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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**

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*This circular will be published and available on the websites of the Company and the Stock Exchange.*

9 October 2015

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## DEFINITIONS

*In this circular, 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
“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
“Consortium Agreement”	the consortium agreement dated 28 August 2015 and entered into among CMBCI, UEIT and the Other Co-Investors
“Co-investors Completion”	completion of the Subscription of the Subscription Shares by UEIT and the Other Co-Investors in accordance with the terms of the Subscription Agreement
“Directors”	directors of the Company from time to time
“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

## DEFINITIONS

“Latest Practicable Date”	5 October 2015, being the latest practicable date prior to the printing of this circular for ascertaining certain information contained herein
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange
“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
“SFO”	Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong)
“Shareholders”	holders of the Shares
“Shares”	ordinary shares of HK\$0.01 each in the share capital of the Company
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Subscription”	the subscription of the Subscription Shares pursuant to the terms and conditions of the Subscription Agreement

## DEFINITIONS

“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
“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
“RMB”	Renminbi, the lawful currency of the People’s Republic of China
“S\$”	Singapore dollars, the lawful currency of the Singapore
“US\$”	United States dollars, the lawful currency of the United States of America
“%”	per cent.

**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)**

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9 October 2015

*To the Shareholders*

Dear Sir or Madam,

**MAJOR TRANSACTION:  
PARTICIPATION IN SUBSCRIPTION OF SHARES  
IN QUAM LIMITED**

**INTRODUCTION**

Reference is made to the announcement of the Company dated 28 August 2015 in relation to that 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.

The purpose of this circular is to provide you with details regarding the Consortium Agreement and the Subscription Agreement and the transactions contemplated thereunder in accordance with the Listing Rules.

## LETTER FROM THE BOARD

### 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 ("Mr. Zhang"), the controlling shareholder and the Chairman of the Company, is also a non-executive director and Vice Chairman of Minsheng Bank, and Ms. Zhang Meiyong is an executive Director of the Company and the daughter of Mr. Zhang, CMBCI and its ultimate beneficial owners are Independent Third Parties.

Mr. Zhang is also the chairman and president of Orient Group Inc., a company listed on the Shanghai Stock Exchange. Mr. Zhang owns approximately 30% interests in Orient Industrial Co., Ltd., which in turn holds approximately 27.98% share capital of Orient Group Inc.. Mr. Zhang also directly holds approximately 0.52% issued share capital of Orient Group Inc.. Orient Group Inc. holds 1,066,764,269 A shares of Minsheng Bank, representing approximately 2.92% of the entire share capital of Minsheng Bank. Mr. Zhang is one of founder investors of Minsheng Bank and investment in Minsheng Bank is one of treasury investment for the investment portfolio of Orient Group. Orient Group has other investments but has no investments or connections with Quam. Save for the common directorship as mentioned above, the Group has no connection with Minsheng Bank and CMBCI.

Mr. Zhang had not participated in the negotiation for the Subscription of the Quam Shares on behalf of Minsheng Bank and/or the Company and he is not involved in any daily operation, management and business of Minsheng Bank. As such, the Company is of the view that the interests of Mr. Zhang in the Subscription and the Offer are of no difference to those of the other Shareholders. As Mr. Zhang has no connection with Quam and/or its connected persons, Mr. Zhang is not required to abstain from voting in the Company's board meeting in approving the Subscription and the Offer.

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.

## LETTER FROM THE BOARD

### 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 million 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.

The Subscription Shares shall be subscribed by CMBCI, UEIT and the Other Co-Investors in the following proportion:

	Number of Quam Shares to be subscribed	Proportion
CMBCI	8,867,256,637	38.46%
UEIT	2,908,584,000	12.62%
<i>Other Co-Investors</i>		
New Hope Global Holding Co., Limited	2,908,584,000	12.62%
Mind Power Investments Limited	2,908,584,000	12.62%
China P&I Services (Hong Kong) Ltd.	1,450,000,000	6.29%
Insight Multi-Strategy Funds SPC for the account of Insight Phoenix Fund III SP	1,242,000,000	5.39%
Good First International Holding Limited	707,964,000	3.07%
Tisé Media Fund LP	700,000,000	3.03%
Novel Well Limited	700,000,000	3.03%
Ristora Investments Limited	301,899,200	1.31%
Divine Unity Limited	180,003,554	0.78%
China Alliance Properties Limited	180,000,000	0.78%
Total	23,054,875,391	100%

#### (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



## LETTER FROM THE BOARD

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.

Set out below is the principal terms of the Offer

The Share Offer for each Quam Share . . . . . HK\$1.38 in cash

The Warrant Offer for each warrant of  
Quam (the “**Quam Warrants**”) . . . . . HK\$1.14 in cash

The Option Offer

For cancellation of each of the outstanding  
Quam share options (the “**Quam Share Options**”)  
with exercise price at HK\$0.7623 . . . . . HK\$0.6177 in cash

For cancellation of each of the outstanding  
Quam Share Options with exercise price at HK\$0.8340 . . . . HK\$0.5460 in cash

Pursuant to the terms of the Consortium Agreement, UEIT will acquire those issued Quam Shares, Quam Warrants and Quam Share Options (other than those Quam 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, which shall be up to approximately 504,051 Quam Share Options, 5,597,575 Quam Warrants and 190,587,055 Quam Shares.

### **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 (the “**UEIT Subscription Shares**”), representing approximately 12.62% of the total Subscription Shares to be subscribed by CMBCI, UEIT and the Other Co-Investors.

UEIT has executed lock-up undertaking to agree not to dispose of 1,246,471,140 UEIT Subscription Shares (the “**Lock-up Undertaking**”) 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.

Given that the relevant Other Co-investors (i.e. New Hope Global Holding Co., Limited and Mind Power Investments Limited) and UEIT believe that CMBCI, the main acquiring party of Quam, has the relevant management experience and that the relevant Other Co-investors and UEIT conferring their voting rights to CMBCI would be beneficial to the growth of Quam, the relevant Other Co-investors and UEIT agreed to enter into the deed of undertaking to give the Lock-up Undertaking to CMBCI. Neither UEIT nor the Company nor the Group has given any lock-up undertaking to Quam. In light of that the Group intends to hold the UEIT Subscription Shares as a kind of treasury investments and

## LETTER FROM THE BOARD

the Company is optimistic on the prospects of the securities industry in Hong Kong and the business prospect of Quam after the Offer, the Company considers such undertaking is fair and reasonable to the Company and its Shareholders.

### **The Investment Sum**

Pursuant to the Consortium Agreement, UEIT will arrange the Investment Sum of up to approximately HK\$1,916 million (as to approximately HK\$1,643,350,000 for the Subscription and as to approximately HK\$269,702,000 for the Offer) 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.

Up to approximately HK\$1,232 million of the Investment Sum will be funded by the loan financing from a financial institution and the balance of the Investment Sum will be funded by the internal resources of the Group.

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 Quam 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 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.

## LETTER FROM THE BOARD

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;
- (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; and
- (c) a discount of approximately 57.2% to the closing price of HK\$1.32 per Quam Share as quoted on the Stock Exchange on the Latest Practicable Date.

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.

## LETTER FROM THE BOARD

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.

The Subscription was introduced by CMBCI and UEIT is a party to the Consortium Agreement. As such, it is reasonable that the completion of the subscription by UEIT would be subject to completion of subscription by CMBCI. Moreover, the Company is optimistic to the future business prospect of Quam after completion of the subscription by CMBCI, which will become the single largest shareholder of Quam.

For the avoidance of doubt, the subscription of Quam Shares by UEIT is not subject to completion of subscriptions of the other Co-Investors.

Co-investors Completion (including completion of the subscription of Quam Shares by UEIT) is only conditional upon CMBCI Completion and is expected to be completed simultaneously with CMBCI Completion.

Completion of the subscription of the Subscription Shares by CMBCI ("**CMBCI Completion**") is conditional upon satisfaction or waiver by CMBCI in the cases of items (v), (vi), (vii) and (viii) of the following conditions:

- (i) the passing by the shareholders of Quam in a general meeting of resolution(s) approving (a) the subscription pursuant to the Subscription Agreement, the employees subscription agreement entered into between Quam and certain CMBCI employees and the subscription agreement entered into between Quam and King Ace Services Limited ("**King Ace**") and the transactions contemplated thereunder; and (b) the allotment and issue of the Subscription Shares in accordance with the requirements of the Listing Rules, Quam's bye-laws and as required by applicable law;
- (ii) the relevant consents and approvals being granted by the China Banking Regulatory Commission of the PRC (中國銀行業監督管理委員會) and the China Securities Regulatory Commission of the PRC (中國證券監督管理委員會) and the relevant filing being made to the State Administration of Foreign Exchange of the PRC for the Subscription and the transactions contemplated thereunder and the Offer, if necessary;
- (iii) the granting of the approval of the SFC for change in substantial shareholders of a licenced corporation as required by the SFO in connection with the transaction contemplated therein under the Subscription and the Offer;
- (iv) listing of and permission to deal in all of the Subscription Shares being granted by the Stock Exchange;
- (v) CMBCI having received a certified copy of the board resolution(s) of Quam duly approving the Subscription Agreement and other incidental matters thereto and the issuance of the Subscription Shares;

## LETTER FROM THE BOARD

- (vi) Quam having complied with its obligations (including not having breached any of its warranties the result of which may have a material adverse effect on the Quam Group) and otherwise having performed in all material respects with all of its obligations contained in the Subscription Agreement which are required to be performed or complied with by it on or before CMBCI Completion;
- (vii) none of the licenses held by Quam Capital Limited having been revoked nor any governmental authority having notified the Quam Group that they will or may be revoked; and
- (viii) the Quam Shares not having been suspended from trading on the Stock Exchange for 14 consecutive trading days or more (save for any temporary suspension in connection with transactions contemplated under the Subscription Agreement or such other period as CMBCI may agree) and Quam not having been put on any list of the Stock Exchange for delisting purposes.

As at 25 September 2015, the latest practicable date of Quam's circular dated 30 September 2015 ("Quam's Latest Practicable Date"), condition (v) above had been satisfied. In the event that any of the above conditions shall not have been fulfilled or waived on or before the day falling on the sixth month after the date of the Subscription Agreement or such other date as the parties may agree in writing (the "**Long Stop Date**"), then none of the parties to the Subscription Agreement shall be bound to proceed with the CMBCI Subscription and Co-investors Subscription and the Subscription Agreement shall cease to be of any effect, and no party shall have any liability to other parties whatsoever.

### **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.

### **PUBLIC FLOAT OF QUAM**

On 28 August 2015, Quam also entered into two subscription agreements with certain CMBCI employees and King Ace in relation to the subscription of 320,000,000 Quam Shares at the subscription price of HK\$0.565 per Quam Shares (the "**Employees Subscription**").

CMBCI Completion is not conditional on Co-investors Completion nor completion of the Employees Subscription (the "**Employees Completion**"). However, the Employees Subscription will become unconditional immediately upon CMBCI Completion becoming

## LETTER FROM THE BOARD

unconditional (which is expected to be the last condition precedent immediately before Employees Completion) and will be completed simultaneously with CMBCI Completion. Assuming none of the Quam Share Options and Quam Warrants have been exercised at or prior to CMBCI Completion, Co-investors Completion and the Employees Completion (“**Completion**”), approximately 25.13% of the issued Quam Shares will be held by the public at the time of Completion. Assuming all of the Quam Share Options and Quam Warrants have been exercised at or prior to Completion, approximately 25.08% of the issued Quam Shares will be held by the public at the time of Completion.

In the event there will be less than 25% of the Quam’s entire issued ordinary share capital held by the public upon the close of the Offer, CMBCI and each Co-investor (including UEIT) agree to make arrangements to restore the minimum public float of Quam, provided that any placing of Quam Shares by a Co-investor shall be subject to the prior written consent of such Co-investor. The Company will comply with the relevant Listing Rules requirements and will make further announcement(s) upon the entering into of any placing agreement by UEIT in respect of the Quam Shares.

### 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:

	<b>31 March 2015</b>	<b>31 March 2014</b>
	<i>(HK\$'000)</i>	<i>(HK\$'000)</i>
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

### SHAREHOLDING STRUCTURE OF QUAM

Set out below are the shareholding structure of Quam (i) as at Quam’s Latest Practicable Date; (ii) upon CMBCI Completion but before the Offer is made (assuming none of the Quam Share Options and Quam Warrants have been exercised at or prior to CMBCI Completion); (iii) upon CMBCI Completion but before the Offer is made (assuming all of the Quam Share Options and Quam Warrants have been exercised at or prior to CMBCI Completion); (iv) upon Completion but before the Offer is made (assuming none of the Quam Share Options and Quam Warrants have been exercised at or

## LETTER FROM THE BOARD

prior to Completion); and (v) upon Completion but before the Offer is made (assuming all of the Quam Share Options and Quam Warrants have been exercised at or prior to CMBCI Completion).

Name of Shareholders	As at Quam's Latest Practicable Date		Upon CMBCI Completion but before the Offers are made (assuming none of the Quam Share Options and Quam Warrants have been exercised at or prior to CMBCI Completion) (Note 3)		Upon CMBCI Completion but before the Offers are made (assuming all of the Quam Share Options and Quam Warrants have been exercised at or prior to CMBCI Completion) (Note 3)		Upon Completion but before the Offers are made (assuming none of the Quam Share Options and Quam Warrants have been exercised at or prior to Completion) (Note 3)		Upon Completion but before the Offers are made (assuming all of the Quam Share Options and Quam Warrants have been exercised at or prior to Completion) (Note 3)	
	Number of Shares	Approximate %	Number of Shares	Approximate %	Number of Shares	Approximate %	Number of Shares	Approximate %	Number of Shares	Approximate %
CMBCI	-	-	8,867,256,637	85.45%	8,867,256,637	85.05%	8,867,256,637	35.63%	8,867,256,637	35.56%
New Hope Global Holding Co., Limited	-	-	-	-	-	-	2,908,584,000	11.69%	2,908,584,000	11.67%
UEIT	-	-	-	-	-	-	2,908,584,000	11.69%	2,908,584,000	11.67%
Mind Power Investments Limited	-	-	-	-	-	-	2,908,584,000	11.69%	2,908,584,000	11.67%
*China P&I Services (Hong Kong) Ltd. (Note 1)	-	-	-	-	-	-	1,450,000,000	5.83%	1,450,000,000	5.82%
*Insight Multi-Strategy Funds SPC for the account of Insight Phoenix Fund III SP (Note 1)	-	-	-	-	-	-	1,242,000,000	4.99%	1,242,000,000	4.98%
*Good First International Holding Limited (Note 1)	-	-	-	-	-	-	707,964,000	2.85%	707,964,000	2.84%
*Tise' Media Fund LP (Note 1)	-	-	-	-	-	-	700,000,000	2.81%	700,000,000	2.81%
*Novel Well Limited (Note 1)	-	-	-	-	-	-	700,000,000	2.81%	700,000,000	2.81%
*Ristora Investments Limited (Note 1)	-	-	-	-	-	-	301,899,200	1.21%	301,899,200	1.21%
Divine Unity Limited	-	-	-	-	-	-	180,003,554	0.72%	180,003,554	0.72%
*China Alliance Properties Limited (Note 1)	-	-	-	-	-	-	180,000,000	0.72%	180,000,000	0.72%
CMBCI and parties acting in concert with it	-	-	8,867,256,637	85.45%	8,867,256,637	85.05%	23,054,875,391	92.64%	23,054,875,391	92.48%
*CMBCI Employees (Note 2)	-	-	-	-	-	-	156,000,000	0.63%	156,000,000	0.62%
*King Ace (Note 2)	-	-	-	-	-	-	164,000,000	0.66%	164,000,000	0.66%
*Existing shareholders of Quam	1,510,643,077	100.00%	1,510,643,077	14.55%	1,558,547,407	14.95%	1,510,643,077	6.07%	1,558,547,407	6.24%
<b>Total</b>	<b>1,510,643,077</b>	<b>100.00%</b>	<b>10,377,899,714</b>	<b>100.00%</b>	<b>10,425,804,044</b>	<b>100.00%</b>	<b>24,885,518,468</b>	<b>100.00%</b>	<b>24,933,422,798</b>	<b>100.00%</b>

\* These shareholders are considered to be public shareholders of Quam as at Quam's Latest Practicable Date and/or upon Completion. As at Quam's Latest Practicable Date, approximately 43.10% of the issued shares of Quam were held by public shareholders of Quam. Assuming none of the Quam Share Options and Quam Warrants have been exercised at or prior to Completion, approximately 25.13% of the issued shares of Quam will be held by the public at the time of Completion. Assuming all of the Quam Share Options and Quam Warrants have been exercised at or prior to Completion, approximately 25.08% of the issued shares of Quam will be held by the public at the time of Completion.

### Notes:

- China P&I Services (Hong Kong) Ltd., China Alliance Properties Limited, Good First International Limited, Tise' Media Fund LP, Novel Well Limited, Ristora Investments Limited and Insight Multi- Strategy Funds SPC — are considered to be public shareholders of Quam upon Completion and it is expected that their respective beneficial owners will not be appointed as directors of Quam.
- CMBCI Employees and King Ace are considered to be public shareholders of Quam upon Completion.
- The scenarios are set out for illustration purpose only as it is expected that CMBCI Completion, Co-investors Completion and Employees Completion will take place simultaneously.



## LETTER FROM THE BOARD

### 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. While the Group have sufficient bank and cash balances for the Investment Sum, the external borrowings for part of the Investment Sum will allow the Group to have further financial flexibility. As mentioned above, the Company considers the Lock-up Undertaking is fair and reasonable to the Company and its Shareholders as the Company is optimistic on the business prospect of Quam after the Offer and the Group has no intention to participate in the daily operation of Quam. 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 after both the Co-investors Completion and the expiry of the Lock-up Undertaking in the open market, which represent an efficient mean for the realisation of the investments in the UEIT Subscription Shares. The Group will comply with the relevant Listing Rules requirements in the event of future disposal of the Quam Shares held by the Group.

It is expected that the transactions contemplated under the Consortium Agreement and the Subscription Agreement will not have immediate significant effect on the earnings and net assets of the Group. It is expected that the Group will be benefited from the upside potential for the investment in Quam. As shown in the unaudited pro forma financial information of the Group, the transactions contemplated under the Consortium Agreement and the Subscription Agreement will increase both the total assets and the total liabilities of the Group. Please refer to the unaudited pro forma statement of assets and liabilities of the Group as set out in Appendix III for further details.

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.

The Company has no current intention to appoint a director to the board of Quam. The Company has no current intention to participate in daily operation of Quam or cooperation with Quam. In the event that there will be future cooperation of the Group with Quam, the Company will make further announcement(s) in compliance with the requirements of the Listing Rules.

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.



## LETTER FROM THE BOARD

### 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.

### RECOMMENDATION

The Board considers that the terms of the Consortium Agreement and the Subscription Agreement and the transactions contemplated thereunder are fair and reasonable and are in the interests of the Company and the Shareholders as a whole.

### ADDITIONAL INFORMATION

Your attention is drawn to the additional information set out in the appendices to this circular.

By order of the Board  
**UNITED ENERGY GROUP LIMITED**  
**Zhang Hong Wei**  
*Chairman*

## 1. SUMMARY OF FINANCIAL INFORMATION

The financial information of the Group for (i) the year ended 31 December 2012 is disclosed in the annual report of the Company for the year ended 31 December 2012 published on 23 April 2013, from pages 41 to 103; (ii) for the year ended 31 December 2013 is disclosed in the annual report of the Company for the year ended 31 December 2013 published on 22 April 2014, from pages 39 to 103; (iii) the year ended 31 December 2014 is disclosed in the annual report of the Company for the year ended 31 December 2014 published on 24 April 2015, from page 41 to 109, and (iv) the six months ended 30 June 2015 is disclosed in the interim report of the Company for the six months ended 30 June 2015 published on 27 August 2015, from page 1 to 17, all of which have been published on the website of the Stock Exchange ([www.hkex.com.hk](http://www.hkex.com.hk)) and the website of the Company (<http://www.uegl.com.hk>).

## 2. FINANCIAL AND TRADING PROSPECTS OF THE GROUP

The Group is one of the largest listed upstream oil and gas corporations in Hong Kong and listed on the Stock Exchange with business now extended to South Asia. The Group is focused on the investment and operation of oil, natural gas and other energy related businesses. Under the existing business strategy of the Group, the performance and operation of the Group's assets have shown significant growth enhancement in past few years.

For the six month ended 30 June 2015, the Group recorded 18.9% growth in the net profit attributable to the owners of the Company and 45.9% growth in the average daily net production comparing with same period of last year. The Group has made leaping enhancements in its profitability and production levels with double digits growth in four consecutive years. It was a proof that the Group thereby is fulfilling its promises to deliver to the Shareholders and investors on sustainable returns and growth.

The Group will continue to seek for both organic growth by enhancing the oil and gas production of existing assets and inorganic growth by M&A opportunities. This, together with aggressive and sustainable exploration and development of existing assets, will maximize future returns for the Shareholders.

### 3. INDEBTEDNESS

As at the close of business on 31 August 2015, being the latest practicable date for the purpose of this statement of indebtedness prior to printing of this circular, the indebtedness of the Group was as follows:

#### **Borrowings**

As at the close of business on 31 August 2015 (being the latest practicable date for the purpose of this indebtedness statement prior to the printing of the circular), the Group had outstanding borrowings of approximately HK\$5,244 million, comprise of the following:

- The Group had secured bank loan of approximately HK\$4,368 million (equivalent to US\$560 million) which is secured by i) account charges over the Group's bank and cash balances of approximately HK\$581 million; ii) share charge over the entire equity interests of the wholly owned subsidiaries of the Group, United Energy Group (HK) Limited, United Energy Pakistan Limited, United Energy Pakistan Holdings Limited and Gold Trade International Limited; iii) a corporate guarantee executed by the China Development Bank Corporation, Beijing Branch which counter guaranteed by a related company of the Group to the extent of HK\$4,368 million (equivalent to US\$560 million); and iv) the corporate guarantee given by the Company.
- The Group had another secured bank loan of approximately HK\$144 million (equivalent to US\$18.5 million). The Group's cash at bank of approximately HK\$155 million (equivalent to RMB122 million) is pledged for the bank loan.
- The Group had issued HK\$574 million (equivalent to S\$100 million) first medium term notes (the "First Drawdown Notes") on 17 October 2014. The First Drawdown Notes are secured by a corporate guarantee executed by the Company and are listed on the Singapore Exchange Securities Trading Limited.
- The Group had securities margin financing of approximately HK\$149 million from a security brokerage firm, which was secured by an available for sales investment of the Group with the carrying value of approximately HK\$199 million.
- Unsecured amounts due to directors of approximately HK\$8 million.
- The Group had bills payable of approximately HK\$1 million (equivalent to RMB0.7 million), which was secured by a pledged bank deposit of approximately HK\$1 million (equivalent to RMB0.7 million).

**Contingent liabilities**

As at the close of business on 31 August 2015, being the latest practicable date for the purpose of this indebtedness statement prior to the printing of this circular, other than the corporate guarantees given by the Company for the borrowings as disclosed above, the Group has the following contingent liabilities:

- The Company had issued various unlimited corporate guarantees in favour of the president of the Islamic Republic of Pakistan and certain joint operators of the Group, as guarantee to provide United Energy Pakistan Limited (“UEPL”), an indirect wholly owned subsidiary of the Company, with all necessary financial and other means to enable UEPL to fully perform its obligations as stipulated in the concession agreements.
- The Pakistan branch of UEPL had issued corporate guarantees to the collector of customs of Pakistan in case of any dispute arising on claim of exemptions of levies including customs duties and sales tax on import of machinery, equipment, materials, specialized vehicles, spares, chemicals and consumables under the petroleum concession agreements amounting to HK\$0.2 million.
- The Company had issued corporate guarantee to a financial institution in respect of a loan facility granted to a subsidiary of the Company, United Energy International Trading Limited, for the proposed Subscription of new Quam Shares. The facility amount is limited to HK\$1,232 million and not yet utilized.

Save as aforesaid, apart from intra-group and normal trade and other payables, the Group did not have any outstanding bank overdrafts, loans, debt securities, borrowings or other similar indebtedness, liabilities under acceptances and acceptance credits, debentures, mortgages, charges, finance lease, hire purchases commitments, which were either guaranteed, unguaranteed, secured or unsecured, guarantees or other material contingent liabilities at the close of business on 31 August 2015.

To the best knowledge of the Directors, except for the repayment of secured bank loan of HK\$624 million (equivalent to US\$80 million) in September 2015, there has not been any material change in the indebtedness and contingent liabilities of our Group since 31 August 2015 and up to the date of this circular.

**4. WORKING CAPITAL**

The Directors, after due and careful consideration, are of the opinion that, taking into consideration the financial resources available to the Group including the internally generated funds, the present bank and other facilities and the Subscription and the Offer funding requirements, the Group will have sufficient working capital for at least twelve months from the date of this circular.

**5. MATERIAL ADVERSE CHANGE**

As at the Latest Practicable Date, the Directors are not aware of any material adverse change in the financial or trading position of the Group as at 31 December 2014, the date to which the latest published audited financial statements of the Group were made up.

**1. SUMMARY OF FINANCIAL INFORMATION OF QUAM**

The financial information of Quam for (i) the financial year ended 31 March 2013 is disclosed in the annual report of Quam for the financial year ended 31 March 2013 published on 5 July 2013, from pages 51 to 137; (ii) for the financial year ended 31 March 2014 is disclosed in the annual report of Quam for the financial year ended 31 March 2014 published on 8 July 2014, from pages 57 to 139; and (iii) the financial year ended 31 March 2015 is disclosed in the annual report of Quam for the financial year ended 31 March 2015 published on 6 July 2015, from page 59 to 143, all of which have been published on the website of the Stock Exchange ([www.hkex.com.hk](http://www.hkex.com.hk)).

**2. MANAGEMENT DISCUSSION AND ANALYSIS OF THE RESULTS OF QUAM**

The management discussion and analysis of the results of Quam for (i) the financial year ended 31 March 2013 is disclosed in the annual report of Quam for the financial year ended 31 March 2013 published on 5 July 2013, from pages 18 to 21; (ii) for the financial year ended 31 March 2014 is disclosed in the annual report of Quam for the financial year ended 31 March 2014 published on 8 July 2014, from pages 23 to 27; and (iii) the financial year ended 31 March 2015 is disclosed in the annual report of Quam for the financial year ended 31 March 2015 published on 6 July 2015, from pages 26 to 30, all of which have been published on the website of the Stock Exchange ([www.hkex.com.hk](http://www.hkex.com.hk)).

**A. UNAUDITED PRO FORMA STATEMENT OF ASSETS AND LIABILITIES OF THE GROUP**

The accompanying unaudited pro forma statement of assets and liabilities of the Group (the "Statement") has been prepared to illustrate the effect of the proposed subscription of the new ordinary shares of Quam Limited ("Quam") and the mandatory cash offer for the issued shares of Quam, warrants of Quam and share options of Quam (the "Subscription and the Offer"), assuming the transaction had been completed as at 30 June 2015, might have affected the financial position of the Group.

The Statement is prepared based on the unaudited consolidated statement of financial position of the Group as at 30 June 2015 as extracted from the interim report of the Group for the six months ended 30 June 2015 after making certain pro forma adjustments resulting from the Subscription and the Offer.

The Statement is prepared based on a number of assumptions, estimates, uncertainties and currently available information, and is provided for illustrative purposes only. Accordingly, as a result of the nature of the Statement, it may not give a true picture of the actual financial position of the Group that would have been attained had the Subscription and the Offer actually occurred on 30 June 2015. Furthermore, the Statement does not purport to predict the Group's future financial position.

The Statement should be read in conjunction with the financial information of the Group as set out in Appendix I of the Circular and other financial information included elsewhere in this circular.

	The Group as at 30 June 2015 (Unaudited) HK\$'000	Pro forma adjustments HK\$'000	Notes	Adjusted balance HK\$'000
<b>Non-current assets</b>				
Property, plant and equipment	7,061,433			7,061,433
Intangible assets	7,109,068			7,109,068
Advances, deposits and prepayments	82,242			82,242
Available-for-sale investments	–	705,475	(1)	705,475
Deferred tax assets	189,689			189,689
	<u>14,442,432</u>			<u>15,147,907</u>
<b>Current assets</b>				
Inventories	260,178			260,178
Trade and other receivables	1,763,425			1,763,425
Available-for-sale investments	–	1,204,185	(1)	1,204,185
Financial assets at fair value through profit or loss	2,981	6,381	(1)	9,362
Current tax assets	281,281			281,281
Pledged bank deposits	1,930			1,930
Bank and cash balances	2,700,941	(702,532)	(3)	1,998,409
	<u>5,010,736</u>			<u>5,518,770</u>
<b>Current liabilities</b>				
Trade and other payables	2,145,679			2,145,679
Due to directors	7,907			7,907
Borrowings	773,268			773,268
Current tax liabilities	8,886			8,886
	<u>2,935,740</u>			<u>2,935,740</u>
<b>Net current assets</b>	<u>2,074,996</u>			<u>2,583,030</u>
<b>Total assets less current liabilities</b>	<u>16,517,428</u>			<u>17,730,937</u>
<b>Non-current liabilities</b>				
Borrowings	4,308,888	1,213,520	(2)	5,522,408
Provisions	305,479			305,479
Deferred tax liabilities	1,336,565			1,336,565
	<u>5,950,932</u>			<u>7,164,452</u>
<b>Net assets</b>	<u><u>10,566,496</u></u>			<u><u>10,566,485</u></u>



Notes:

- (1) The adjustment is to reflect the subscription of 2,908,584,000 new ordinary shares of Quam (the "Subscription") and the mandatory cash offer for the 190,587,055 Quam shares, 5,597,575 Quam warrants and 504,051 Quam share options (the "Offer") pursuant to the consortium agreement (the "Consortium Agreement") and conditional subscription agreement (the "Subscription Agreement") entered by United Energy International Trading Limited ("UEIT") with CMBC International Holdings Limited ("CMBCI") and other co-investors dated 28 August 2015. The calculation of the investment sum is as follows:

	<i>Notes</i>	<b>Number of Quam shares/ warrants/ options to be subscribed</b>	<b>Subscription/ offer price HK\$</b>	<b>Total investment sum HK\$'000</b>
<b>The Subscription</b>				
Shares	<i>(a)</i>	2,908,584,000	0.565	1,643,350
<b>The Offer</b>				
Shares		190,587,055	1.38	263,010
Warrants		5,597,575	1.14	6,381
Options		504,051	0.6177	311
	<i>(b)</i>	196,688,681		269,702
Add:				
Direct attributable transaction costs	<i>(d)</i>	N/A		3,000
		3,105,272,681		1,916,052
Less:				
Non-current portion of available-for-sale investments	<i>(c), (e)</i>			(705,475)
Financial assets at fair value through profit or loss	<i>(c)</i>			(6,381)
Direct attributable transaction costs to financial assets at fair value through profit or loss	<i>(c)</i>			(11)
Current portion of available-for-sale investments	<i>(c)</i>			1,204,185

Notes (cont'd):

(1) (cont'd)

- (a) Pursuant to the Subscription Agreement, UEIT agreed to subscribe 2,908,584,000 new ordinary shares of Quam at the subscription price of HK\$0.565 per share, with the investment sum of approximately HK\$1,643,350,000.
- (b) Pursuant to Rule 26.1 of the Takeovers Code, CMBCI will make unconditional mandatory cash offer to the shareholders of Quam to acquire all the issued Quam shares and to make comparable offers for all outstanding share options and warrants of Quam. UEIT will acquire those issued shares of Quam, warrants of Quam and share options of Quam (other than those already acquired or agreed to be acquired by CMBCI or the parties acting in concert with it) in accordance with the agreed proportion of approximately 12.62% as set out in the Consortium Agreement.

Assuming the Offer is accepted in full, UEIT will acquire up to 190,587,055 shares, 5,597,575 warrants and 504,051 share options in Quam at the offer price of HK\$1.38 per share, HK\$1.14 per share and HK\$0.6177 per share respectively. The maximum aggregate investment sum under the Offer is approximately HK\$269,702,000. Upon completion of the Offer, all outstanding share options will be cancelled as pursuant to Rule 13.5 of the Takeovers Code.

- (c) Upon completion of the Subscription and the Offer, the investment in Quam shares will be accounted for as available-for-sale investments in the consolidated financial statements of the Group which will be measured at fair value at each period end date with unrealised gains or losses recognised as other comprehensive income in the available-for-sale investment revaluation reserve in equity until the investment is derecognised or impaired. In addition, the investment in Quam warrants will be accounted for as financial assets at fair value through profit or loss in the consolidated financial statements of the Group which will be measured at fair value at each period end date with gains or losses arising from changes in fair value of these financial assets recognised in profit or loss. The transaction costs in relation to the Offer of Quam warrants are approximately HK\$11,000 which would be recognised in profit or loss at the initial recognition of Quam warrants as financial assets at fair value through profit or loss by the Group.
- (d) It represents the cash payment for the estimated legal and professional fees incurred for the Subscription and the Offer.
- (e) It represents the available-for-sale investments classified as non-current portion as at 30 June 2015, assuming the Subscription and the Offer had taken place on 30 June 2015 and the portion is subject to the lock-up period undertaking. Pursuant to the deed of undertaking with CMBCI, the Group agreed not to dispose of 1,246,471,140 Subscription shares without the consent of CMBCI for a period of one year from the date of completion of the Subscription.
- (2) The adjustment represents the long term loan raised from Haitong International Securities Company Limited with the principal amount of HK\$1,232,000,000, after deduction of the associated financial advisory fee of approximately HK\$18,480,000. For the purpose of preparing the unaudited pro forma consolidated statement of financial position, it is assumed that the long term loan had been raised on 30 June 2015 for the Subscription and the Offer.
- (3) The adjustment represents the net cash settlement for the Subscription and the Offer on the difference between (a) the total investment sum of approximately HK\$1,916,052,000 as mentioned in note 1 above; and (b) the new long term loan of approximately HK\$1,213,520,000 raised as mentioned in note 2 above.

**B. ACCOUNTANT'S REPORT ON UNAUDITED PRO FORMA FINANCIAL INFORMATION**

*The following is the text of a report, prepared for the sole purpose of inclusion in this circular, from the independent reporting accountant, RSM Nelson Wheeler, Certified Public Accountants, Hong Kong.*



29th Floor  
Caroline Centre  
Lee Gardens Two  
28 Yun Ping Road  
Hong Kong

9 October 2015

The Board of Directors  
**United Energy Group Limited**

Dear Sirs,

We have completed our assurance engagement to report on the compilation of pro forma financial information of United Energy Group Limited (the "Company") and its subsidiaries (hereinafter collectively referred to as the "Group") by the directors of the Company for illustrative purposes only. The pro forma financial information consists of the pro forma statement of assets and liabilities as at 30 June 2015 (the "Statement") as set out on pages 21 to 24 of the circular issued by the Company dated 9 October 2015 (the "Circular"). The applicable criteria on the basis of which the directors have compiled the Statement are described on pages 21 to 24 of the Circular.

The Statement has been compiled by the directors to illustrate the impact of the proposed subscription of the new ordinary shares of Quam Limited ("Quam") and the mandatory cash offer for the issued shares of Quam, warrants of Quam and share options of Quam (the "Subscription and the Offer") on the Group's financial position as at 30 June 2015 as if the Subscription and the Offer had been taken place at 30 June 2015. As part of this process, information about the Group's financial position has been extracted by the directors from the Group's condensed financial statements as included in the interim report for the six months ended 30 June 2015, on which no audit or review report has been published.

**Directors' Responsibility for the Pro Forma Financial Information**

The directors are responsible for compiling the Statement in accordance with paragraph 29 of Chapter 4 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules") and with reference to Accounting

Guideline (“AG”) 7 “Preparation of Pro Forma Financial Information for Inclusion in Investment Circulars” issued by the Hong Kong Institute of Certified Public Accountants (the “HKICPA”).

### **Reporting Accountant’s Responsibilities**

Our responsibility is to express an opinion, as required by paragraph 29(7) of Chapter 4 of the Listing Rules, on the Statement and to report our opinion to you. We do not accept any responsibility for any reports previously given by us on any financial information used in the compilation of the Statement beyond that owed to those to whom those reports were addressed by us at the dates of their issue.

We conducted our engagement in accordance with Hong Kong Standard on Assurance Engagements 3420 “Assurance Engagements to Report on the Compilation of Pro Forma Financial Information Included in a Prospectus” issued by the HKICPA. This standard requires that the reporting accountant comply with ethical requirements and plan and perform procedures to obtain reasonable assurance about whether the directors have compiled the Statement in accordance with paragraph 29 of Chapter 4 of the Listing Rules and with reference to AG 7 “Preparation of Pro Forma Financial Information for Inclusion in Investment Circulars” issued by the HKICPA.

For purposes of this engagement, we are not responsible for updating or reissuing any reports or opinions on any historical financial information used in compiling the Statement, nor have we, in the course of this engagement, performed an audit or review of the financial information used in compiling the Statement.

The purpose of the Statement included in an investment circular is solely to illustrate the impact of a significant event or transaction on unadjusted financial information of the Group as if the event had occurred or the transaction had been undertaken at an earlier date selected for purposes of the illustration. Accordingly, we do not provide any assurance that the actual outcome of the event or transaction at 30 June 2015 would have been as presented.

A reasonable assurance engagement to report on whether the Statement has been properly compiled on the basis of the applicable criteria involves performing procedures to assess whether the applicable criteria used by the directors in the compilation of the Statement provide a reasonable basis for presenting the significant effects directly attributable to the event or transaction, and to obtain sufficient appropriate evidence about whether:

- The related pro forma adjustments give appropriate effect to those criteria; and
- The Statement reflects the proper application of those adjustments to the unadjusted financial information.

The procedures selected depend on the reporting accountant's judgment, having regard to the reporting accountant's understanding of the nature of the Group, the event or transaction in respect of which the Statement has been compiled, and other relevant engagement circumstances.

The engagement also involves evaluating the overall presentation of the Statement.

We believe that the evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

### **Opinion**

In our opinion:

- (a) the Statement has been properly compiled on the basis stated;
- (b) such basis is consistent with the accounting policies of the Group; and
- (c) the adjustments are appropriate for the purposes of the Statement as disclosed pursuant to paragraph 29(1) of Chapter 4 of the Listing Rules.

Yours faithfully,

**RSM Nelson Wheeler**  
Certified Public Accountants  
Hong Kong

## 1. RESPONSIBILITY STATEMENT

This circular, for which the Directors collectively and individually accept full responsibility, includes particular given in compliance with the Listing Rules for the purpose of giving information with regard to the Group. The Directors, having made all reasonable enquiries, confirm that, to the best of their knowledge and belief, the information contained in this circular is accurate and complete in all material respects and is not misleading or deceptive and there are no other matters the omission of which would make any statement herein or this circular misleading.

## 2. DISCLOSURE OF INTERESTS

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

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

#### (i) Long positions in the Shares and the underlying shares

Name of Directors	Nature of Interest	Number of Shares	Approximate percentage or attributable percentage of shareholding
Zhang Hong Wei (Note)	Attributable interest of controlled corporation	9,377,150,115 (L)	71.70%
Zhu Jun	Beneficial owner	1,443,000 (L)	0.01%

(L) Long Position

Notes: Out of the 9,377,150,115 shares, 5,328,879,125 shares were beneficially held by He Fu International Limited, 2,223,726,708 shares were beneficially held by United Petroleum & Natural Gas Holdings Limited, and 1,824,544,282 shares were beneficially held by United Energy Holdings Limited. He Fu International Limited, United Petroleum & Natural Gas Holdings Limited and United Energy Holdings Limited are companies wholly-owned by Mr. Zhang Hong Wei. Therefore, Mr. Zhang Hong Wei is deemed to be interested in those 9,377,150,115 shares.

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

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

Name of Shareholder	Nature of Interest	Number of Shares	Approximate percentage or attributable percentage of shareholding
He Fu International Limited (Note)	Beneficial Owner	5,328,879,125	40.75%
United Petroleum & Natural Gas Holdings Limited (Note)	Beneficial Owner	2,223,726,708	17.00%
United Energy Holdings Limited (Note)	Beneficial Owner	1,824,544,282	13.95%

*Note:* These companies are wholly owned by Mr. Zhang Hong Wei.

Save as disclosed above, as at the Latest Practicable Date, 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.

### 3. DIRECTORS' SERVICE CONTRACTS

As at the Latest Practicable Date, none of the Directors has entered into any service contract or management agreement, proposed or otherwise with any member of the Group (excluding contracts expiring or terminable by the employer within one year without payment of compensation other than statutory compensation).

### 4. COMPETING INTERESTS

As at the Latest Practicable Date, none of the Directors or substantial Shareholder or any of their respective associates has any interest in business which competes with or may compete with the business of the Group or has any other conflict of interests which any person has or may have with the Group.

### 5. LITIGATION

As at the Latest Practicable Date, no member of the Group was engaged in any litigation or arbitration of material importance and no litigation, arbitration or claim of material importance was known to the Directors to be pending or threatened against any member of the Group.

### 6. INTERESTS IN CONTRACTS AND ASSETS

As at the Latest Practicable Date, no contract or arrangement of significance in relation to the Group's business to which the Company or any of its subsidiaries was a party and in which any of the Directors had a material interest, whether directly or indirectly, subsisted as at the Latest Practicable Date.

None of the Directors has any direct or indirect interests in any assets which had been acquired or disposed of by or leased to, or which are proposed to be acquired or disposed of by or leased to, the Company or any of its subsidiaries during the period since 31 December 2014, the date to which the latest published audited financial statements of the Group were made up, up to and including the Latest Practicable Date.

### 7. MATERIAL CONTRACTS

The following contracts (not being contracts in the ordinary course of business) have been entered into by members of the Group within the two years immediately preceding the Latest Practicable Date which are or may be material:

- (a) the agreement dated 9 October 2014 and entered into between United Energy Financing (Bermuda) Limited, a wholly owned subsidiary of the Group, as issuer and CIMB Bank Berhad in relation to the proposed issue of S\$100,000,000 6.85 per cent. first drawdown notes due 17 October 2016;



- (b) the Consortium Agreement; and
- (c) the Subscription Agreement.

#### 8. MISCELLANEOUS

- (a) The registered office of the Company is located at Clarendon House, 2 Church Street, Hamilton HM11, Bermuda.
- (b) The head office and principal place of business of the Company in Hong Kong is Unit 2505, 25/F., Two Pacific Place, 88 Queensway, Hong Kong.
- (c) The branch share registrar and transfer office in Hong Kong of the Company is Tricor Secretaries Limited located at Level 22, Hopewell Centre, 183 Queen's Road East, Hong Kong.
- (d) The company secretary of the Company is Mr. Hung Lap Kay, who is a fellow member of the Association of Chartered Certified Accountants and has more than fifteen years' experience in auditing, accounting and financial management.

#### 9. DOCUMENTS FOR INSPECTION

Copies of the following documents are available for inspection at the principal place of business of the Company in Hong Kong at Unit 2505, 25/F., Two Pacific Place, 88 Queensway, Hong Kong during normal business hours on any business day from the date of this circular up to and including 30 October 2015:

- (a) the memorandum of continuance and bye-laws of the Company;
- (b) the annual reports of the Company for each of the three financial years ended 31 December 2012, 2013 and 2014 and the interim report of the Company for the six months ended 30 June 2015;
- (c) the material contracts referred to under the paragraph "Material contracts" in this appendix; and
- (d) this circular.