitalisation of interest expense on lease liabilities to property, plant and equipment (note 39(a)(iii))	–	–	10,592	10,592
Imputed interest expenses	–	90,041	13,819	103,860
Exchange differences	–	–	(2,714)	(2,714)
	–	90,041	209,580	299,621
As at 31 December 2022	390,000	3,472,313	340,215	4,202,528

39. Notes to the Consolidated Statement of Cash Flows (Continued)

(b) Reconciliation of liabilities arising from financing activities (Continued)

	Trade and other payables – Advances from a customer HK$'000 (note 28(b))	Borrowings HK$'000 (note 30)	Lease liabilities HK$'000 (note 31)	Total HK$'000
As at 1 January 2021	538,200	5,235,811	438,331	6,212,342
Changes from operating cash flows:				
Interest on lease liabilities	–	–	(6,678)	(6,678)
Changes from financing cash flows:				
Principal elements of lease payments	–	–	(104,951)	(104,951)
Borrowings raised, net of direct transaction cost	–	724,402	–	724,402
Repayment of borrowings	–	(1,400,609)	–	(1,400,609)
	–	(676,207)	(104,951)	(781,158)
Non-cash transaction:				
Additions to lease liabilities	–	–	5,724	5,724
Imputed interest expenses	–	34,469	6,678	41,147
Settlement by the Group's crude oil entitlement (note 39(a)(i))	(538,200)	–	–	(538,200)
Exchange differences	–	–	1,906	1,906
	(538,200)	34,469	14,308	(489,423)
As at 31 December 2021	–	4,594,073	341,010	4,935,083

39. Notes to the Consolidated Statement of Cash Flows (Continued)

(c) Total cash outflow for leases

Amounts included in the consolidated statement of cash flows for lease comprise the following:

	2022 HK$'000	2021 HK$'000
Within operating cash flows	23,596	15,212
Within investing cash flows	10,592	–
Within financing cash flows	196,556	104,951
	230,744	120,163

The amounts above are related to the following:

	2022 HK$'000	2021 HK$'000
Lease rental paid	230,744	120,163

40. Related Party Transactions

(a) Name and relationship with related parties:

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

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

(b) At the end of the reporting period, Orient Group and Orient Group Industrial & Development has provided corporate guarantees to the bank for banking facilities granted to the associate of the Group, OGBIH. Orient Group also entered into an entrusted guarantee agreement with OGBIH for the corporate guarantee services provided by Orient Group. Under the entrusted guarantee agreement, 2% service fee was charged at outstanding bank loan. During the year, Orient Group had waived such service charge of approximately HK$8,735,000 to OGBIH (2021: HK$10,574,000).

(c) The executive directors of the Company, Mr. Zhang Hong Wei and Ms. Zhang Meiying have provided joint personal guarantees to the bank loans made to the Group totaling approximately HK$2,013,115,000 (2021: HK$2,958,366,000).

(d) The executive director of the Company, Mr. Zhang Hong Wei has provided personal guarantees to the bank loans made to the Group totaling approximately HK$488,624,000 (2021: HK$798,852,000).

40. Related Party Transactions (Continued)

(e) The executive director of the Company, Mr. Zhang Hong Wei has provided personal guarantees to secure certain of the Group's obligations under finance leases approximately HK$182,726,000 (2021: HK$256,549,000).

(f) At 31 December 2022, the Group has provided an unlimited corporate guarantee in favour of its associate against the bank loans of approximately HK$339,565,000 (2021: HK$433,770,000) made to the associate of the Group.

(g) For the year ended 31 December 2022, leases payments of approximately HK$21,430,000 (2021: HK$22,008,000) for leasing an office premises of the Group were paid to BDHL.

(h) For the year ended 31 December 2022, service income on wind turbine operation and maintenance services of approximately HK$15,996,000 (2021: HK$Nil) were charged to UEP Wind Power (Private) Limited.

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

41. Contingent Liabilities

(a) For the years ended 31 December 2022 and 2021, the Company issued various unlimited corporate guarantees in favour of the President of the Islamic Republic of Pakistan for providing UEPL with all necessary financial and other means to enable UEPL to fully perform its obligations as stipulated in the concession agreements.

(b) For the year ended 31 December 2021, the Group had issued corporate guarantees granted to the collector of customs of Pakistan in case of any dispute arising on claim of exemptions of levies including custom duties and sales tax on import of machinery, equipment, materials, specialised vehicles, spares, chemicals and consumables under the petroleum concession agreement amounting to approximately HK$2,269,000.

(c) Certain subsidiaries of the Group had dispute with the Pakistan government on the applicability of windfall levy on its production of oil and condensate. On 27 December 2017, the government's approval for the execution of windfall levy was granted and the windfall levy became applicable on the subsidiaries. Based on legal advice from external lawyers, the management believes that the applicability of the windfall levy is prospective, i.e. from the date of the government's approval. If the applicability of windfall levy is retrospective, further provision for the windfall levy of approximately HK$191,969,000 (2021: HK$191,969,000) would be required to be made in the consolidated financial statements for the year ended 31 December 2022.

(d) As at 31 December 2022, certain subsidiaries of the Group received various tax orders in an attempt to re-assess tax liability for prior years by the Pakistan tax department. The subsidiaries of the Group are currently appealing against these orders and the cumulative potential tax exposure for the pending tax cases was approximately HK$722,680,000 (2021: HK$749,171,000).

41. Contingent Liabilities (Continued)

(e) At the end of the reporting period, bank guarantees to the extent of approximately HK$67,439,000 (equivalent to US$8,646,000) (2021: HK$10,850,000 (equivalent to US$1,391,000)) in favor of certain government authorities was obtained by certain subsidiaries of the Group to guarantee its exploration, performance and financial obligations as stipulated in the concession agreements.

42. Capital Commitments

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

(a)

	2022 HK$'000	2021 HK$'000
Contracted but not provided for:		
Acquisition of property, plant and equipment	7	1,964
Commitments for capital expenditures	3,717,682	312,290
	3,717,689	314,254

(b) On 20 October 2014, the Group established a wholly owned subsidiary, United Energy (Beijing) Limited ("UEBL") in the PRC with registered capital of approximately HK$111,948,000 (equivalent to approximately RMB100,000,000) (2021: HK$122,518,000 (equivalent to approximately RMB100,000,000)). At 31 December 2022, the Group has contributed approximately HK$13,709,000 (equivalent to approximately RMB12,246,000) (2021: HK$15,004,000 (equivalent to approximately RMB12,246,000)) to UEBL. In accordance with the memorandum of association of UEBL, the remaining balance of approximately HK$98,239,000 (equivalent to approximately RMB87,754,000) (2021: HK$107,514,000 (equivalent to approximately RMB87,754,000)) shall be contributed to UEBL within twenty years from the date of its establishment.

(c) On 25 May 2017, the Company, UEBL, OGCL and Orient Group 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$111,948,000 (equivalent to approximately RMB100,000,000) (2021: HK$122,518,000 (equivalent to approximately RMB100,000,000)). In accordance with the memorandum of association of 東方藝術品, UEBL is committed to contribute approximately HK$22,390,000 (equivalent to approximately RMB20,000,000) (2021: HK$24,504,000 (equivalent to approximately RMB20,000,000)) as 20% registered share capital of 東方藝術品. At 31 December 2022, UEBL has not yet contributed any capital to 東方藝術品. In accordance with the memorandum of association of 東方藝術品, capital contribution shall be made to 東方藝術品 on or before 30 June 2045.

43. Operating Lease Arrangements

The Group regularly entered into short-term leases for vessel mooring, staff quarters and motor vehicles. As at 31 December 2022, the portfolio of short-term leases is similar to the portfolio of short-term leases to which the short-term lease expenses disclosed in note 19.

At 31 December 2022, the Group entered into new leases for several office premises that are not yet commenced, with non-cancellable period ranged from 2 to 6 years (2021: HK$Nil) with extension options, the total future undiscounted cash flows over the non-cancellable period amounted to approximately HK$90,542,000 (2021: HK$Nil).

44. Retirement Benefits Scheme

(a) Defined Contribution Plans

The Group participates in various retirement benefits scheme, which are defined contribution plans established by the relevant authorities in their respective countries where the Group operates.

Hong Kong

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

The Group's contribution under the MPF Scheme for the year ended 31 December 2022 amounted to approximately HK$283,000 (2021: HK$302,000).

PRC

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

The Group's contribution under the respective schemes for the year ended 31 December 2022 amounted to approximately HK$15,292,000 (2021: HK$13,589,000).

Pakistan

(i) *Defined Contribution Gratuity Fund*

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

The Group's contribution under the scheme for the year ended 31 December 2022 amounted to approximately HK$23,460,000 (2021: HK$15,039,000).

(ii) *Defined Contributory Provident Fund*

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

The Group's contribution under the scheme for the year ended 31 December 2022 amounted to approximately HK$20,480,000 (2021: HK$11,300,000).

44. Retirement Benefits Scheme (Continued)

(b) Defined Benefit Plans

The Group operates several defined benefit retirement plans for its eligible employees who complete the qualifying period of service in Pakistan, Iraq, Egypt and Middle East. Such plans are administered by independent trustees with the assets, if any, held separately from those of the Group.

Pakistan

The Group operates a funded defined benefit retirement plan in Pakistan. Plan assets held in trust are governed by regulations and practice in Pakistan. Responsibility for governance of the plan – including investment decisions and contribution schedules – lies jointly with the Group and the board of trustees. The board of trustees must be composed of representatives of the Group in accordance with the trust deed's regulations.

Iraq

The Group has an unfunded post-employment defined benefit obligation towards its qualifying employees in Iraq which is an end-of-service benefit governed by local Labour Law. The entitlement to these benefits is conditional upon the tenure of employee service, completion of a minimum service year, salary drawn etc.

Egypt

The Group offers all its full-time employees in Egypt with an end-of-service benefit program. The end-of-service benefit program is an unfunded non-contributory indemnity program that provides for a lump-sum payment upon the termination or retirement of employment. The amount of such lump-sum end-of-service benefit payment is based on the length of service and staff salary as at the last working date.

Other subsidiaries in Middle East

The Group operates an unfunded end-of-service benefit to their employees of certain subsidiaries located in Middle East in accordance with the production sharing agreement ("PSA") and the relevant labour law in their respective jurisdictions. The benefits shall be paid upon termination/retirement of employment or termination of the PSA. The liabilities of the end-of-service benefit payment is determined equal to the length of year of service times gross staff salary as at the last working date.

The annual provisions for the above plans are made on the basis of an actuarial valuation carried out using the Projected United Credit Method. The level of benefits provided depends on members' length of services and their salary in the final year leading up to retirement. The actuarial valuation of the plans were prepared by the qualified actuaries, 4Sight Advisory Solutions FZ-LLC and Akhtar & Hasan (Pvt) Ltd.

44. Retirement Benefits Scheme (Continued)

(b) Defined Benefit Plans (Continued)

The amount of retirement benefits assets and obligations recognised in the consolidated statement of financial position are as follows:

	2022 HK$'000	2021 HK$'000
Fair value of plan assets	**33,445**	37,812
Present value of defined benefits obligations	**(24,198)**	(25,807)
Present value of unfunded obligations	**(27,886)**	(46,372)
	(18,639)	(34,367)

The following is the analysis of the retirement benefits assets and retirement benefits obligations recognised in the consolidated statement of financial position:

	2022 HK$'000	2021 HK$'000
Employee retirement benefits assets	**9,247**	12,005
Employee retirement benefits obligations	**(27,886)**	(46,372)
	(18,639)	(34,367)

44. Retirement Benefits Scheme (Continued)

(b) Defined Benefit Plans (Continued)

Movements in the Group's retirement benefits assets and obligations during the year are as follows:

	Fair value of plan assets HK$'000	Present value of defined benefits obligations HK$'000	Present value of unfunded obligations HK$'000	Total HK$'000
At 1 January 2022	37,812	(25,807)	(46,372)	(34,367)
Amounts recognised in profit or loss:				
Current service cost	–	(1,672)	(16,585)	(18,257)
Past service cost	–	–	(22,182)	(22,182)
Interest income/(expense)	3,760	(2,604)	(163)	993
Remeasurements recognised in other comprehensive income:				
Loss on plan assets	381	–	–	381
Actuarial gains arising from changes in demographic assumptions	–	–	497	497
Actuarial gains arising from changes in financial assumptions	–	100	143	243
Actuarial (losses)/gains arising from experience adjustments	–	(1,809)	1,786	(23)
Contributions to the plan by employer	1,672	–	–	1,672
Outstanding payments to member at the end of the year	(546)	546	–	–
Payments from the plan	(820)	820	45,829	45,829
Exchange differences	(8,814)	6,228	9,161	6,575
At 31 December 2022	33,445	(24,198)	(27,886)	(18,639)

44. Retirement Benefits Scheme (Continued)

(b) Defined Benefit Plans (Continued)

	Fair value of plan assets HK$'000	Present value of defined benefits obligations HK$'000	Present value of unfunded obligations HK$'000	Total HK$'000
At 1 January 2021	40,847	(27,326)	(35,838)	(22,317)
Amounts recognised in profit or loss:				
Current service cost	–	(2,184)	(15,179)	(17,363)
Interest income/(expense)	3,885	(2,632)	(135)	1,118
Remeasurements recognised in other comprehensive income:				
Loss on plan assets	(53)	–	–	(53)
Actuarial losses arising from changes in financial assumptions	–	(699)	(72)	(771)
Actuarial gains arising from experience adjustments	–	324	2,290	2,614
Contributions to the plan by employer	2,184	–	–	2,184
Payable by the Group to the fund	(1,309)	–	–	(1,309)
Outstanding payments to member at the end of the year	(553)	553	–	–
Payments from the plan	(3,395)	3,395	2,562	2,562
Exchange differences	(3,794)	2,762	–	(1,032)
At 31 December 2021	37,812	(25,807)	(46,372)	(34,367)

The maximum economic benefit available from the net defined benefits assets is determined based on reductions in future contributions.

The fair value of the plan assets at the end of the reporting period divided into classes is as follows:

	2022 HK$'000	2021 HK$'000
Cash and cash equivalents	**2,565**	5,782
Debt investments	**31,374**	32,541
Other liabilities – payable to outgoing members	**(494)**	(511)
	33,445	37,812

The fair values of the debt investments are determined by discounting the future cash flows at the market interest rate (level 2 fair value measurements).

44. Retirement Benefits Scheme (Continued)

(b) Defined Benefit Plans (Continued)

The principal actuarial assumptions adopted by the Group as at 31 December 2022 (expressed as weighted average) are as follows:

	2022	2021
Discount rate	**4.00% – 14.50%**	2.25% – 14.50%
Salary growth rate	**6.00% – 14.50%**	6.00% – 11.75%

Assumptions regarding mortality rates for defined benefit plans in Pakistan are set based on actuarial advice in accordance with published statistics and experience. These assumptions translate into average mortality rates for employees with different ages assuming they will retire at age 60.

	2022	2021
Age:	**Death rate**	Death rate
20	**0.094%**	0.094%
30	**0.119%**	0.119%
40	**0.208%**	0.208%
50	**0.538%**	0.538%
59	**1.354%**	1.354%

Through its defined benefit pension plans, the Group is exposed to a number of risks, the most significant of which are detailed below:

Risk	**Description**
Mortality risks	The risk that the actual mortality experience is different. The effect depends on the beneficiaries' service or age distribution and the benefit.
Investment risks	The risk of the investment underperforming and not being sufficient to meet the liabilities.
Final salary risks	The risk that the final salary at the time of cessation of service is higher than what is assumed. Since the benefit is calculated on the final salary, the benefit amount increases similarly.
Withdrawal risks	The risk of higher or lower withdrawal experience than assumed. The final effect could go either way depending on the beneficiaries' service or age distribution and the benefit.

44. Retirement Benefits Scheme (Continued)

(b) Defined Benefit Plans (Continued)

The Group's sensitivity analysis for each significant actuarial assumption as of the end of the reporting period based on reasonably possible changes of the relevant actuarial assumption is as follows:

	Increase/ decrease in rate	Impact on defined benefits obligations 2022 HK$'000	2021 HK$'000
Discount rate	1%	**(3,489)/3,718**	(4,244)/4,519
Salary growth rate	1%	**3,616/(3,433)**	3,871/(3,649)

The above sensitivity analysis is based on a change in an assumption while holding all other assumptions constant. In practice, this is unlikely to occur, and changes in some of the assumptions may be correlated. When calculating the sensitivity of the defined benefit obligations to significant actuarial assumptions, the same method (present value of the defined benefit obligations calculated with the projected unit credit method at the end of the reporting period) has been applied as when calculating the pension liability recognised within the statement of financial position.

The methods and types of assumptions used in preparing the sensitivity analysis did not change compared to the previous period.

The Group finances the funding requirements of the pension plan by internal resources and does not have any funding arrangements and funding policy that will affect future contributions.

There is an implicit objective that the contribution to the fund asset should remain reasonably stable as a percentage of salaries.

The expected contributions to the pension plan for the year ending 31 December 2023 is approximately HK$13,269,000 (for the year ending 31 December 2022: HK$18,360,000).

The weighted average duration of the Group's defined benefits obligations is approximately 6.98 years (2021: 6.40 years). The maturity analysis of the Group's undiscounted benefit payments is as follows:

	Less than 1 year HK$'000	Between 1 and 2 years HK$'000	Between 2 and 5 years HK$'000	Over 5 years HK$'000	Total HK$'000
At 31 December 2022					
Pension payments	**7,198**	**6,487**	**14,058**	**75,148**	**102,891**
At 31 December 2021					
Pension payments	12,312	9,904	21,321	133,774	177,311

45. Subsidiaries

Particulars of the principal subsidiaries as at 31 December 2022 are as follows:

Name	Place of incorporation/ registration	Issued and fully paid share capital/registration capital	Proportion of ownership interest: Group's effective interest	Proportion of ownership interest: Held by the Company	Proportion of ownership interest: Held by subsidiaries	Principal activities
Fine Profit Corporation Limited	Hong Kong	HK$10,000	100%	100%	–	Provision of administrative services
United Energy Group (Hong Kong) Limited	Hong Kong	HK$100	100%	100%	–	Provision of group financing supporting services
Bright Advance International Investment Limited	Hong Kong	HK$1	100%	100%	–	Investment holding
Dragon Prime Hong Kong Limited	Hong Kong	HK$1	100%	100%	–	Investment holding
United Petroleum & Natural Gas (Panjin) Limited# (note (a))	PRC	RMB100,000,000	100%	–	100%	Trading of petrochemical products
United Energy (Beijing) Limited# (note (a))	PRC	RMB12,246,200	100%	–	100%	Provision of administrative services
Vision Peak Investments Limited	British Virgin Islands	US$10	100%	100%	–	Investment holding and provision of group financing supporting services
United Energy (China) Limited	British Virgin Islands	US$1,000	100%	100%	–	Investment holding
Asia Resources Oil Limited	British Virgin Islands	US$6,340,744	100%	–	100%	Engaged in activities relating to the exploration and production of crude oil and natural gas in Pakistan
KNGS Exploration and Development Limited	Cayman Islands	US$100	100%	–	100%	Investment holding
Oasis Natural Energy Inc	Republic of Panama	US$10,000	100%	–	100%	Investment holding
BowEnergy Resources (Pakistan) SRL	Barbados	US$9,775,568	100%	–	100%	Engaged in activities relating to the exploration and production of crude oil and natural gas in Pakistan

Notes to the Consolidated Financial Statements (Continued)

For the year ended 31 December 2022

45. Subsidiaries (Continued)

Particulars of the principal subsidiaries as at 31 December 2022 are as follows: (Continued)

Name	Place of incorporation/ registration	Issued and fully paid share capital/registration capital	Proportion of ownership interest			Principal activities
			Group's effective interest	Held by the Company	Held by subsidiaries	
UEP Beta GmbH	Austria	US$50,000	100%	–	100%	Engaged in activities relating to the exploration and production of crude oil and natural gas in Pakistan
United Energy Pakistan Holdings Limited	Mauritius	US$1	100%	100%	–	Investment holding
United Energy Pakistan Limited	Mauritius	US$1	100%	–	100%	Engaged in activities relating to the exploration and production of crude oil and natural gas in Pakistan
Gold Trade International Limited	Mauritius	US$1	100%	–	100%	Provision of group financing supporting services
UEP Alpha Limited	Mauritius	US$332,517,327	100%	–	100%	Engaged in activities relating to the exploration and production of crude oil and natural gas in Pakistan
United Energy Upstream DMCC	United Arab Emirates	AED50,000	100%	–	100%	Investment holding and provision of administrative services
United Energy Trading DMCC	United Arab Emirates	AED50,000	100%	–	100%	Provision of administrative services
Kuwait Energy Public Limited Company	Jersey	Great British Pound 324,189,606	100%	–	100%	Investment holding
KEC (Egypt) Limited	British Virgin Islands	US$1	100%	–	100%	Engaged in activities relating to the development and production of crude oil and natural gas in Egypt

45. Subsidiaries (Continued)

Particulars of the principal subsidiaries as at 31 December 2022 are as follows: (Continued)

Name	Place of incorporation/ registration	Issued and fully paid share capital/registration capital	Proportion of ownership interest			Principal activities
			Group's effective interest	Held by the Company	Held by subsidiaries	
Kuwait Energy Egypt Limited	British Virgin Islands	US$1,000	100%	–	100%	Engaged in activities relating to the exploration, development and production of crude oil and natural gas in Egypt
Kuwait Energy (Eastern Desert) for Petroleum Service SAE	Egypt	EGP1,000,000	100%	–	100%	Engaged in activities relating to the exploration, development and production of crude oil and natural gas in Egypt
Kuwait Energy Basra Limited	British Virgin Islands	US$1,000	100%	–	100%	Engaged in activities relating to the exploration, development and production of crude oil and natural gas in Iraq
Kuwait Energy Iraq Limited	British Virgin Islands	US$1,000	100%	–	100%	Engaged in activities relating to the exploration, development and production of crude oil and natural gas in Iraq

The above table lists out the subsidiaries of the Company as at 31 December 2022, which in the opinion of the directors, principally affected the results of the year or formed a substantial portion of the net assets of the Group. To give details of other subsidiaries would, in the opinion of the directors, result in particular of excessive length.

Notes:

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

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

46. Joint Operations

As at 31 December 2022, the particulars of the principal joint arrangements of the Group, all of which are not structured through separate vehicles, are set out as follows:

Concession/project name	Place of business	Proportion of participating/revenue interest held by the Group		Principal activities
		2022	2021	
Badin II	Pakistan	51%	51%	Exploration and production of crude oil and natural gas
Badin II Revised	Pakistan	76%	76%	Exploration and production of crude oil and natural gas
Badin III	Pakistan	60%	60%	Exploration and production of crude oil and natural gas
Mehran	Pakistan	75%	75%	Exploration of crude oil and natural gas
Mirpur Khas	Pakistan			Exploration and production of crude oil and natural gas
– exploration		95%	95%	
– development and production		75%	75%	
Khipro	Pakistan			Exploration and production of crude oil and natural gas
– exploration		95%	95%	
– development and production		75%	75%	
Digri	Pakistan	75%	75%	Exploration and production of crude oil and natural gas
Kotri North	Pakistan	60%	60%	Exploration and production of crude oil and natural gas
Meeranpur	Pakistan	50%	–	Exploration of crude oil and natural gas
Dadhar	Pakistan	30%	–	Exploration of crude oil and natural gas
Mach	Pakistan	30%	–	Exploration of crude oil and natural gas
Gambat South	Pakistan	10%	10%	Exploration and production of crude oil and natural gas
Mubarak	Pakistan			Exploration and production of crude oil and natural gas
– exploration		57%	57%	
– development and production		45%	45%	
Mehar	Pakistan			Exploration and production of crude oil and natural gas
– exploration		75%	75%	
– development and production		59.2%	59.2%	

46. Joint Operations (Continued)

As at 31 December 2022, the particulars of the principal joint arrangements of the Group, all of which are not structured through separate vehicles, are set out as follows: (Continued)

Concession/project name	Place of business	Proportion of participating/revenue interest held by the Group		Principal activities
		2022	2021	
Miano	Pakistan	**17.7%**	17.7%	Exploration and production of crude oil and natural gas
Sawan	Pakistan	**19.7%**	19.7%	Exploration and production of crude oil and natural gas
Gambat	Pakistan			Exploration and production of crude oil and natural gas
– exploration		**36.8%**	36.8%	
– development and production		**27.6%**	27.6%	
Latif	Pakistan	**33.4%**	33.4%	Exploration and production of crude oil and natural gas
South West Miano II	Pakistan	**33.4%**	33.4%	Exploration of crude oil and natural gas
Kuhan – exploration	Pakistan	**47.5%**	47.5%	Exploration of crude oil and natural gas
Siba	Iraq	**30%**	30%	Exploration and production of crude oil and natural gas
Block 9	Iraq	**60%**	60%	Exploration and production of crude oil
Area A	Egypt	**70%**	70%	Exploration and production of crude oil
Abu Sennan	Egypt	**25%**	25%	Exploration and production of crude oil and natural gas
East Ras Qattara	Egypt	**49.5%**	49.5%	Exploration and production of crude oil

47. Event After the Reporting Period

On 1 March 2023, the Group signed two facility agreements with a bank for two loan facilities of approximately HK$1,162,200,000 and HK$1,310,400,000 (equivalent to approximately US$149,000,000 and US$168,000,000 respectively). The proceeds from these facilities will be used for refinancing certain existing borrowings of the Group. Approximately HK$2,449,200,000 (equivalent to approximately US$314,000,000) has been drawn down by the Group within March 2023. Details of the facilities was set out in the Company's announcement dated 1 March 2023.

FINANCIAL SUMMARY

RESULTS

	Year ended 31 December				
	2022	2021	2020	2019	2018
	HK'000	HK'000	HK'000	HK'000	HK'000
Turnover	**10,753,743**	7,436,936	6,204,227	7,103,644	5,279,204
Profit before tax	**3,021,096**	2,432,816	1,026,763	2,258,071	2,282,856
Income tax expense	**(419,950)**	(432,239)	(162,588)	(352,124)	(680,145)
Profit for the year from continuing operations	**2,601,146**	2,000,577	864,175	1,905,947	1,602,711
Profit for the year from discontinued operations	**–**	–	–	–	34,621
Attributable to:					
Owners of the Company	**2,601,162**	2,000,597	864,176	1,905,957	1,637,991
Non-controlling interests	**(16)**	(20)	(1)	(10)	(659)
	2,601,146	2,000,577	864,175	1,905,947	1,637,332

	As at 31 December				
	2022	2021	2020	2019	2018
	HK'000	HK'000	HK'000	HK'000	HK'000
Total assets	**27,419,844**	25,032,350	24,941,385	25,743,105	16,147,438
Total liabilities	**(11,612,024)**	(10,792,070)	(12,025,593)	(13,689,016)	(4,884,294)
Net assets	**15,807,820**	14,240,280	12,915,792	12,054,089	11,263,144
Equity attributable to owners of the Company	**15,802,040**	14,234,374	12,907,170	12,036,507	11,263,144
Non-controlling interests	**5,780**	5,906	8,622	17,582	–
Total equity	**15,807,820**	14,240,280	12,915,792	12,054,089	11,263,144

GLOSSARY AND DEFINITION

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

General Terms:

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

Technical Terms:

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

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