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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)

DISCLOSEABLE TRANSACTION: ABANDONMENT OF LIAOHE EOR PROJECT

On 20 May 2016, the Group received the Notice from CNPC pursuant to the terms and conditions of the EOR Contract in relation to the Abandonment of Liaohe EOR Project. As a result of the Abandonment, all fixed assets within the relevant contract area shall be transferred by United Petroleum to CNPC in accordance with the terms of the Liaohe EOR Contract.

As the applicable percentage ratios as calculated under Rule 14.06 of the Listing Rules in respect of the Abandonment and the transactions contemplated thereunder are more than 5% but less than 25%, the transactions contemplated under the Abandonment constitute a discloseable transaction on the part of the Company under Chapter 14 of the Listing Rules.

Reference is made to the announcement of the Company dated 23 February 2016 in relation to, among others, the issue of abandonment notification by United Petroleum to CNPC to propose the abandonment of the Liaohe EOR Project.

The Company announces that on 20 May 2016, United Petroleum received the Notice from CNPC pursuant to the terms and conditions of the EOR Contract confirming and agreeing the Abandonment of Liaohe EOR Project. As a result of the Abandonment, all fixed assets within the relevant contract area shall be transferred by United Petroleum to CNPC in accordance with the terms of the EOR Contract.

THE ABANDONMENT OF THE LIAOHE EOR PROJECT

Date of Notice regarding the Abandonment: 20 May 2016

Parties to the EOR Contract

United Petroleum, a wholly owned subsidiary of the Company

CNPC, an Independent Third Party

CNPC is a state owned enterprise and has the exclusive right to engage in petroleum exploration, development and production in cooperation with foreign enterprises in areas approved by the State Council of the PRC (including the oilfield in Bohai Bay Basin) for exploitation of land petroleum resources in cooperation with foreign enterprises. To the best of the Directors' knowledge, information and belief having made all reasonable enquiries, CNPC and its ultimate beneficial owner(s) are Independent Third Parties.

Background of the Liaohe EOR Project and the Abandonment

In 2006, United Petroleum entered into the EOR Contract with CNPC, pursuant to which United Petroleum would have participating interests in the Liaohe EOR Project in Liaohe, Gaosheng Block, Bohai Bay Basin, the PRC. In accordance with 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.

Due to significant decline of oil price in the international commodity market since 2015 and the expectation of pertaining low oil price in the coming several year, it is expected not to be economical and sustainable for the Group to continue investing capital for operating costs and development costs of the Liaohe EOR Project. It is expected that abandonment of the Liaohe EOR Project will enable the Group to have better utilization of its resources to its other core and potential businesses.

On 23 February 2016, United Petroleum has issued the abandonment notification to CNPC in accordance with the EOR Contract. On 20 May 2016, CNPC formally issued the Notice to United Petroleum confirming the Abandonment.

Rights to be abandoned and Assets to be transferred

With the Abandonment being effective, United Petroleum shall cease to have any rights or participating interests in the Liaohe EOR Project. Pursuant to the terms of the EOR Contract, United Petroleum shall have to transfer all fixed and tangible assets (including all fixed assets installed and constructed on the site) within the relevant contract area to CNPC.

The Board is of the view that such terms are consistent with the worldwide common practice in oil industry that fixed assets installed and constructed in the production area will be owned by the national enterprise after abandonment or completion of production period.

The values of property plant and equipment (HK\$591,211,000), advances, deposits and prepayments (HK\$271,000) and intangible assets (HK\$3,624,592,000) of the Liaohe EOR Project as at 31 December 2015 have been fully impaired. The value of remaining current assets of the Liaohe EOR Project as at 31 December 2015 was HK\$63,193,000.

Consideration

There will be no consideration payable or receivable by United Petroleum in respect of the Abandonment and the transactions contemplated thereunder.

In light of the substantial capital commitment in respect of the operating costs and development costs of the Liaohe EOR Project and the expected pertaining low oil price in the coming several years, the Board considers it is in the interests of the Company and its Shareholders as a whole to abandon the Liaohe EOR Project.

Information on the Liaohe EOR Project

As disclosed in the Company's annual reports for the year ended 31 December 2014 and 2015, the turnover generated from the Liaohe EOR Project were approximately HK\$413,618,000 and HK\$186,862,000 respectively and represented approximately 6.76% and 3.45% respectively to the total turnover of the Group of corresponding reporting periods. The Liaohe EOR Project recorded a segmental loss of approximately HK\$3,474,893,000 representing 134.3% to the total segmental loss of the Group for the year ended 31 December 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.

As financial statements of the Group for the year ended 31 December 2015 have been provided for the impairment arising from abandonment of the Liaohe EOR Project, it is expected that the Group no material financial impact upon completion of the Abandonment and the transactions contemplated thereunder.

REASONS FOR THE ABANDONMENT

The Group is 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.

Due to significant decline of oil price in the international commodity market since 2015 and the expectation of pertaining low oil price in the coming several year, it is expected not to be economical and sustainable for the Group to continue investing capital for operating costs and development costs of the Liaohe EOR Project. Abandonment of the Liaohe EOR Project enables the Group to re-direct its resources to other core and potential businesses which can produce better returns.

Whilst the fixed assets installed and constructed on the site will be transferred to CNPC in accordance with the terms of the EOR Contract as a result of the Abandonment, it is noted that such fixed assets are mainly installed and constructed for the Liaohe EOR Project and may not be removable from the site and may not be applicable for the other oilfield projects.

Further, it is also consistent with the worldwide common practice in oil industry that fixed assets installed and constructed in the production area will be owned by the national enterprise after abandonment or completion of production period.

Taking into account of the above, the Directors, including the independent non-executive Directors, are of the view that the transactions contemplated under the Abandonment are in the interests of the Company and the terms of the Abandonment 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 Abandonment and as such, no Director has abstained from voting on the Board resolutions to approve the Abandonment 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 Abandonment and the transactions contemplated thereunder are more than 5% but less than 25%, the transactions contemplated under the Abandonment constitute a discloseable transaction on the part of the Company under Chapter 14 of the Listing Rules.

DEFINITIONS

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

“Abandonment”	the abandonment of the Liaohe EOR Project in accordance with the Notice and the terms of the EOR Contract
“Board”	the board of Directors
“CNPC”	China National Petroleum Corporation
“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
“EOR Contract”	the enhancing oil recovery contract entered into between United Petroleum and CNPC in 2006 in relation to the Liaohe EOR Project
“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

“ Liaohe EOR Project ”	the enhancing oil recovery project in Liaohe, Gaosheng Block, Bohai Bay Basin of the PRC
“ Listing Rules ”	the Rules Governing the Listing of Securities on the Stock Exchange
“ Notice ”	the notice dated 20 May 2016 issued by CNPC to United Petroleum in relation to the Abandonment
“ PRC ”	the People’s Republic of China
“ 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
“ United Petroleum ”	United Petroleum & Natural Gas Investments Limited, 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, 20 May 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.