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UNITED ENERGY GROUP LIMITED

聯合能源集團有限公司

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

(Stock Code: 467)

MAJOR TRANSACTION: PARTICIPATION IN SUBSCRIPTION OF SHARES IN QUAM LIMITED

On 28 August 2015, UEIT, a wholly owned subsidiary of the Company, entered into the Consortium Agreement with CMBCI and Other Co-Investors in relation to the proposed Subscription of new Quam Shares and the Offer. On 28 August 2015, CMBCI as subscriber, UEIT and Other Co-Investors as co-investors and Quam as issuer also entered into the conditional Subscription Agreement in relation to the Subscription of the new Quam Shares.

As the applicable percentage ratios as calculated under Rule 14.06 of the Listing Rules in respect of the Consortium Agreement and the Subscription Agreement and the transactions contemplated thereunder are more than 25% but less than 100%, the transactions contemplated under the Consortium Agreement and the Subscription Agreement constitute a major transaction on the part of the Company under Chapter 14 of the Listing Rules.

In lieu of holding a general meeting to approve the Consortium Agreement and the Subscription Agreement and the transactions contemplated thereunder, written approval on the Consortium Agreement and the Subscription Agreement and the transactions contemplated thereunder has been obtained from the controlling Shareholders holding in aggregate more than 50% of the issued share capital of the Company. The Company will not hold a general meeting to approve the Consortium Agreement and the Subscription Agreement and the transactions contemplated thereunder.

A circular containing, among others, details of the Consortium Agreement and the Subscription Agreement, will be despatched to the Shareholders for information only as soon as practicable and within 15 business days of this announcement in accordance with the Listing Rules.

On 28 August 2015, UEIT, a wholly owned subsidiary of the Company, entered into the Consortium Agreement with CMBCI and Other Co-Investors in relation to the proposed Subscription of new Quam Shares and the Offer. On 28 August 2015, CMBCI as subscriber, UEIT and Other Co-Investors as co-investors and Quam as issuer also entered into the conditional Subscription Agreement in relation to the Subscription of the new Quam Shares. The entering into of the Consortium Agreement and the Subscription Agreement constitutes a major transaction on the part of the Company. The principal terms of the Consortium Agreement and the Subscription Agreement are set out below.

THE CONSORTIUM AGREEMENT

- Date** : 28 August 2015 (after trading hours)
- Parties** :
- (i) UEIT, a wholly-owned subsidiary of the Company
 - (ii) CMBCI, a wholly-owned subsidiary of Minsheng Bank.
 - (iii) Other Co-Investors

UEIT is a company incorporated in British Virgin Islands with limited liability and is a wholly owned subsidiary of the Company. UEIT is principally engaged in investment holdings.

CMBCI is a company incorporated in Hong Kong with limited liability and is a wholly owned subsidiary of Minsheng Bank. Minsheng Bank and its subsidiaries mainly provide corporate and personal banking, treasury business, finance leasing, asset management and other financial services in the PRC. To the best of the Directors' knowledge, information and belief having made all reasonable enquiries, except for that Mr. Zhang Hong Wei, the controlling shareholder and the Chairman of the Company, is also a non-executive director and Vice Chairman of Minsheng Bank, and Ms. Zhang Meiying is an executive Director of the Company and the daughter of Mr. Zhang, CMBCI and its ultimate beneficial owners are Independent Third Parties.

The Other Co-Investors are limited liability companies and are principally engaged in investment holdings. To the best of the Directors' knowledge, information and belief having made all reasonable enquiries, each of the Other Co-Investors and their respective ultimate beneficial owner(s) are Independent Third Parties.

Principal Terms of the Consortium Agreement

(1) Subscription

Pursuant to the terms of the Consortium Agreement, UEIT will arrange an amount of up to approximately HK\$1,916,000,000 for the Subscription and the Offer. CMBCI will on behalf of itself, UEIT and Other Co-Investors to negotiate the terms and conditions of the Subscription Agreement with Quam, including but not limited to the subscription price. Each of CMBCI, UEIT and the Other Co-Investors shall subscribe for the Subscription Shares in accordance with the proportion as set out in the Consortium Agreement.

(2) Offer

UEIT and the Other Co-Investors acknowledges that CMBCI will make a mandatory unconditional cash offer (the “**Offer**”) to the Quam Shareholders to acquire all the issued Quam Shares (other than those Shares to be held by CMBCI and parties acting in concert with it) and to make comparable offers for all outstanding share options and warrants of Quam. CMBCI, UEIT and the Other Co-Investors will acquire those issued Quam Shares (other than those Shares to be held by CMBCI and parties acting in concert with it) and the outstanding share options and warrants of Quam in accordance with the agreed proportion as set out in the Consortium Agreement. UEIT and the Other Co-Investors as parties acting in concert with CMBCI shall comply with all necessary requirements of the Takeovers Code.

Subscription Shares to be subscribed by UEIT and Lock-up undertaking

Pursuant to the Consortium Agreement, UEIT shall subscribe for 2,908,584,000 Subscription Shares, representing approximately 12.62% of the total Subscription Shares to be subscribed by CMBCI, UEIT and the Other Co-Investors.

UEIT will execute a lock-up undertaking to agree not to dispose of 1,246,471,140 UEIT Subscription Shares without consent of CMBCI for a period of one (1) year from the date of completion of the Subscription Agreement and to agree to give a power of attorney to CMBCI to vote in CMBCI’s absolute discretion in any general meeting of the Quam in respect of 1,246,471,140 UEIT Subscription Shares for a period of one (1) year from the date of completion of the Subscription Agreement.

The Investment Sum

Pursuant to the Consortium Agreement, UEIT will arrange the Investment Sum of up to approximately HK\$1,916,000,000 for the purpose of satisfying its payment obligation under the Subscription and the Offer. UEIT intends to fund the Investment Sum by the internal resources of the Group and bank borrowings.

The Investment Sum payable by UEIT was determined after arm’s length negotiations among the parties to the Consortium Agreement with reference to (i) the proposed subscription price of HK\$0.565 per Subscription Share; (ii) UEIT will subscribe for up to 2,908,584,000 Subscription Shares, representing approximately 12.62% of the total Subscription Shares to be subscribed by CMBCI, UEIT and the Other Co-Investors; and (iii) UEIT will acquire those issued Quam Shares under the Offer (other than those Shares to be held by CMBCI and parties acting in concert with it) in accordance with the agreed proportion of approximately 12.62% as set out in the Consortium Agreement.

The Directors (including the independent non-executive Directors) are of the view that the terms and conditions of the Consortium Agreement, including the Investment Sum payable by UEIT under the Consortium Agreement, are fair and reasonable and in the interests of the Company and its Shareholders as a whole.

THE SUBSCRIPTION AGREEMENT

- Date** : 28 August 2015 (after trading hours)
- Parties** : (i) UEIT, a wholly-owned subsidiary of the Company
- (ii) CMBCI, a wholly-owned subsidiary of Minsheng Bank.
- (iii) Other Co-Investors
- (iv) Quam

Asset to be acquired by UEIT

Pursuant to the Subscription Agreement, UEIT shall subscribe for 2,908,584,000 Subscription Shares (the “**UEIT Subscription Shares**”) and CMBCI shall subscribe for 8,867,256,637 Subscription Shares and the Other Co-Investors shall subscribe for an aggregate of 11,279,034,754 Subscription Shares.

To the best of the Directors’ knowledge, information and belief having made all reasonable enquiries, Quam and its ultimate beneficial owners are Independent Third Parties as at the date of this Agreement.

The Subscription Shares, when allotted and issued, will rank *pari passu* in all respects with each other and with the Quam Shares in issue on the date of allotment and issue of the Subscription Shares.

The 2,908,584,000 UEIT Subscription Shares represent (i) approximately 1.9 times of the issued share capital of Quam as at the date of the Consortium Agreement and the Subscription Agreement; and (ii) approximately 11.69% of the enlarged issued share capital of Quam immediately upon completion of the Subscription (on the assumption that no options and warrants of Quam having been exercised prior to the completion of the Subscription).

The Company will treat the Quam Shares held by the Group upon completion of the Subscription and the Offer as other investments.

Subscription Price

The Subscription Price of HK\$0.565 per Quam Share represents:

- (a) a discount of approximately 59.9% to the closing price of HK\$1.41 per Quam Share as quoted on the Stock Exchange on 28 August 2015, being the date of the Subscription Agreement; and

- (b) a discount of approximately 55.2% to the average of the closing prices of HK\$1.26 per Quam Share as quoted on the Stock Exchange for the last five consecutive trading days up to and including 28 August 2015.

The Subscription Price was arrived at after arm's length negotiations among the parties to the Subscription Agreement with reference to the recent market prices per Quam Share. The Directors (including the independent non-executive Directors) consider that the Subscription Price is fair and reasonable and in the interests of the Shareholders as a whole.

An application will be made by Quam for the listing of, and permission to deal in, the Subscription Shares on the Stock Exchange.

Condition

The subscription of the UEIT Subscription Shares by UEIT is conditional upon completion of subscription of the Subscription Shares by CMBCI in accordance with the terms of the Subscription Agreement. The subscription of the Subscription Shares by CMBCI is not conditional upon completion of subscription of the UEIT Subscription Shares.

In the event that the condition shall not have been fulfilled on or before the date falling on the 6th month after the date of the Subscription Agreement (or such other date as the parties thereto may agree in writing), then the Subscription Agreement shall cease to be of any effect save in respect of claims arising out of any antecedent breach of the Subscription Agreement.

Completion

Completion of the subscription of the UEIT Subscription Shares shall be on the same date as completion of the subscription of the other Subscription Shares by CMBCI and the Other Co-Investors.

The Directors (including the independent non-executive Directors) are of the view that the terms and conditions of the Subscription Agreement, including the Subscription Price, are fair and reasonable and in the interests of the Company and its Shareholders as a whole.

INFORMATION OF QUAM

Quam is a company incorporated in Bermuda with limited liability and the issued Quam Shares are listed on the Main Board of the Stock Exchange under the stock code 952. Quam and its subsidiaries is principally engaged in securities, futures and options dealing, securities placement and underwriting services, margin financing and money lending services, corporate finance advisory and general advisory services, fund management and wealth management service, insurance broking, website management, investment holding and securities trading.

The audited financial information of Quam for the two years ended 31 March 2014 and 2015 based on its annual reports are as follows:

	31 March 2015 (HK\$'000)	31 March 2014 (HK\$'000)
Turnover	423,686	406,327
Profit before taxation	40,399	36,036
Profit after taxation	36,037	31,602
Net asset value	426,858	383,739

REASONS FOR AND BENEFITS OF ENTERING INTO THE TRANSACTION

The Group is currently principally engaged in upstream oil and natural gas business, including development of strategy energy reserves, focusing on the investment and operation of oil, natural gas and other energy related businesses. This is accomplished by the merger and acquisition of oil and natural gas assets; the exploration, development and production of crude oil and natural gas; and the provision of patented technologies supporting services to oilfields.

The Directors consider that the entering into of the Consortium Agreement and the Subscription Agreement represents an opportunity for the Group to invest in Quam. The Group intends to hold the UEIT Subscription Shares as a kind of treasury investment. As the Quam Shares are listed on the Main Board of the Stock Exchange, the Group is able to realise the investments in the UEIT Subscription Shares in the open market, which represent an efficient mean for the realisation of the investments in the UEIT Subscription Shares.

The Company is optimistic on the prospects of the securities industry in Hong Kong and the business prospect of Quam after the Offer. Taking into account of the above, the Directors, including the independent non-executive Directors, are of the view that the transactions contemplated under the Consortium Agreement and the Subscription Agreement are in the interests of the Company and the terms of the Consortium Agreement and the Subscription Agreement are fair and reasonable and on normal commercial terms and in the interests of the Shareholders as a whole.

No Director has an interest in the Consortium Agreement and the Subscription Agreement and as such, no Director has abstained from voting on the Board resolutions to approve the Consortium Agreement and the Subscription Agreement and the transactions contemplated thereunder.

LISTING RULES IMPLICATION

As the applicable percentage ratios as calculated under Rule 14.06 of the Listing Rules in respect of the Consortium Agreement and the Subscription Agreement and the transactions contemplated thereunder are more than 25% but less than 100%, the transactions contemplated under the Consortium Agreement and the Subscription Agreement constitute a major transaction on the part of the Company under Chapter 14 of the Listing Rules.

To the best of the Directors' knowledge, information and belief, no Shareholders have a material interest in the Consortium Agreement and the Subscription Agreement and the transactions contemplated thereunder and no Shareholders have to abstain from voting at a general meeting of the Company to approve the Consortium Agreement and the Subscription Agreement and the transactions contemplated thereunder if such a general meeting would be convened.

In lieu of holding a general meeting to approve the Consortium Agreement and the Subscription Agreement and the transactions contemplated thereunder, written approval on the Consortium Agreement and the Subscription Agreement and the transactions contemplated thereunder has been obtained from (i) He Fu International Limited, holding 5,328,879,125 Shares representing approximately 40.75% of the issued share capital of the Company, (ii) United Petroleum & Natural Gas Holdings Limited, holding 2,223,726,708 Shares representing approximately 17.00% of the issued share capital of the Company, and (iii) United Energy Holdings Limited, holding 1,824,544,282 Shares representing approximately 13.95% of the issued share capital of the Company, being the controlling Shareholders holding in aggregate more than 50% of the issued share capital of the Company. He Fu International Limited, United Petroleum & Natural Gas Holdings Limited and United Energy Holdings Limited are controlled by Mr. Zhang Hong Wei, the controlling shareholder and the Chairman of the Company. The Company will not hold a general meeting to approve the Consortium Agreement and the Subscription Agreement and the transactions contemplated thereunder.

A circular containing, among others, details of the Consortium Agreement and the Subscription Agreement, will be despatched to the Shareholders for information only as soon as practicable and within 15 business days of this announcement in accordance with the Listing Rules.

DEFINITIONS

In this announcement, unless the context otherwise requires, the following expressions shall have the following meanings when used herein:

“associates”	has the meaning ascribed to this term under the Listing Rules
“Board”	the board of Directors
“CMBCI”	CMBC International Holdings Limited, a company incorporated in Hong Kong and a wholly owned subsidiary of Minsheng Bank
“Consortium Agreement”	the consortium agreement dated 28 August 2015 and entered into among CMBCI, UEIT and the Other Co-Investors

“Company”	United Energy Group Limited, a company incorporated in the Cayman Islands and continued in Bermuda with limited liability and the issued Shares are listed on the Stock Exchange
“connected persons”	has the meaning ascribed to it under the Listing Rules
“Directors”	directors of the Company from time to time
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange
“Group”	the Company and its subsidiaries
“Hong Kong”	the Hong Kong Special Administrative Region of the PRC
“Independent Third Party(ies)”	any person(s) or company(ies) and their respective ultimate beneficial owner(s), to the best of the Directors’ knowledge, information and belief having made all reasonable enquiries, are not connected persons of the Company and are third parties independent of the Company and its connected persons in accordance with the Listing Rules
“Investment Sum”	the investment sum to be payable by UEIT as contemplated under the Consortium Agreement
“Minsheng Bank”	China Minsheng Banking Corp., Ltd. (中國民生銀行), a joint stock company incorporated in the PRC, the shares of which are listed on the Shanghai Stock Exchange and the Stock Exchange
“Offer”	the mandatory cash offer to be made by CMBCI for all the issued Quam Shares (other than those Quam Shares to be held by CMBCI and parties acting in concert with it) and to make comparable offers for all outstanding share options and warrants of Quam as contemplated under the Consortium Agreement
“Other Co-Investors”	other co-investors to participate in the Subscription, which are Independent Third Parties
“PRC”	the People’s Republic of China
“Quam”	Quam Limited, a company incorporated in Bermuda with limited liability and the issued Quam Shares are listed on the Stock Exchange

“ Quam Shares ”	ordinary shares of Hong Kong one third of one cent each in the share capital of Quam
“ Subscription ”	the subscription of the Subscription Shares pursuant to the terms and conditions of the Subscription Agreement
“ Subscription Agreement ”	the conditional subscription agreement dated 28 August 2015 and entered into among CMBCI, UEIT and the Other Co-Investors and Quam
“ Subscription Price ”	HK\$0.565 per Subscription Share
“ Subscription Shares ”	an aggregate of 23,054,875,391 Quam Shares to be subscribed by CMBCI, UEIT and the Other Co-Investors under the Subscription Agreement
“ Shares ”	ordinary shares of HK\$0.01 each in the share capital of the Company
“ Shareholders ”	holders of the Shares
“ Stock Exchange ”	The Stock Exchange of Hong Kong Limited
“ Takeovers Code ”	The Hong Kong Code on Takeovers and Mergers
“ UEIT ”	United Energy International Trading Limited, a company incorporated in the British Virgin Islands and a wholly owned subsidiary of the Company
“ HK\$ ”	Hong Kong dollars, the lawful currency of Hong Kong
“ % ”	per cent.

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

Hong Kong, 28 August 2015

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