

2024
中期報告
Interim report



UEG

聯合能源



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

(於開曼群島註冊成立及於百慕達存續之有限公司)
(Incorporated in the Cayman Islands and continued in Bermuda with limited liability)

(股份代號 Stock Code : 0467)

UNITED ENERGY GROUP LIMITED INTERIM REPORT

FOR THE SIX MONTHS ENDED 30 JUNE 2024

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Glossary and Definition

The board of directors (the “Board”) of United Energy Group Limited (the “Company”) hereby present the unaudited condensed consolidated interim results of the Company and its subsidiaries (collectively referred to as the “Group”) for the six months ended 30 June 2024 together with unaudited comparative figures for the six months ended 30 June 2023 as follows:–

Condensed Consolidated Statement of Profit or Loss

For the six months ended 30 June 2024

| | Note | Six months ended 30 June | |
|---|------|---------------------------------|---------------------------------|
| | | 2024 HK\$'000 (unaudited) | 2023 HK\$'000 (unaudited) |
| Turnover | 6 | 8,439,807 | 6,226,137 |
| Cost of sales | | (6,551,229) | (3,676,868) |
| Gross profit | | 1,888,578 | 2,549,269 |
| Investment and other income | | 92,028 | 97,651 |
| Other gains and losses | | (40,169) | 138,476 |
| Exploration expenses | | (92,684) | (13,157) |
| Administrative expenses | | (292,463) | (273,249) |
| Other operating expenses | | (53,962) | (57,992) |
| Profit from operations | | 1,501,328 | 2,440,998 |
| Finance costs | 7 | (163,465) | (143,659) |
| Share of profits/(losses) of associates | | 37,405 | (57,844) |
| Profit before tax | | 1,375,268 | 2,239,495 |
| Income tax expense | 8 | (364,998) | (576,378) |
| Profit for the period | 9 | 1,010,270 | 1,663,117 |
| Attributable to: | | | |
| Owners of the Company | | 1,010,276 | 1,663,123 |
| Non-controlling interests | | (6) | (6) |
| | | 1,010,270 | 1,663,117 |
| Earnings per share | 10 | | |
| Basic (cents per share) | | 3.90 | 6.36 |
| Diluted (cents per share) | | N/A | N/A |

Condensed Consolidated Statement of Profit or Loss and Other Comprehensive Income

For the six months ended 30 June 2024

| | Six months ended 30 June | |
|---|---------------------------------|---------------------------------|
| | 2024 HK\$'000 (unaudited) | 2023 HK\$'000 (unaudited) |
| Profit for the period | 1,010,270 | 1,663,117 |
| Other comprehensive income after tax: <i>Item that may be reclassified to profit or loss:</i> | | |
| Exchange differences on translating foreign operations | 1,176 | 3,774 |
| Other comprehensive income for the period, net of tax | 1,176 | 3,774 |
| Total comprehensive income for the period | 1,011,446 | 1,666,891 |
| Attributable to: | | |
| Owners of the Company | 1,011,452 | 1,666,897 |
| Non-controlling interests | (6) | (6) |
| | 1,011,446 | 1,666,891 |

Condensed Consolidated Statement of Financial Position

At 30 June 2024

| | | 30 June 2024 | 31 December 2023 |
|--|------|-------------------------|-----------------------|
| | Note | HK\$'000 (unaudited) | HK\$'000 (audited) |
| Non-current assets | | | |
| Property, plant and equipment | 12 | 11,746,138 | 11,224,269 |
| Right-of-use assets | 13 | 507,971 | 566,597 |
| Intangible assets | | 1,452,301 | 1,619,227 |
| Investment in associates | 14 | 279,282 | 280,126 |
| Investment in a joint venture | | – | – |
| Advances, deposits and prepayments | | 133,072 | 43,059 |
| Deferred tax assets | | 631,144 | 436,918 |
| | | 14,749,908 | 14,170,196 |
| Current assets | | | |
| Inventories | | 326,399 | 252,570 |
| Trade and other receivables | 15 | 7,811,790 | 8,048,362 |
| Financial assets at fair value through profit or loss (“FVTPL”) | | 2,903 | 2,677 |
| Employee retirement benefits assets | | 8,642 | 9,162 |
| Current tax assets | | 20,310 | 18,904 |
| Bank and cash balances | | 4,395,540 | 3,327,279 |
| | | 12,565,584 | 11,658,954 |
| Current liabilities | | | |
| Trade and other payables | 16 | 8,334,122 | 6,643,732 |
| Due to a director | | 7,561 | 3,857 |
| Borrowings | 17 | 157,089 | 306,034 |
| Lease liabilities | | 125,792 | 205,131 |
| Provisions | 18 | 10,565 | 10,565 |
| Financial guarantee contracts | | 10,183 | 11,714 |
| Current tax liabilities | | 1,918,599 | 1,806,378 |
| | | 10,563,911 | 8,987,411 |
| Net current assets | | 2,001,673 | 2,671,543 |
| Total assets less current liabilities | | 16,751,581 | 16,841,739 |

Condensed Consolidated Statement of Financial Position (Continued)

At 30 June 2024

| | | 30 June 2024 | 31 December 2023 |
|--|------|-------------------------|-----------------------|
| | Note | HK\$'000 (unaudited) | HK\$'000 (audited) |
| Non-current liabilities | | | |
| Trade and other payables | 16 | 1,872,000 | 585,000 |
| Borrowings | 17 | 156,522 | 2,488,001 |
| Lease liabilities | | 88,345 | 99,250 |
| Provisions | 18 | 668,507 | 668,368 |
| Employee retirement benefits obligations | | 45,447 | 38,608 |
| Deferred tax liabilities | | 108,443 | 126,363 |
| | | 2,939,264 | 4,005,590 |
| NET ASSETS | | | |
| | | 13,812,317 | 12,836,149 |
| Capital and reserves | | | |
| Share capital | 19 | 260,405 | 260,405 |
| Reserves | | 13,546,495 | 12,570,321 |
| Equity attributable to owners of the Company | | 13,806,900 | 12,830,726 |
| Non-controlling interests | | 5,417 | 5,423 |
| TOTAL EQUITY | | | |
| | | 13,812,317 | 12,836,149 |

Condensed Consolidated Statement of Changes in Equity

For the six months ended 30 June 2024

| | (Unaudited) | | | | | | | | | | | | |
|---|---------------------------------------|-----------------------|-----------------|--------------------|------------------------------|--------------------------------------|-----------------------------|---------------------------------------|-------------------|-------------------|-------------------|---------------------------|-------------------|
| | Attributable to owners of the Company | | | | | | | | | | | | |
| | Share capital | Share premium account | Treasury shares | Merger reserve | Contribution surplus reserve | Foreign currency translation reserve | Share-based capital reserve | Performance share unit scheme reserve | Statutory reserve | Retained earnings | Total | Non-controlling interests | Total equity |
| HK\$'000 | HK\$'000 | HK\$'000 | HK\$'000 | HK\$'000 | HK\$'000 | HK\$'000 | HK\$'000 | HK\$'000 | HK\$'000 | HK\$'000 | HK\$'000 | HK\$'000 | HK\$'000 |
| At 1 January 2023 | 262,899 | 2,519,759 | - | (2,286,000) | 8,488,029 | 8,916 | 7,899 | (132,606) | 2,623 | 6,930,521 | 15,602,040 | 5,780 | 15,807,820 |
| Total comprehensive income for the period | - | - | - | - | - | 3,774 | - | - | - | 1,663,123 | 1,666,897 | (6) | 1,666,891 |
| Dividend paid | - | - | - | - | (1,051,597) | - | - | - | - | - | (1,051,597) | - | (1,051,597) |
| Equity-settled share-based payments under performance share unit scheme | - | - | - | - | - | - | 6,357 | - | - | - | 6,357 | - | 6,357 |
| Changes in equity for the period | - | - | - | - | (1,051,597) | 3,774 | 6,357 | - | - | 1,663,123 | 621,657 | (6) | 621,651 |
| At 30 June 2023 | 262,899 | 2,519,759 | - | (2,286,000) | 7,436,432 | 12,690 | 14,256 | (132,606) | 2,623 | 8,593,644 | 16,423,697 | 5,774 | 16,429,471 |
| At 1 January 2024 | 260,405 | 2,305,782 | - | (2,286,000) | 7,436,432 | 10,201 | 21,447 | (145,279) | 2,623 | 5,225,135 | 12,630,726 | 5,423 | 12,836,149 |
| Total comprehensive income for the period | - | - | - | - | - | 1,176 | - | - | - | 1,010,276 | 1,011,452 | (6) | 1,011,446 |
| Purchase of treasury shares | - | - | (31,233) | - | - | - | - | - | - | - | (31,233) | - | (31,233) |
| Purchase of shares under performance share unit scheme | - | - | - | - | - | - | - | (11,820) | - | - | (11,820) | - | (11,820) |
| Equity-settled share-based payments under performance share unit scheme | - | - | - | - | - | - | 7,775 | - | - | - | 7,775 | - | 7,775 |
| Changes in equity for the period | - | - | (31,233) | - | - | 1,176 | 7,775 | (11,820) | - | 1,010,276 | 976,174 | (6) | 976,168 |
| At 30 June 2024 | 260,405 | 2,305,782 | (31,233) | (2,286,000) | 7,436,432 | 11,377 | 29,222 | (157,099) | 2,623 | 6,235,411 | 13,806,900 | 5,417 | 13,812,317 |

Condensed Consolidated Statement of Cash Flows

For the six months ended 30 June 2024

| | Note | Six months ended 30 June | |
|---|------|---------------------------------|---------------------------------|
| | | 2024 HK\$'000 (unaudited) | 2023 HK\$'000 (unaudited) |
| Net cash generated from operating activities | | 4,343,781 | 2,851,219 |
| Deposit paid for acquisition of property, plant and equipment | | (64,980) | – |
| Withdrawal of restricted bank deposits | | – | 85,669 |
| Purchases of property, plant and equipment | | (2,845,238) | (3,270,013) |
| Deposit paid for acquisition of a subsidiary | 23 | (31,581) | – |
| Other investing cash flow (net) | | 20,947 | 21,045 |
| Net cash used in investing activities | | (2,920,852) | (3,163,299) |
| Dividend received | | 242 | 109 |
| Borrowings raised, net of direct transaction cost | | – | 2,409,251 |
| Repayment of borrowings | | (2,500,772) | (2,851,508) |
| Advance from a customer | | 2,340,000 | 390,000 |
| Purchase of treasury shares | | (31,233) | – |
| Purchase of shares under performance share unit scheme | | (11,820) | – |
| Principal elements of lease payments | | (149,684) | (117,571) |
| Net cash used in financing activities | | (353,267) | (169,719) |
| Net increase/(decrease) in cash and cash equivalents | | 1,069,662 | (481,799) |
| Cash and cash equivalents at the beginning of the period | | 3,327,279 | 3,169,455 |
| Effect of foreign exchange rate changes | | (1,401) | 14,503 |
| Cash and cash equivalents at the end of the period | | 4,395,540 | 2,702,159 |

Notes to the Condensed Financial Statements

For the six months ended 30 June 2024

1. BASIS OF PREPARATION

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

2. SIGNIFICANT ACCOUNTING POLICIES

These condensed consolidated financial statements should be read in conjunction with the 2023 annual consolidated financial statements. Except as described below, the accounting policies (including the significant judgements made by management in applying the Group’s accounting policies and the key sources of estimation uncertainty) and methods of computation used in the preparation of these condensed consolidated financial statements are consistent with those used in the annual consolidated financial statements for the year ended 31 December 2023.

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

A. New and amended standards adopted by the Group

The Group has applied the following amendments for the first time from 1 January 2024:

- Classification of Liabilities as Current or Non-current and Non-current Liabilities with Covenants – Amendments to HKAS 1;
- Presentation of Financial Statements – Classification by the Borrower of a Term Loan that Contains a Repayment on Demand Clause – HK Int 5 (Revised);
- Lease Liability in Sale and Leaseback – Amendments to HKFRS 16; and
- Supplier Finance Arrangements – Amendments to HKAS 7 and HKFRS 7.

As a result of the adoption of the amendments to HKAS 1, the Group changed its accounting policy for the classification of borrowings as below:

“Borrowings are classified as current liabilities unless at the end of the reporting period, the Group has a right to defer settlement of the liability for at least 12 months after the reporting period.”

This new policy did not result in a change in the classification of the borrowings. The Group did not make retrospective adjustments as a result of adopting the amendments to HKAS 1.

Except for those as mentioned above, the Group did not change its accounting policies or make retrospective adjustments as a result of adopting other amended standards or revised interpretation.

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

B. Impact of new and amended standards issued but not yet adopted by the Group

In September 2023, HKICPA amended HKAS 21 to help entities to determine whether a currency is exchangeable into another currency, and which spot exchange rate to use when it is not. These new requirements will apply for annual reporting periods beginning on or after 1 January 2025. The management does not expect the amendment to have a material impact on the consolidated financial statements.

In July 2024, HKICPA issued HKFRS 18 which is effective for annual reporting periods beginning on or after 1 January 2027, with early application permitted. HKFRS 18 introduces significant changes to the presentation of financial statements, with a focus on information about financial performance present in the statement of profit or loss, which will affect how the Group present and disclose financial performance in the financial statements. The key changes introduced in HKFRS 18 relate to (i) the structure of the statement of profit or loss, (ii) required disclosures for management-defined performance measures (which are referred to alternative or non-GAAP performance measures), and (iii) enhanced requirements for aggregation and disaggregation of information. The management is currently assessing the impact of applying HKFRS 18 on the presentation and the disclosures of the consolidated financial statements.

4. FAIR VALUE MEASUREMENT

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

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The following disclosures of fair value measurements use a fair value hierarchy that categories 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 30 June 2024 and 31 December 2023 are measured by using Level 1 of the fair value hierarchy.

There were no changes in the valuation techniques used.

5. SEGMENT INFORMATION

The Group has identified two reportable segments as follows:

1. Exploration and production – activities relating to the exploration, production and sale of crude oil and natural gas in Pakistan, Middle East and North Africa
2. Trading – activities relating to trading of energy products, including petrochemical

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

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.

Segment profit or loss does not include the following items:

- investment and other income
- other gains and losses
- share of profits/(losses) of associates

Segment assets do not include the following items:

- investment in associates
- deferred tax assets
- financial assets at fair value through profit or loss
- current tax assets
- bank and cash balances

Segment liabilities do not include the following items:

- due to directors
- borrowings
- lease liabilities
- deferred tax liabilities
- current tax liabilities
- financial guarantee contracts

5. SEGMENT INFORMATION *(Continued)*

| | Exploration and production <i>HK\$'000</i> (unaudited) | Trading <i>HK\$'000</i> (unaudited) | Total <i>HK\$'000</i> (unaudited) |
|--|---|--|--|
| For the six months ended 30 June 2024 | | | |
| Revenue from external customers | 5,049,188 | 3,390,619 | 8,439,807 |
| Segment profit | 916,812 | 4,194 | 921,006 |
| As at 30 June 2024 | | | |
| Segment assets | 21,720,592 | 265,721 | 21,986,313 |
| Segment liabilities | 7,471,754 | 3,458,887 | 10,930,641 |
| For the six months ended 30 June 2023 | | | |
| Turnover with external customers | 5,000,897 | 1,225,240 | 6,226,137 |
| Segment profit/(loss) | 1,488,497 | (3,663) | 1,484,834 |
| As at 31 December 2023 | | | |
| | (audited) | (audited) | (audited) |
| Segment assets | 21,552,315 | 210,931 | 21,763,246 |
| Segment liabilities | 6,767,301 | 1,178,972 | 7,946,273 |

Reconciliation of reportable segment profit or loss:

| | Six months ended 30 June | |
|---|---------------------------------|------------------------|
| | 2024 | 2023 |
| | <i>HK\$'000</i> | <i>HK\$'000</i> |
| | (unaudited) | (unaudited) |
| Profit or loss | | |
| Total profit of reportable segments | 921,006 | 1,484,834 |
| Share of profits/(losses) of associates | 37,405 | (57,844) |
| Investment and other income | 92,028 | 97,651 |
| Other gains and losses | (40,169) | 138,476 |
| Consolidated profit for the period | 1,010,270 | 1,663,117 |

6. TURNOVER

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

| | Six months ended 30 June | |
|---|---------------------------------|--------------------|
| | 2024 | 2023 |
| | HK\$'000 | HK\$'000 |
| | (unaudited) | (unaudited) |
| Sales and production of crude oil, condensate, gas and liquefied petroleum gas | 5,049,188 | 5,000,897 |
| Trading of energy products | 3,390,619 | 1,225,240 |
| | 8,439,807 | 6,226,137 |

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

| | Six months ended 30 June 2024 | | |
|-------------------------------------|--|--|---|
| | Sales and production of crude oil, condensate, gas and liquefied petroleum gas HK\$'000 (unaudited) | Trading of energy products HK\$'000 (unaudited) | Total HK\$'000 (unaudited) |
| Primary geographical markets | | | |
| – Pakistan | 1,761,258 | 215,587 | 1,976,845 |
| – Egypt | 573,776 | – | 573,776 |
| – Iraq | 2,714,154 | 1,833,827 | 4,547,981 |
| – United Arab Emirates | – | 1,307,717 | 1,307,717 |
| – Others | – | 33,488 | 33,488 |
| Revenue from external customers | 5,049,188 | 3,390,619 | 8,439,807 |

6. TURNOVER *(Continued)*

| | Six months ended 30 June 2023 | | |
|-------------------------------------|--|--------------------------------|--------------------------------|
| | Sales and production of crude oil, condensate, gas and liquefied petroleum gas | Trading of energy products | Total |
| | <i>HK\$'000</i> (unaudited) | <i>HK\$'000</i> (unaudited) | <i>HK\$'000</i> (unaudited) |
| Primary geographical markets | | | |
| – Pakistan | 1,839,627 | – | 1,839,627 |
| – Singapore | – | 984,574 | 984,574 |
| – Egypt | 567,705 | – | 567,705 |
| – Iraq | 2,593,565 | – | 2,593,565 |
| – Others | – | 240,666 | 240,666 |
| Revenue from external customers | 5,000,897 | 1,225,240 | 6,226,137 |

The turnover from sales and production of crude oil, condensate, gas and liquefied petroleum gas are net of sales tax, royalty to government, sales discounts and windfall levy amounting to approximately HK\$197,187,000 (2023: HK\$249,677,000), HK\$247,826,000 (2023: HK\$259,235,000), HK\$10,247,000 (2023: HK\$4,424,000) and HK\$77,063,000 (2023: HK\$71,218,000) respectively.

7. FINANCE COSTS

| | Six months ended 30 June | |
|--|--------------------------------|--------------------------------|
| | 2024 | 2023 |
| | <i>HK\$'000</i> (unaudited) | <i>HK\$'000</i> (unaudited) |
| Interest on bank loans | 78,526 | 109,889 |
| Interest expense on lease liabilities | 9,769 | 15,715 |
| Interest on advance from customers | 64,568 | 12,815 |
| Provisions – unwinding of discounts (<i>note 18</i>) | 13,231 | 11,587 |
| Total borrowing costs | 166,094 | 150,006 |
| Amount capitalised | (2,629) | (6,347) |
| | 163,465 | 143,659 |

In 2024, the weighted average capitalisation rate on funds borrowed generally was at a rate of 8.1% (2023: 11.4%-12.0%) per annum.

8. INCOME TAX EXPENSE

| | Six months ended 30 June | |
|--------------------------------|---------------------------------|-------------|
| | 2024 | 2023 |
| | HK\$'000 | HK\$'000 |
| | (unaudited) | (unaudited) |
| Current tax – Overseas | | |
| Provision for the period | 573,481 | 604,200 |
| Under-provision in prior years | 240 | 101,085 |
| | 573,721 | 705,285 |
| Deferred tax | (208,723) | (128,907) |
| | 364,998 | 576,378 |

No provision for profits tax in Austria, Cayman Islands, Bermuda, British Virgin Islands, Jersey, Kuwait, Dubai, Netherlands, United States of America, Republic of Panama, Mauritius, Cyprus or Hong Kong is required as the Group has no assessable profit for the period arising in or derived from these jurisdictions for the six months ended 30 June 2024 and 2023.

Egypt, Iraq, Pakistan, Singapore and PRC Income Tax has been provided at a rate of 22.5%, 35%, ranging from 40% to 50%, 17% and 25% respectively on the estimated taxable income earned by the companies with certain tax preference, based on existing legislation, interpretation and practices in respect thereof.

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

9. PROFIT FOR THE PERIOD

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

| | Six months ended 30 June | |
|---|--------------------------|-------------|
| | 2024 | 2023 |
| | HK\$'000 | HK\$'000 |
| | (unaudited) | (unaudited) |
| Interest income | (21,798) | (21,909) |
| Reversal of allowance for trade receivables | – | (1,611) |
| Reversal of allowance for other receivables | – | (375) |
| Impairment losses on investment in associates | 38,842 | 42,754 |
| Amortisation of intangible assets | 166,926 | 177,591 |
| Depreciation | 2,449,376 | 1,750,937 |
| Directors' remuneration | 9,919 | 21,326 |
| Fair value gains on financial assets at FVTPL | (226) | (529) |

10. EARNINGS PER SHARE

(a) Basic earnings per share

The calculation of basic earnings per share attributable to owners of the Company is based on the profit for the period attributable to owners of the Company of approximately HK\$1,010,276,000 (2023: HK\$1,663,123,000) and the weighted average number of ordinary shares of 25,895,565,679 (2023: 26,163,186,786) in issue during the period.

(b) Diluted earnings per share

The Company did not have any dilutive potential ordinary share for the six months ended 30 June 2024 and 2023. Diluted earnings per share for the six months ended 30 June 2024 and 2023 are the same as the basic profit per share for the period.

11. DIVIDEND

| | Six months ended 30 June | |
|--|--------------------------|-------------|
| | 2024 | 2023 |
| | HK\$'000 | HK\$'000 |
| | (unaudited) | (unaudited) |
| 2023 Special dividend of HK4 cents per ordinary share paid | – | 1,051,597 |

Subsequent to the end of reporting period, the Board has approved the 2024 Special dividend of HK4 cents per ordinary share on 8 August 2024 and expected to be paid on 21 October 2024. The directors of the Company do not recommend any interim dividend for the six months ended 30 June 2024 (2023: HK\$Nil).

12. PROPERTY, PLANT AND EQUIPMENT

During the six months ended 30 June 2024, the Group acquired property, plant and equipment of approximately HK\$2,934,258,000 (2023: HK\$3,422,255,000).

13. RIGHT-OF-USE ASSETS

During the six months ended 30 June 2024, the Group entered into a number of new lease agreements for properties and motor vehicles for fixed terms of 5 to 6 years (2023: properties, plant and machinery and motor vehicles for fixed terms of 2 to 5 years). The Group makes fixed payments during the contract period. On lease commencement, the Group recognised approximately HK\$59,983,000 (2023: HK\$92,842,000) of right-of-use assets and lease liabilities.

14. INVESTMENT IN ASSOCIATES

On 30 June 2023, an associate, UEG Renewable Energy Group Private Limited, and a subsidiary, Super Success International Holdings Limited, of the Group together entered into a sale and purchase agreement with an independent third party to dispose the Group's entire equity interests of the associates, Super Success Investments Limited and UEP Wind Power (Private) Limited with their main assets and liabilities of wind power generation in Pakistan. Pursuant to the sales and purchase agreement, the completion of the disposal is subject to the approval of the PRC government authorities. Up to the date of the issuance of this report, such approval has not been granted.

15. TRADE AND OTHER RECEIVABLES

| | 30 June 2024 HK\$'000 (unaudited) | 31 December 2023 HK\$'000 (audited) |
|---|--|--|
| Trade receivables (<i>note (a)</i>) | 6,654,211 | 7,084,266 |
| Allowance for trade receivables | (24,348) | (24,348) |
| Allowance for price adjustments (<i>note (b)</i>) | (196,094) | (195,610) |
| | 6,433,769 | 6,864,308 |
| Other receivables (<i>note (c)</i>) | 1,378,408 | 1,184,441 |
| Allowance for other receivables | (387) | (387) |
| | 1,378,021 | 1,184,054 |
| Total trade and other receivables | 7,811,790 | 8,048,362 |

(a) Trade receivables

The Group's trading terms with customers are mainly on credit. The credit term generally ranges from 30 to 45 days (31 December 2023: 30 to 45 days) except for the customers in Iraq which were settled by having physical delivery of crude oil on accumulation of balance sufficient enough for cargo lifting. The Group seeks to maintain strict control over its outstanding receivables. Overdue balances are reviewed regularly by the directors.

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

| | 30 June 2024 HK\$'000 (unaudited) | 31 December 2023 HK\$'000 (audited) |
|---------------|--|--|
| 0 to 30 days | 2,532,661 | 2,469,309 |
| 31 to 60 days | 302,723 | 288,916 |
| 61 to 90 days | 1,600,998 | 1,904,084 |
| Over 90 days | 2,217,829 | 2,421,957 |
| | 6,654,211 | 7,084,266 |

15. 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\$196,094,000 (31 December 2023: HK\$195,610,000) was provided.

(c) Other receivables

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

| | 30 June 2024 HK\$'000 (unaudited) | 31 December 2023 HK\$'000 (audited) |
|---|--|--|
| Due from joint operators | 567,584 | 505,284 |
| Advances to staff | 9,851 | 10,807 |
| Central excise duty receivables | 7,272 | 6,716 |
| Deposits and prepayments | 424,456 | 339,331 |
| Sales tax receivables | 122,238 | 99,055 |
| Other tax receivables | 4,607 | 5,557 |
| Withholding tax receivables | 1,334 | 1,334 |
| Amounts due from associates <i>(note (i))</i> | 186,125 | 184,347 |
| Others | 54,554 | 31,623 |
| | 1,378,021 | 1,184,054 |

Note:

- (i) As at 30 June 2024, other than due from an associate of the Group, Orient Group Beijing Investment Holding Limited of approximately HK\$26,208,000 (31 December 2023: HK\$26,208,000) which interest bearing at a rate of 3 months LIBOR plus 1.7% per annum (31 December 2023: 3 months LIBOR plus 1.7% per annum), unsecured and repayable on or before 29 September 2024, the remaining balances are unsecured, interest-free and repayable on demand.

16. TRADE AND OTHER PAYABLES

| | 30 June 2024 HK\$'000 (unaudited) | 31 December 2023 HK\$'000 (audited) |
|--------------------------------|--|--|
| Trade payables (note (a)) | 1,584,395 | 1,117,991 |
| Other payables (note (b)) | 8,621,727 | 6,110,741 |
| Total trade and other payables | 10,206,122 | 7,228,732 |
| Analysed as: | | |
| Current liabilities | 8,334,122 | 6,643,732 |
| Non-current liabilities | 1,872,000 | 585,000 |
| | 10,206,122 | 7,228,732 |

(a) Trade payables

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

| | 30 June 2024 HK\$'000 (unaudited) | 31 December 2023 HK\$'000 (audited) |
|---------------|--|--|
| 0 to 30 days | 767,791 | 394,838 |
| 31 to 60 days | 20,287 | 138,550 |
| 61 to 90 days | 88,453 | 331,963 |
| Over 90 days | 707,864 | 252,640 |
| | 1,584,395 | 1,117,991 |

16. TRADE AND OTHER PAYABLES *(Continued)*

(b) Other payables

| | 30 June 2024 HK\$'000 (unaudited) | 31 December 2023 HK\$'000 (audited) |
|--|--|--|
| Accrual for operating and capital expenses | 3,034,096 | 2,354,045 |
| Due to joint operators | 57,441 | 87,474 |
| Advances from a customer <i>(note (i))</i> | 3,120,000 | 1,170,000 |
| Salaries and welfare payables | 104,773 | 210,143 |
| Provision for infrastructure funds | 608,387 | 911,253 |
| Other tax payables | 1,633,035 | 1,311,404 |
| Others | 63,995 | 66,422 |
| | 8,621,727 | 6,110,741 |

Note:

- (i) During the period, the Group entered into an agreement with a customer for secured crude oil prepayment facilities of up to approximately HK\$3,120,000,000 (equivalent to approximately US\$400,000,000) (31 December 2023: HK\$1,170,000,000 (equivalent to approximately US\$150,000,000)). Advances drawn under the facilities bear interest rate at 5.25% per annum plus 3 months Term SOFR (31 December 2023: 4.75% per annum plus 3 months Term SOFR), are repayable principally by the delivery of the Group's crude oil entitlement and are guaranteed by the unlimited corporate guarantee provided by the Company.

17. BORROWINGS

| | 30 June 2024 HK\$'000 (unaudited) | 31 December 2023 HK\$'000 (audited) |
|-------------------------|--|--|
| Bank loans, secured | 313,611 | 2,794,035 |
| Analysed as: | | |
| Current liabilities | 157,089 | 306,034 |
| Non-current liabilities | 156,522 | 2,488,001 |
| | 313,611 | 2,794,035 |

18. PROVISIONS

| | Dismantling costs in respect of leasehold improvements <i>HK\$'000</i> | Decommissioning costs <i>HK\$'000</i> | Total <i>HK\$'000</i> |
|--|--|---|--------------------------|
| At 1 January 2024 (audited) | 530 | 678,403 | 678,933 |
| Less: | | | |
| Actual costs incurred during the period | – | (10,634) | (10,634) |
| Reversal of provisions recognised during the period | – | (2,958) | (2,958) |
| Add: | | | |
| Provision recognised during the period | 500 | – | 500 |
| Unwinding of discounts | – | 13,231 | 13,231 |
| At 30 June 2024 (unaudited) | 1,030 | 678,042 | 679,072 |

| | 30 June 2024 <i>HK\$'000</i> (unaudited) | 31 December 2023 <i>HK\$'000</i> (audited) |
|-------------------------|---|---|
| Analysed as: | | |
| Current liabilities | 10,565 | 10,565 |
| Non-current liabilities | 668,507 | 668,368 |
| | 679,072 | 678,933 |

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.

19. SHARE CAPITAL

| | 30 June 2024 HK\$'000 (unaudited) | 31 December 2023 HK\$'000 (audited) |
|--|--|--|
| Authorised: | | |
| 60,000,000,000 ordinary shares of HK\$0.01 each | 600,000 | 600,000 |
| Issued and fully paid: | | |
| 26,040,504,786 (at 31 December 2023: 26,040,504,786) ordinary shares of HK\$0.01 each | 260,405 | 260,405 |

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

| | Number of shares | | | Nominal value of shares issued HK\$'000 |
|---|---|----------------------------|---|--|
| | Issued shares (excluding treasury shares) '000 | Treasury shares '000 | Total number of issued shares '000 | |
| At 31 December 2023 and 1 January 2024 (audited) | 26,040,504 | - | 26,040,504 | 260,405 |
| Purchase of treasury shares (note (i)) | (91,054) | 91,054 | - | - |
| At 30 June 2024 (unaudited) | 25,949,450 | 91,054 | 26,040,504 | 260,405 |

Note:

- (i) The Company purchased 91,054,000 of its own shares on the Stock Exchange as treasury shares in June 2024. The total amount paid on the treasury shares was approximately HK\$31,233,000.

As at 30 June 2024, 91,054,000 treasury shares are held by the Company for future use.

20. PERFORMANCE SHARE UNIT SCHEME

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

20. PERFORMANCE SHARE UNIT SCHEME *(Continued)*

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

During the six months ended 30 June 2024, 40,000,000 shares were purchased by the trustee from the market at an average price of HK\$0.30 per share, with an aggregate amount of approximately HK\$11,820,000 (2023: no shares were purchased by the trustee from the market).

During the six months ended 30 June 2024, no shares (2023: 20,600,000 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.

Movements in the number of awarded shares granted under the PSU Scheme during the period are as follows:

| Date of grant | Fair value per share | Purchase price for of awarded share | Number of awarded shares | | | | | Outstanding as at 30 June 2024 | Vesting period |
|---------------|----------------------|-------------------------------------|----------------------------------|---------------------------|--------------------------|-----------------------------|------------|--------------------------------|----------------|
| | | | Outstanding as at 1 January 2024 | Granted during the period | Vested during the period | Forfeited during the period | | | |
| | | | | | | | | | |
| 17 May 2022 | HK\$1.13 | HK\$0.30 | 22,331,260 | - | - | - | 22,331,260 | 17 May 2022 to 16 May 2025 | |
| 17 May 2022 | HK\$1.13 | HK\$Nil | 15,769,259 | - | - | - | 15,769,259 | 17 May 2022 to 16 May 2025 | |
| 27 June 2023 | HK\$0.80 | HK\$0.30 | 20,600,000 | - | - | - | 20,600,000 | 27 June 2023 to 26 June 2026 | |
| | | | 58,700,519 | - | - | - | 58,700,519 | | |

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\$7,775,000 (2023: HK\$6,357,000) for the six months ended 30 June 2024 in relation to the PSU Scheme.

As at 30 June 2024, 181,295,360 shares (31 December 2023: 141,295,360 shares) are held by the trustee.

21. CAPITAL COMMITMENTS

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

| | 30 June 2024 HK\$'000 (unaudited) | 31 December 2023 HK\$'000 (audited) |
|--|--|--|
| Contracted but not provided for: | | |
| Acquisition of property, plant and equipment | 130,703 | 5,293 |
| Acquisition of a subsidiary | 282,359 | – |
| Commitments for capital expenditures | 946,811 | 1,984,835 |
| | 1,359,873 | 1,990,128 |

- (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\$109,567,000 (equivalent to approximately RMB100,000,000) (31 December 2023: HK\$110,348,000 (equivalent to approximately RMB100,000,000)). As at 30 June 2024, the Group has contributed approximately HK\$13,418,000 (equivalent to approximately RMB12,246,000) (31 December 2023: HK\$13,513,000 (equivalent to approximately RMB12,246,000)) to UEBL. In accordance with the memorandum of association of UEBL, the remaining balance of approximately HK\$96,149,000 (equivalent to approximately RMB87,754,000) (31 December 2023: HK\$96,835,000 (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, UEBL, 東方集團投資控股有限公司 (“Orient Group Company Limited”) and 東方集團股份有限公司 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\$109,567,000 (equivalent to approximately RMB100,000,000) (31 December 2023: HK\$110,348,000 (equivalent to approximately RMB100,000,000)). In accordance with the memorandum of association of 東方藝術品, UEBL agrees to contribute approximately HK\$21,913,000 (equivalent to approximately RMB20,000,000) (31 December 2023: HK\$22,070,000 (equivalent to approximately RMB20,000,000)) as 20% registered capital of 東方藝術品. As at 30 June 2024, UEBL has not yet contributed any registered capital to 東方藝術品. In accordance with the memorandum of association of 東方藝術品, registered capital contribution shall be made to 東方藝術品 by UEBL on or before 30 June 2045.
- (d) On 2 July 2021, UEBL established a wholly owned subsidiary, 浙江嘉聯輝石油化工有限公司 (“Zhejiang Jia Lian Hui”) in the PRC with registered capital of approximately HK\$390,000,000 (equivalent to approximately US\$50,000,000) (31 December 2023: HK\$390,000,000 (equivalent to approximately US\$50,000,000)). As at 30 June 2024, UEBL has not contributed any registered capital to Zhejiang Jia Lian Hui. In accordance with the memorandum of association of Zhejiang Jia Lian Hui, registered capital contribution shall be made to Zhejiang Jia Lian Hui by UEBL on or before 2 December 2050.

22. CONTINGENT LIABILITIES

- (a) As at 30 June 2024 and 31 December 2023, the Company issued various unlimited corporate guarantees in favour of the President of the Islamic Republic of Pakistan for providing United Energy Pakistan Limited (“UEPL”) with all necessary financial and other means to enable UEPL to fully perform its obligations as stipulated in the concession agreements.
- (b) Certain subsidiaries of the Group had dispute with the Pakistan government on the applicability of windfall levy on its production of oil and condensate. On 27 December 2017, the government’s approval for the execution of windfall levy was granted and the windfall levy became applicable on the subsidiaries. Based on legal advice from external lawyers, the management believes that the applicability of the windfall levy is prospective, i.e. from the date of the government’s approval. If the applicability of windfall levy is retrospective, further provision for the windfall levy of approximately HK\$191,969,000 (31 December 2023: HK\$191,969,000) would be required to be made in the consolidated financial statements for the period ended 30 June 2024.
- (c) As at 30 June 2024, 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\$955,992,000 (31 December 2023: HK\$807,579,000).
- (d) As at 30 June 2024, bank guarantees to the extent of approximately HK\$54,532,000 (equivalent to US\$6,991,000) (31 December 2023: HK\$54,532,000 (equivalent to US\$6,991,000)) 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.

23. DEPOSIT PAID FOR ACQUISITION OF A SUBSIDIARY

On 29 March 2024, the Group entered into a sale and purchase agreement with an independent third party to acquire 100% equity interest of Green Profit EOOD at a base consideration of EUR37,500,000 with adjustments. 10% of the base consideration amounted to EUR3,750,000 (equivalent to HK\$31,581,000) have been paid as deposit of the acquisition. Green Profit EOOD targets to develop total of 250MW solar electricity generation facilities in Bulgaria. The completion of transaction is subject to satisfaction of condition precedent set forth in the sale and purchase agreement. Up to the date of the issuance of this report, these conditions are under progress. Details of the acquisition were set out in the Company’s announcement dated 2 April 2024.

24. 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 |
| 東方安頤(北京)物業管理有限公司 (Orient Group Anyi (Beijing) Property Management Limited ("OGAY"))# | OGAY 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) As at 30 June 2024, Orient Group and Orient Group Industrial & Development have provided corporate guarantees to a bank for banking facilities granted to the associate of the Group, Orient Group Beijing Investment Holding Limited ("OGBIH"). Orient Group also entered into an entrusted guarantee agreement with OGBIH for the corporate guarantee services provided by Orient Group. Under the entrusted guarantee agreement, 2% service fee was charged at outstanding bank loan. During the six months ended 30 June 2024, Orient Group had waived such service charges of approximately HK\$2,415,000 made to OGBIH (2023: HK\$3,410,000).
- (c) As at 31 December 2023, the executive directors of the Company, Mr. Zhang Hong Wei and Ms. Zhang Meiyang have provided joint personal guarantees to the bank loans granted to the Group totaling approximately HK\$2,368,835,000.
- (d) As at 30 June 2024, the executive director of the Company, Mr. Zhang Hong Wei has provided personal guarantees to secure the Group's obligations under finance leases of approximately HK\$61,379,000 (31 December 2023: HK\$102,194,000).

24. RELATED PARTY TRANSACTIONS *(Continued)*

- (e) As at 30 June 2024, the Company has provided an unlimited corporate guarantee in favour of its associate, UEP Wind Power (Private) Limited, against the bank loans of approximately HK\$191,877,000 (31 December 2023: HK\$242,966,000) made to the associate of the Group.
- (f) For the six months ended 30 June 2024, leases payments of approximately HK\$8,499,000 (2023: HK\$8,740,000) for leasing an office premises of the Group were paid to BDHL.
- (g) For the six months ended 30 June 2024, property management, electricity and rental expenses of approximately HK\$1,789,000 (2023: HK\$1,754,000) related to office premises of the Group were charged by OGAY.
- (h) For the six months ended 30 June 2024, service income on wind turbine operation and maintenance services of approximately HK\$21,911,000 (2023: HK\$21,450,000) were received from an associate of the Group, UEP Wind Power (Private) Limited.
- (i) The details of the remuneration paid to the key management personnel are set out in note 9 to the condensed consolidated financial statements.

25. EVENT AFTER THE REPORTING PERIOD

On 8 August 2024, the Board of the Company approved the 2024 Special dividend of HK4 cents per ordinary share and the 2024 Special dividend is expected to be paid on 21 October 2024.

26. APPROVAL OF THE FINANCIAL STATEMENTS

The condensed consolidated financial statements for the six months ended 30 June 2024 has been approved for issue by the board of directors on 30 August 2024.

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 of the Stock Exchange of Hong Kong Limited.

A. Major Exploration, Development and Production Activities

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

| | Pakistan Assets | MENA Assets |
|-------------------------|--|--|
| Exploration activities: | <ul style="list-style-type: none"> 4 Exploration wells | <ul style="list-style-type: none"> 1 Exploration wells |
| Development activities: | <ul style="list-style-type: none"> 6 Development wells 2 Rig workovers | <ul style="list-style-type: none"> 12 Development wells 10 Rig workovers |
| Production activities: | <ul style="list-style-type: none"> Average daily working interest production of 38,349 boed | <ul style="list-style-type: none"> Average daily working interest production of 63,949 boed |

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

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

| | Pakistan Assets <i>HK\$'000</i> | MENA Assets <i>HK\$'000</i> | Total <i>HK\$'000</i> |
|----------------------------------|---|---------------------------------------|---------------------------------|
| Exploration costs | 166,035 | 78,257 | 244,292 |
| Development costs | 87,549 | 2,479,873 | 2,567,422 |
| Production costs (<i>Note</i>) | 288,536 | 364,272 | 652,808 |

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

Management Discussion and Analysis

Business Review

The Group is one of the largest listed integrated energy companies in Hong Kong, with business presence in South Asia, MENA and Europe. The Group is primarily engaged in upstream oil, natural gas, clean energy and other energy related businesses. Leveraging on management's extensive experience in the oil and gas businesses, the Group has successfully grown its footprint as one of the major players in the energy space. Over time, the Group has established a solid track record of diversified portfolio through acquisitions and capital investments.

As forecasted by IMF in July 2024, global economy growth in 2024 is likely to be 3.2%. Risks to global economy growth are now more balanced compared to previous forecasts, however some near-term risks have gained prominence. These include potential geopolitical tensions, persistent inflation, effects of high interest rates and tensions in global trade. On the upside, faster-than-expected disinflation and advances in technology, such as artificial intelligence, could boost productivity and growth. Global oil demand in 2024 is projected to increase by 2.25 mmbbl/d year-on-year to an average of 104.46 mmbbl/d, as reported in the July 2024 OPEC Monthly Oil Market Report. Oil price fluctuated between US\$75 and US\$93 in the first half of 2024, while the market was overall balanced in terms of supply and demand. Correspondingly, average Brent Oil Price in the reporting period, was US\$83.79/bbl, which is 5.30% higher than US\$79.58/bbl for corresponding period of 2023, according to data from U.S. Energy Information Administration. The Group reported a profit attributable to the owners of the Company for the reporting period of approximately HK\$1,010,276,000, representing a decrease of 39.3% compared to the corresponding period of approximately HK\$1,663,123,000.

Cost of sales and services for exploration and production rendered by the Group for the reporting period was approximately HK\$3,179,840,000, it invested approximately HK\$2,847,316,000 of capital expenditure in oil and gas exploration, development and production activities. The Group drilled 23 wells during the reporting period, including 10 wells and 13 wells in its Pakistan Assets and MENA Assets respectively.

Exploration, Development and Production

In the first half of 2024, the Group devoted continuous efforts to its oil and gas exploration. Adhering to the value-driven philosophy and anchoring on exploration and discoveries of small prolific oil and gas fields, 6 commercial discoveries were achieved of which 4 were in Pakistan, 1 in Egypt and 1 in Iraq.

For the six month period ended 30 June 2024, the Group's average daily gross production was approximately 171,195 boed, a 0.5% increase compared to approximately 170,271 boed in the corresponding period. Gross accumulated production was approximately 31.15 mmboe, a 1.1% increase compared to approximately 30.82 mmboe in the corresponding period. The Group's average working interest production was 102,298 boed, a 0.7% increase compared to approximately 101,627 boed in the last period. Working interest accumulated production was approximately 18.61 mmboe, a 1.2% increase compared to approximately 18.39 mmboe in the corresponding period. Both the accumulated gross production and working interest production steadily increased in the reporting period, mainly driven by aggressive management of existing wells and sound commercial discoveries from new wells.

Pakistan

As of 30 June 2024, the Group holds interests in 21 concessions and blocks for oil and gas exploration and production in Pakistan.

For the six month period ended 30 June 2024, Pakistan Assets achieved an average daily gross production of approximately 54,477 boed, a decrease of 17.1% compared to the corresponding period, and an average daily working interest production of approximately 38,349 boed, a decrease of 13.9% compared to the corresponding period and an oil and liquids ratio of ~26% which was 5 percentage points higher than the corresponding period. Accumulated gross production and working interest production of the reporting period was approximately 9.91 mmboe and 6.98 mmboe, respectively. The 4 commercial discoveries in Pakistan in the reporting period, will contribute to reserve base and production profile.

Iraq

The Group holds a 60% participating interest in the EDPSC of Block 9 in Iraq and is the Operator of this block. For the six month period ended 30 June 2024, average daily gross production was approximately 74,824 boed, increasing by 19.1% compared to the corresponding period. Average daily working interest production was approximately 44,894 boed, increasing by 19.1% compared to the corresponding period. Accumulated gross and working interest production for the reporting period was approximately 13.61 mmboe and 8.17 mmboe respectively. Block 9 has an oil and liquids ratio of 100%. One commercial discovery in Block 9 in the reporting period will contribute to reserve base and production profile.

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 the six month period ended 30 June 2024 was approximately 26,320 boed, an increase of 10.6% compared to the corresponding period, and average daily working interest production was approximately 7,896 boed, increased by 10.6% compared to the corresponding period. Accumulated gross and working interest production were approximately 4.79 mmboe and 1.44 mmboe, respectively. Siba has an oil and liquids ratio of ~66%.

Egypt

The Group holds interests in five blocks in Egypt. It has a 100% participating interest in Burg El Arab and West Wadi El Natrun. Participating interest in Area A, Abu Sennan and East Ras Qattara are 70%, 25% and 49.5% respectively. The Group is Operator in all these blocks except for East Ras Qattara. In the six month period ended 30 June 2024, average daily gross production was approximately 15,574 boed, a decrease of 13.1% compared to the corresponding period. Average daily working interest production was approximately 11,159 boed, a decrease of 8.7% compared to the corresponding period. Accumulated gross and working interest production for the reporting period was approximately 2.83 mmboe and 2.03 mmboe respectively. Oil and liquids ratio was ~100%. 1 commercial discovery made in Egypt in the reporting period, will contribute to reserve base and production profile.

Core Strengths

1. *Successful exploration program and solid resources base*

The Group had 6 commercial discoveries in the first half of the year, laying a solid foundation for its future reserves and production and maintained a stable production growth momentum. Reserve life remains around 20 years.

2. *Rapid development of large-scale oilfields and substantial increase in production capacity*

100,000-barrels per day Oil CPF in Block 9, Iraq was safely and successfully commissioned in April this year and is operating smoothly. Construction of the associated 130-mmscf per day gas CPF is progressing as per plan with expected commencement of operations by end of this year.

3. *Significant low-cost advantage and solid financial performance*

The Group is committed to efficient business management and has an industry leading low-cost advantage. The operating expenses per boe remain at a level of approximately US\$4.2 per boe, and the Group maintains good cashflow generating capability. The Group's financial position is stable, with low gearing ratio enabling it a larger financing capacity.

4. *Industry-leading HSE performance*

The Group recognizes the importance of operational safety. Various HSE indicators are at leading industry level. It has established a holistic risk prevention and control system backed by a robust safety inspection mechanism.

5. *Continued progress in building a lower-carbon future*

In response to the call for carbon emission reduction and carbon neutrality as well as the international trend of energy transformation, the Group has formulated a two-pronged strategy to produce both traditional hydrocarbons and clean energy to meet the world's energy needs. Clean energy portfolio includes solar and wind projects. Other clean energy opportunities are being explored with the deployment of the latest technologies and innovative ideas.

6. *Actively fulfill social responsibility*

Employees are the Group's most valuable assets. It has a diverse team with employees from many nationalities, cultures and religions. The Group is committed to contributing to the social development of local communities and invests in education, healthcare and training programs for sustainable income generation in the areas where it operates.

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. Crude oil sales price is mainly determined by international benchmark prices of similar quality, with certain adjustments subject to prevailing market conditions. Prices are quoted and settled in US dollars with Brent Oil Price as basis. Regarding Egypt Assets, as per the articles of PSC, the Group sells crude oil to Egyptian General Petroleum Corporation ("EGPC") at a price determined under the PSC, with a small discount to Brent Oil Price.

For the six month period ended 30 June 2024, the Group's total working interest crude and condensate selling volumes was 12.7 million barrels, representing a year-on-year increase of approximately 14.4%. Average realized oil price (before government royalty, windfall levy and government take at working interest production) was approximately US\$78.93/bbl, representing a year-on-year increase of 5.9%, 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 international crude oil prices. The Group's natural gas customers are primarily located in Pakistan and are government owned entities namely Sui Southern Gas Company Limited ("SSGCL") and Sui Northern Gas Pipeline Limited ("SNGPL").

For the six month period ended 30 June 2024, the Group's total working interest natural gas selling volume was 5.7 mboe, representing a year-on-year decrease of 16.2%. Average realized gas price (before government royalty, windfall levy and government take at working interest production) was approximately US\$30.67/boe, representing a year-on-year decrease of 0.8%.

Sale of Energy Products

The Group's newly established trading segment was formed to carry out energy products trading and optimize cargo lifting in Iraq. Trading activities were carried out with international counterparts, including Vitol SA, Mercuria Energy Trading SA, BP Singapore Pte. Ltd, Trafigura Pte. Ltd, Repsol Trading Singapore Pte. Ltd, etc. Price was mainly determined by the price of international benchmarks of similar quality, with certain adjustments subject to prevailing market conditions.

For the six month period ended 30 June 2024, the Group's total trading volumes was approximately 773,290 tonnes with an average realized price of approximately US\$562.14/tonne.

Financial Results

Financial Review

For the six months ended 30 June 2024 (the “reporting period”), the Group reported a profit attributable to the owners of the Company of approximately HK\$1,010,276,000, representing a decrease of 39.3% compared to the six months ended 30 June 2023 (the “corresponding period”) of approximately HK\$1,663,123,000.

During the reporting period, the Group’s average daily working interest production was approximately 102,298 boed (Pakistan Assets of 38,349 boed plus MENA Assets of 63,949 boed), slightly increased compared to approximately 101,627 boed (Pakistan Assets of 44,558 boed plus MENA Assets of 57,069 boed) of the corresponding period. The Group aggressively managed customer demand to achieve the above production results. The average realised oil and gas price of exploration and production (before government royalty, windfall levy and government take at working interest quantity) was approximately US\$63.93/boe, compared to approximately US\$57.89/boe of the corresponding period, representing an increase of 10.4%.

Turnover

| | Six months ended 30 June | |
|----------------------------|--------------------------|-----------|
| | 2024 | 2023 |
| | HK\$'000 | HK\$'000 |
| Exploration and production | 5,049,188 | 5,000,897 |
| Trading | 3,390,619 | 1,225,240 |
| | 8,439,807 | 6,226,137 |

The Group’s turnover for the reporting period was approximately HK\$8,439,807,000, representing an increase of 35.6% as compared with the turnover of approximately HK\$6,226,137,000 of the corresponding period. The increase in turnover was mainly contributed by the effect of the increase in production, prevailing market prices and trading business during the reporting period.

| Exploration and Production Category | | Six months | Six months | Change |
|-------------------------------------|----------|------------------|------------|-------------------|
| | | ended 30 | ended 30 | |
| | | June 2024 | June 2023 | |
| Oil and gas sales* | USD'000 | 1,180,357 | 1,043,584 | +13.1% |
| Crude oil and liquids | USD'000 | 999,915 | 827,075 | +20.9% |
| Natural gas | USD'000 | 173,650 | 210,225 | -17.4% |
| LPG | USD'000 | 6,792 | 6,284 | + 8.1% |
| Sales Volume | mmboe | 18.5 | 18.0 | +0.5 |
| Crude oil and liquids | mmboe | 12.7 | 11.1 | +1.6 |
| Natural gas | mmboe | 5.7 | 6.8 | -1.1 |
| LPG | mmboe | 0.1 | 0.1 | +0.0 [#] |
| Realised prices* | US\$/boe | 63.93 | 57.89 | +10.4% |
| Crude oil and liquids | US\$/bbl | 78.93 | 74.51 | +5.9% |
| Natural gas | US\$/boe | 30.67 | 30.91 | -0.8% |
| LPG | US\$/boe | 51.21 | 49.09 | +4.3% |

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

represents volume less than 100,000 boe

Cost of sales and services rendered

Operating expenses for exploration and production activities

The Group's operating expenses for exploration and production activities (which is defined as the cost of sales excluding depreciation and amortisation and distribution expenses) increased 6.7% to approximately HK\$607,296,000 in the first half of 2024, compared with approximately HK\$569,095,000 in the corresponding period. The overall operating expenses per boe (at working interest production) was approximately US\$4.2 in the reporting period, compared with approximately US\$4.1 in the corresponding period, maintained at same level. For Pakistan Assets, operating expenses per boe was approximately US\$4.7, increased by 34.3% (2023: approximately US\$3.5 per boe); while for MENA Assets, operating expense per boe was approximately US\$4.0, decreased by 11.1% (2023: approximately US\$4.5 per boe).

Depreciation, depletion and amortisation

Included in the cost of sales and services rendered, the depreciation, depletion and amortisation was approximately HK\$2,550,087,000, representing an increase of 36.3% as compared with the amount of approximately HK\$1,871,586,000 in the corresponding period.

Gross profit

The Group's gross profit for the reporting period was approximately HK\$1,888,578,000 (gross profit ratio 22.4%) which represented a decrease of 25.9% as compared with gross profit of approximately HK\$2,549,269,000 (gross profit ratio 40.9%) for the corresponding period. The significant decrease in gross profit was mainly due to increase in depreciation, depletion and amortisation during the period.

Exploration expenses

The Group's exploration expenses for the reporting period were approximately HK\$92,684,000 (2023: approximately HK\$13,157,000) which included the expenses for performance of geological and geophysical studies and surface use rights.

Administrative expenses

The Group's administrative expenses for the reporting period were approximately HK\$292,463,000 (2023: approximately HK\$273,249,000) representing 3.5% (2023: 4.4%) of the turnover.

Finance costs

The Group's finance costs for the reporting period were approximately HK\$163,465,000, which represented an increase of 13.8% as compared with the finance costs of approximately HK\$143,659,000 for the corresponding period. The increase in finance costs was mainly due to the increased prepayment facilities financing during the reporting period; offset by the repayment of borrowings. The weighted average interest rate of borrowings for the reporting period was 13.47% (2023: 6.68%), sharp increase in weighted average interest rate of borrowings mainly caused by amortisation effect of upfront fee upon repayment of borrowings. The weighted average interest rate of borrowings for the reporting period would be 10.17% excluding the amortisation effect of upfront fee upon repayment of borrowings.

Income tax expense

The Group's income tax expense for the reporting period was approximately HK\$364,998,000. This included the current income tax of approximately HK\$573,721,000 and deferred tax income of approximately HK\$208,723,000, compared with current income tax of approximately HK\$705,285,000 and deferred tax income of approximately HK\$128,907,000 for the corresponding period respectively. The Group's effective tax rate for the reporting period was approximately 26.5%, representing an increase 0.8 percentage points as compared with 25.7% for the corresponding period.

EBITDA

EBITDA represents the profit before finance costs, income tax expense, depreciation and amortisation, gain on disposal of property, plant and equipment, share of profits/losses of associates, impairment losses on investment in associates, reversals of impairment losses on trade receivables and reversals of impairment losses on other receivables. It should be noted that EBITDA is not a measurement of operating performance or liquidity defined by generally accepted accounting principles and may not be comparable to similarly titled measures presented by other companies. The EBITDA for the reporting period was approximately HK\$4,156,371,000, a decrease of 5.8% from the corresponding period of approximately HK\$4,410,292,000.

Cash generated from operating activities

The Group's net cash inflow from operating activities for the reporting period was approximately HK\$4,343,781,000, representing an increase of 52.3% as compared with the corresponding period of approximately HK\$2,851,219,000. This was primarily attributed to increased efficiency in trade receivable settlement resulting to the increase in sales inflow during the current period.

Cash used in investing activities

In the first half 2024, the Group's net cash used in investing activities decreased by 7.7% to approximately HK\$2,920,852,000 compared to approximately HK\$3,163,299,000 in the corresponding period, mainly due to the development expenditure of approximately HK\$2,845,238,000 for the reporting period with an overall decrease of 13.0% as compared to the corresponding period.

Cash used in financing activities

In the first half 2024, the net cash used in financing activities was approximately HK\$353,267,000, mainly attributed to the repayment of borrowings of approximately HK\$2,500,772,000; but offset by the drawdown of prepayment facilities of approximately HK\$2,340,000,000 during the period.

Dividend

The Board has not recommended the payment of interim dividend for the reporting period. Subsequent to the end of reporting period, the Board has approved the 2024 Special dividend of HK4 cents per ordinary share on 8 August 2024. This is expected to be paid on 21 October 2024.

Business and Market Outlook

Global economy in 2024 is projected to grow by 3.2%, according to IMF forecast in July 2024. On the commodity front, global oil demand is forecasted to increase by 2.25 mmbbl/d to an average of 104.46 mmbbl/d as stated in the OPEC Monthly Market Report of July 2024. Global economy continued its steady growth with prospect of central banks taking tight monetary policy stance. Global oil demand is expected to witness a steady increase in 2025, laying the foundation for stable price environment.

As for 2024, the Group targets an average daily gross production level of 176,300 to 197,600 boed, and an average daily working interest production level of 101,600 to 113,500 boed. Capital expenditure is anticipated to reach US\$880 million to US\$930 million, which is essential to support the exploration, development and construction plans of the Group. The Group aims to maintain financial discipline and manage capital expenditure efficiently through optimizing its exploration program and scheduling development facilities construction, while balancing the workload of each asset to reach economical outputs.

Pakistan Assets:

According to Pakistan Energy Outlook report prepared by Government of Pakistan, gas demand is expected to increase from approximately 3.56 bcf/d in 2020 to approximately 4.24 bcf/d in 2030. On the supply side, domestic production amounted to approximately 3.69 bcf/d in 2020 and is expected to decline quickly to approximately 2.82 bcf/d in 2025, and approximately 2.18 bcf/d by 2030. Gas shortage in Pakistan is mitigated by importing significantly more expensive LNG from the neighboring countries. Given that the Group's production is predominantly gas, sale of natural gas is almost guaranteed to be taken up by the state-owned gas distribution customers. The Group continues to leverage its experience and understanding of the geology and geophysics in Lower Indus Basin, Middle Indus Basin and Western Fold Belt of Pakistan to unlock the potentials of these assets. Besides, the Group will continue to look for similar opportunities in the market, 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 35,500 to 40,900 boed in 2024.

MENA Assets:

MENA Assets bring 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 provide a sustainable development profile for the Group for the next two decades. According to a reserve report issued by an independent reserve auditor as of 31 December 2023, the MENA Assets were reported to have a 2P working interest reserve of 517.6 mmmboe, of which almost 96.4% is 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 the region where it operates. Average daily gross production of Block 9 in Iraq is expected to reach 130,000 boed in the near future. Gas production of Siba in Iraq is expected to reach a sustainable Plateau Production Target. Egypt Assets are mature producing assets and will stay stable in terms of both production and reserves in 2024.

In 2024, Iraq Assets are expected to achieve an average daily working interest production of 55,100 to 59,400 boed, whereas Egypt Assets will achieve an average daily working interest production of 11,000 to 13,200 boed.

Conclusion

The first half of 2024 presented some challenges for the Group, including increased cost and lower profitability. However, we remain committed to strengthening our strategic position through targeted investments and operational efficiencies. Our focus on sustainable practices and exploring new opportunities in emerging markets will be pivotal as we navigate the evolving energy landscape. We are confident that our resilience and adaptability will enable us to achieve long-term growth and value for our stakeholders.

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\$4,395,540,000 as at 30 June 2024 (31 December 2023: approximately HK\$3,327,279,000).

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 30 June 2024 | |
|-----------------------|---|---------------------------|
| | <i>US\$</i> | <i>Equivalent to HK\$</i> |
| Term loans | 40,000,000 | 312,000,000 |
| Prepayment facilities | 400,000,000 | 3,120,000,000 |
| Finance leases | 10,155,000 | 79,209,000 |
| | 450,155,000 | 3,511,209,000 |

As at 30 June 2024, the gearing ratio was approximately 13.4% (31 December 2023: 16.5%), based on borrowings, advance from customers and lease liabilities under current liabilities and non-current liabilities of approximately HK\$1,530,881,000 (31 December 2023: approximately HK\$1,096,165,000) and approximately HK\$2,116,867,000 (31 December 2023: approximately HK\$3,172,251,000) respectively and total assets of approximately HK\$27,315,492,000 (31 December 2023: approximately HK\$25,829,150,000). As at 30 June 2024, the current ratio was approximately 1.19 times (31 December 2023: approximately 1.30 times), based on current assets of approximately HK\$12,565,584,000 (31 December 2023: approximately HK\$11,658,954,000) and current liabilities of approximately HK\$10,563,911,000 (31 December 2023: approximately HK\$8,987,411,000).

As at 30 June 2024, the Group's total borrowings (net of transaction cost and measured at amortised cost) amounted to approximately HK\$313,611,000 (31 December 2023: approximately HK\$2,794,035,000), all of them are denominated in United States dollars. The weighted average interest rate of the borrowings as at 30 June 2024 was 9.05% (31 December 2023: 8.33%).

As at 30 June 2024, 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\$1,171,887,000 (31 December 2023: approximately HK\$4,039,764,000) 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, letter of credit and guarantee 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

On 29 March 2024, the Group entered into a sale and purchase agreement with an independent third party to acquire 100% equity interest of Green Profit EOOD at a base consideration of EUR37,500,000 with adjustments. Green Profit EOOD targets to develop total of 250MW solar electricity generation facilities in Bulgaria. The completion of transaction is subject to satisfaction of condition precedent set forth in the sale and purchase agreement.

Except for the above and the disclosure set out in note 14 and note 23 of the Notes to Condensed Consolidated Financial Statements in this report, the Group and the Company do not have other material acquisition and disposal during the reporting period.

Segment Information

Particulars of the Group's segment information are set out in note 5 of the Notes to Condensed Consolidated Financial Statements in this report.

Capital Structure

The Company repurchased 91,054,000 shares of the Company in total as treasury shares from market from 21 to 28 June 2024 after the recent amendments to the Listing Rules relating to treasury shares which have become effective on 11 June 2024. Shareholders approved to adopt the amendments of the existing bye-laws of the Company in order to enable the Company to hold and dispose of any repurchased shares of the Company as treasury shares in the Special General Meeting held on 12 August 2024. During the reporting period, the total number of issued shares of the Company (including treasury shares) was 26,040,504,786 shares as at 1 January 2024 and 30 June 2024 and the total number of issued shares of the Company (excluding treasury shares) was 25,949,450,786 shares as at 30 June 2024

Employees

As at 30 June 2024, the Group employed a total of 2,295 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. The 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 22 of the Notes to Condensed Consolidated Financial Statements in this report.

Exposure to Fluctuations in Exchange Rates and Related Hedges

The Group's monetary assets and transactions are mainly denominated in 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 the impact of any exchange fluctuations and take appropriate action to prevent any exposure to the Group.

Sufficiency of Public Float

The Company has maintained a sufficient public float throughout the six months ended 30 June 2024.

Share Option Scheme

The share option scheme of the Company (the "Option 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 Option Scheme 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 Option 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 Option Scheme.

Performance Share Unit Scheme

The PSU Scheme for employees of the Group or any subsidiaries of the Group was adopted by the Company on 1 April 2019. The PSU Scheme is subject to the provision of Chapter 17 of the Listing Rules. The specific objectives of the PSU 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 PSU Scheme, the PSU 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 PSU Scheme (excluding awarded shares that have been forfeited in accordance with the PSU 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 PSU Scheme is in force and subject to all applicable laws, determine such vesting criteria and conditions or periods for the grant to be vested.

During the reporting period, no grant was adopted under the PSU Scheme and no granted shares was vested, lapsed and cancelled. To the best of the Directors' knowledge, information and belief, having made all reasonable enquiry, none of the selected participants is (i) a Director, nor a chief executive, or a substantial shareholder of the Company, or an associate of any of them; (ii) a participant with options and awards granted and to be granted exceeding the 1% individual limit under Rule 17.03D of the Listing Rules; or (iii) a related entity participant or service provider with options and awards granted and to be granted in any 12-month period exceeding 0.1% of the total issued shares.

As at the date of this report, the total number of shares granted of two grants under the PSU Scheme since the date of adoption of the PSU Scheme is 58,700,519 shares and the number of shares acquired through on-market transactions and held in trust for the benefit of the employees by the trustee available for the future grant under the PSU Scheme is 122,594,841 shares, representing approximately 4.7% of the upper limit under the PSU Scheme mandate.

Disclosure of Interests

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

As at 30 June 2024, the following Directors had or were deemed to have interests or short positions in the shares, underlying shares or debentures of the Company and its associated corporations (within the meaning of Part XV of the SFO) (i) which were required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests or short positions which they were taken or deemed to have under such provisions of the SFO); or (ii) which were required, pursuant to section 352 of the SFO, to be entered in the register referred to therein; or (iii) which were otherwise required to notify the Company and the Stock Exchange pursuant to the Model Code:

| Name of Director | Nature of interest | Number of Shares | | Approximate % shareholding |
|-------------------------|---|------------------|----------------|----------------------------|
| | | Long Position | Short Position | |
| Zhang Hong Wei (Note 1) | Attributable interest of controlled corporation | 17,187,784,230 | 2,696,809,090 | 66.23% (L) 10.39% (S) |
| Zhang Meiyong (Note 2) | Attributable interest of controlled corporation | 1,287,700,000 | 800,000,000 | 4.96% (L) 3.08% (S) |

Notes:

1. Out of the 17,187,784,230 shares (66.23%), 7,684,809,845 shares (29.61%) were beneficially held by He Fu International Limited, 5,860,045,821 shares (22.58%) were beneficially held by United Petroleum & Natural Gas Holdings Limited, and 3,642,928,564 shares (14.03%) 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 東方集團有限公司 (92%) and 東方集團產業發展有限公司 (8%). 東方集團產業發展有限公司 is wholly-owned by 東方集團有限公司, which is 94% owned by 名澤東方投資有限公司, which is in turn wholly-owned by Mr. Zhang Hong Wei. Therefore, Mr. Zhang Hong Wei is deemed to be interested in those 17,187,784,230 shares (66.23%).
2. 1,287,700,000 shares (4.96%) were beneficially held by Brand Master Group Limited which is wholly-owned by Ms. Zhang Meiyong.
3. (L) denotes long position and (S) denotes short position.

Save as disclosed above, as at 30 June 2024, none of the Directors and chief executive of the Company and their respective associates had or is deemed to have any interests or short positions in the shares, underlying shares or debentures of the Company or its associated corporations (within the meaning of Part XV of the SFO) (i) which were required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests or short positions which the Directors and chief executives of the Company are taken or deemed to have under such provisions of the SFO); or (ii) were required to be recorded in the register required to be kept by the Company pursuant to section 352 of the SFO; or (iii) which will be required, pursuant to the Model Code, to be notified to the Company and the Stock Exchange.

Substantial Shareholders

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

So far as is known to the Directors, as at 30 June 2024, 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 (<i>Note a</i>) | Attributable interest of controlled corporation | 17,187,784,230 (L) 2,696,809,090 (S) | 66.23% (L) 10.39% (S) |
| 名澤東方投資有限公司 (<i>Note a</i>) | Attributable interest of controlled corporation | 7,684,809,845 (L) | 29.61% (L) |
| 東方集團有限公司 (<i>Note b</i>) | Attributable interest of controlled corporation | 7,684,809,845 (L) | 29.61% (L) |
| 東方集團產業發展有限公司 (<i>Note c</i>) | Attributable interest of controlled corporation | 7,684,809,845 (L) | 29.61% (L) |
| Huilan Investment Limited (<i>Note d</i>) | Attributable interest of controlled corporation | 7,684,809,845 (L) | 29.61% (L) |
| He Fu International Limited (<i>Note e</i>) | Beneficial owner | 7,684,809,845 (L) | 29.61% (L) |

| Name | Capacity and nature of interest | Number of Shares | Approximate % shareholding |
|---|---|--|-----------------------------------|
| 東方集團股份有限公司 (Note f) | Attributable interest of controlled corporation | 6,572,483,000 (L) | 25.33% (L) |
| 東方集團糧油食品有限公司 (Note f) | Attributable interest of controlled corporation | 6,572,483,000 (L) | 25.33% (L) |
| 北京青龍湖嘉禾企業管理有限公司 (Note f) | Beneficial owner | 6,572,483,000 (L) | 25.33% (L) |
| Million Fortune Enterprises Limited (Note a) | Attributable interest of controlled corporation | 9,502,974,385 (L) 2,696,809,090 (S) | 36.62% (L) 10.39% (S) |
| United Petroleum & Natural Gas Holdings Limited (Note g) | Beneficial owner | 5,860,045,821 (L) 1,287,700,000 (S) | 22.58% (L) 4.94% (S) |
| United Energy Holdings Limited (Note g) | Beneficial owner | 3,642,928,564 (L) 1,409,109,090 (S) | 14.03% (L) 5.43% (S) |
| Haitong International Holdings Limited (Note h) | Attributable interest of controlled corporation | 3,496,809,090 (L) 1,409,109,090 (S) | 13.47% (L) 5.43% (S) |
| Haitong International Securities Group Limited (Note h) | Attributable interest of controlled corporation | 3,496,809,090 (L) 1,409,109,090 (S) | 13.47% (L) 5.43% (S) |
| Haitong Securities Co., Ltd. (Note h) | Attributable interest of controlled corporation | 3,496,809,090 (L) 1,409,109,090 (S) | 13.47% (L) 5.43% (S) |
| Haitong International Securities Group (Singapore) Pte. Ltd. (Note h) | Attributable interest of controlled corporation | 2,087,700,000 (L) | 8.04% (L) |
| Haitong International Securities (Singapore) Pte. Ltd. (Note h) | Person having a security interest in shares | 2,087,700,000 (L) | 8.04% (L) |

Notes:

- (a) 名澤東方投資有限公司 and Million Fortune Enterprises Limited are wholly owned by Mr. Zhang Hong Wei.
- (b) 名澤東方投資有限公司 owns 94% shares of 東方集團有限公司.
- (c) 東方集團產業發展有限公司 is wholly-owned by 東方集團有限公司.
- (d) Huilan Investment Limited is 92% owned by 東方集團有限公司 and 8% owned by 東方集團產業發展有限公司.
- (e) He Fu International Limited is wholly-owned by Huilan Investment Limited.
- (f) 北京青龍湖嘉禾企業管理有限公司 is jointly owned by 東方集團股份有限公司 (30%), a wholly-owned subsidiary of 東方集團股份有限公司 (30%) and 東方集團糧油食品有限公司 (40%). 東方集團糧油食品有限公司 is a wholly-owned subsidiary of 東方集團股份有限公司. Therefore, each of 東方集團股份有限公司 and 東方集團糧油食品有限公司 is deemed or taken to be interested in 6,572,483,000 shares which are owned by 北京青龍湖嘉禾企業管理有限公司 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 100% 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 30 June 2024, the Directors were not aware of any other person (other than the Directors and the chief executive of the Company) who had, or was deemed to have, interests or short positions in the shares or underlying shares (including any interests in options in respect of such capital), which would fall to be disclosed to the Company and the Stock Exchange under the provisions of Divisions 2 and 3 of Part XV of the SFO, or who was directly or indirectly interested in 10% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of any member of the Group.

Corporate Governance

The Company has applied the principles and complied with the code provisions as set out in the CG Code set out in Appendix C1 to the Listing Rules during the six months ended 30 June 2024 except that:

- the CG Code Part 2 C.2.1 – the Company has the post of chief executive officer but it was still vacant;
- the CG Code Part 2 B.2.2 – 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.

CG Code Part 2 C.2.1 provides that the roles of chairman and chief executive should be separate and should not be performed by the same individual. Although the Company has separated the duties between the chairman and chief executive officer, the post of the chief executive officer is still vacant. In this connection, the executive function of the Company is performed by the executive Directors and management of the Company. Thus, significant decision of the Company is made by the Board. The Board considers that such structure will not affect the balance of power and authority between the chairman and the executive Directors.

CG Code Part 2 B.2.2 of the Code provides that non-executive Directors should be appointed for a specific term, subject to re-election. None of the independent non-executive Directors has entered into any service contracts with the Company or its subsidiaries. In view of the fact that the independent non-executive Directors are subject to retirement by rotation at least once every three years though they have no set term of office, the Board considers that the quality of good corporate governance will not be impaired.

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

Compliance with the Model Code of the Listing Rules

The Company has adopted the Model Code set out in Appendix C3 to 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 during the six months ended 30 June 2024.

Audit Committee

The Audit Committee of the Company comprise three independent non-executive directors, namely Mr. Chau Siu Wai, Mr. San Fung and Ms. Wang Ying. The Audit Committee has reviewed the unaudited condensed consolidated interim financial statements for the six months ended 30 June 2024. The Audit Committee has also discussed with management and reviewed the accounting principles and practices adopted by the Group, as well as risk management, internal control and financial reporting matters, and found them to be satisfactory.

Purchase, Sale or Redemption of Shares

The Company repurchased 91,054,000 shares of the Company in total as treasury shares from market from 21 to 28 June 2024 after the recent amendments to the Listing Rules relating to treasury shares which have become effective on 11 June 2024. Shareholders approved to adopt the amendments of the existing bye-laws of the Company in order to enable the Company to hold and dispose of any repurchased shares of the Company as treasury shares in the Special General Meeting held on 12 August 2024.

Save as disclosed above, the Company has not redeemed any of its shares nor any of its subsidiaries has purchased or sold any of the Company's shares during the six months ended 30 June 2024.

By Order of the Board
United Energy Group Limited

Zhang Hong Wei
Chairman

Hong Kong, 30 August 2024

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

Glossary and Definition

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

General Terms:

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| “AGM” | annual general meeting of the Company |
| “Board” | board of directors of the Company |
| “CG Code” | the Corporate Governance Code set out in Appendix C1 to the Listing Rules |
| “China” or “PRC” | the People’s Republic of China |
| “Company” | United Energy Group Limited |
| “Director(s)” | director(s) of the Company |
| “Egypt Assets” | assets in Egypt area engaged in Upstream business |
| “Group” | the Company and its subsidiaries |
| “HK\$” | Hong Kong dollars, the lawful currency of Hong Kong |
| “Hong Kong” | the Hong Kong Special Administrative Region of China |
| “IMF” | International Monetary Fund |
| “Iraq Assets” | assets in Iraq area engaged in Upstream business |
| “Listing Rules” | the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited |
| “MENA” | Middle East and North Africa |
| “MENA Assets” | assets in MENA engaged in Upstream business, including Iraqi Assets and Egypt Assets |
| “Model Code” | Model Code for Securities Transactions by Directors of Listed Issuers set out in Appendix C3 to the Listing Rules |

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| “OPEC” | Organisation of the Petroleum Exporting Countries |
| “Option Scheme” | the share option scheme adopted pursuant to the shareholders’ resolution passed on 27 May 2016 |
| “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) |
| “Stock Exchange” | The Stock Exchange of Hong Kong Limited |
| “US\$” or “US dollars” | the lawful currency of the United States of America |

Technical Terms:

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| “1P” | proved reserve |
| “2P” | proved plus probable reserve |
| “bbl” | barrel |
| “bcfd” | billion cubic feet per day |
| “boe” | barrels of oil equivalent |
| “boed” | barrels of oil equivalent per day |
| “EDPSC” | Exploration Development and Production Service Contract |
| “FDP” | field development plan |
| “GDPSC” | Gas Development and Production Service Contract |

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| “LPG” | liquefied petroleum gas |
| “MW” | megawatt |
| “mmbbld” | million barrels per day |
| “mmboe” | million barrels of oil equivalent |
| “Operator” | the entity designated by the working interest owners to carry out the joint operations pursuant to the relevant agreement among them |
| “PSC” | profit sharing contract |
| “Upstream business” | oil and gas exploration, development, production and sales |