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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)*

### **PROPOSED ABANDONMENT OF LIAOHE EOR PROJECT**

This announcement is made by United Energy Group Limited (the “Company”, together with its subsidiaries, the “Group”) pursuant to Rule 13.09 of the Rules Governing the Listing of Securities (the “Listing Rules”) on The Stock Exchange of Hong Kong Limited and the Inside Information Provisions (as defined under the Listing Rules) under Part XIVA of the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong).

United Petroleum & Natural Gas Investments Limited (“United Petroleum”), a wholly-owned subsidiary of the Company, has participating interests in an enhancing oil recovery project in Liaohe, Gaosheng Block, Bohai Bay Basin of the PRC (the “Liaohe EOR Project”) under the enhancing oil recovery contract (the “EOR Contract”) entered between United Petroleum and China National Petroleum Corporation (“CNPC”) in 2006. Pursuant to the EOR Contract, United Petroleum agreed to provide funds and apply its appropriate and advanced technology, equipment and managerial experience to enhance the oil recovery of the reservoir(s) within the relevant contract area in contrast to the estimated oil recovery that CNPC would be able to reach by applying the original operation method. United Petroleum’s participating interests comprises of and represents an entitlement of 60% of the annual production of the incremental oil (after payment of value added tax, royalty and operating costs) under the EOR Contract.

As disclosed in the Company’s interim report for the six months ended 30 June 2015 and the annual report for the year ended 31 December 2014 and 2013, the turnover generated from the Liaohe EOR Project were approximately HK\$100,740,000, HK\$413,618,000 and HK\$427,138,000 respectively and represented approximately 3.69%, 6.76% and 8.92% respectively to the total turnover of the Group of corresponding reporting periods. The Liaohe EOR Project recorded a segmental loss of approximately HK\$5,924,000 representing -0.62% to the total segmental profit of the Group for the six months ended 30 June 2015 and recorded

segmental profits of approximately HK\$73,620,000 representing 3.23% to the total segmental profit of the Group for the year ended 31 December 2014 and approximately HK\$115,652,000 representing 7.43% to the total segmental profit of the Group for the year ended 31 December 2013. Due to significant decline of oil price in the international commodity market in 2015 and expectation of pertaining low oil price in coming several years, it is expected not economical and sustainable to continue investing capital for operating costs and development costs of the Liaohe EOR Project.

Having considered the recent business environment and the aforesaid factors, the board of directors (the “Board”) of the Company has procured United Petroleum to notify CNPC to propose to abandon the Liaohe EOR Project. Upon the service of such notice to CNPC, it may take months or even longer time for United Petroleum and CNPC (or its affiliate) to agree and implement a plan of subsequent arrangement. The Board is of the view that the proposed abandonment of the Liaohe EOR Project will enable the Group to have better utilisation of its resources to its other core and potential businesses. The Board considers that it is in the interests of the Company and its shareholders (the “Shareholders”) as a whole to propose to abandon the Liaohe EOR Project. On 23 February 2016, United Petroleum has issued the abandonment notification to CNPC.

The proposed abandonment of the Liaohe EOR Project, if materialised and agreed with CNPC, may constitute a notifiable transaction on the part of the Company under Chapter 14 of the Listing Rules. The Company will keep the Shareholders and potential investors informed of any material development in connection with the aforesaid abandonment by way of further announcement(s) as and when appropriate in compliance with the Listing Rules.

**Shareholders and potential investors are advised to exercise caution when dealing in the securities of the Company.**

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

Hong Kong, 23 February 2016

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