

THIS CIRCULAR IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION

If you are in any doubt as to any aspect of this circular or as to the action to be taken, you should consult your stockbroker, or other licensed securities dealer, bank manager, solicitors, professional accountant or other professional adviser.

If you have sold or transferred all your shares in United Energy Group Limited (the "Company"), you should at once hand this circular to the purchaser or the transferee, or to the bank, stockbroker or other agent through whom the sale or transfer was effected for transmission to the purchaser or the transferee.

Hong Kong Exchanges and Clearing Limited and The Stock Exchange of Hong Kong Limited (the "Stock Exchange") take no responsibility for the contents of this circular, make no representation as to its accuracy or completeness and expressly disclaim any liability whatsoever for any losses howsoever arising from or in reliance upon the whole or any part of the contents of this circular.

This circular appears for information only and does not constitute an invitation or offer to Shareholders or any other persons to acquire, purchase, or subscribe for securities of the Company.

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)

(1) PROPOSED OPEN OFFER ON THE BASIS OF ONE OFFER SHARE FOR EVERY ONE EXISTING SHARE HELD ON THE RECORD DATE AND (2) NOTICE OF SPECIAL GENERAL MEETING

Financial Adviser



Haitong International Capital Limited

Underwriter



Haitong International Securities Company Limited

Independent Financial Adviser to the Independent Board Committee
and the Independent Shareholders



Donvex Capital Limited
富域資本有限公司

Donvex Capital Limited

Capitalised terms used in this cover page shall have the same meanings as those defined in this circular.

A letter from the Board is set out on pages 16 to 48 of this circular and a letter from the Independent Board Committee containing its recommendation to the Independent Shareholders is set out on pages 49 to 50 of this circular. A letter from the Independent Financial Adviser containing its recommendation to the Independent Board Committee and the Independent Shareholders is set out on pages 51 to 74 of this circular.

A notice convening the SGM to be held at Taishan Room, Level 5, Island Shangri-La, Hong Kong, Pacific Place, Supreme Court Road, Central, Hong Kong on Friday, 22 July 2016 at 10:00 a.m. is set out on pages SGM-1 to SGM-3 of this circular. Whether or not you intend to attend the SGM, you are requested to complete the enclosed form of proxy in accordance with the instructions printed thereon and return the same to the Company's branch share registrar in Hong Kong, Tricor Secretaries Limited located at Level 22, Hopewell Centre, 183 Queen's Road East, Hong Kong as soon as possible but in any event not less than 48 hours before the time scheduled for the SGM or any adjournment thereof. Completion and return of the form of proxy will not preclude you from attending or voting in person at the SGM or any adjourned meeting thereof should you so wish and in such event, the instrument appointing a proxy shall be deemed to be revoked.

The Open Offer is conditional upon, inter alia, the fulfilment of the conditions set out under the section headed "Letter from the Board — Conditions of the Open Offer" in this circular and the Underwriter not having terminated the Underwriting Agreement in accordance with the terms thereof and as set out under the section headed "Letter from the Board — The Underwriting Agreement — Termination of the Underwriting Agreement".

Accordingly, the Open Offer may or may not proceed. Any Shareholders or other persons contemplating dealings in the Shares should exercise caution when dealing in the Shares and, if they are in any doubt about their position, they are recommended to consult their own professional advisers.

Shareholders should note that the Shares will be dealt in on an ex-entitlement basis commencing from Tuesday, 26 July 2016 and that dealing in Shares will take place while the conditions to which the Underwriting Agreement is subject remain unfulfilled.

Shareholders and potential investors of the Company should therefore exercise extreme caution when dealing in the Shares.

* for identification purposes only

CONTENTS

| | <i>Page</i> |
|--|-------------|
| Definitions | 1 |
| Expected Timetable | 10 |
| Termination of the Underwriting Agreement | 12 |
| Letter from the Board | 16 |
| Letter from the Independent Board Committee | 49 |
| Letter from the Independent Financial Adviser | 51 |
| Appendix I – Financial Information of the Group | I-1 |
| Appendix II – Unaudited Pro Forma Financial Information of the Group .. | II-1 |
| Appendix III – General Information | III-1 |
| Notice of Special General Meeting | SGM-1 |

DEFINITIONS

In this circular, unless the context otherwise required, the following terms and expressions shall have the following meanings when used herein:

| | |
|--------------------------|--|
| “AGM” | the annual general meeting of the Company held on 27 May 2016 |
| “Application Form(s)” | the application form(s) in respect of the assured allotment of Offer Shares to be issued to the Qualifying Shareholders in connection with the Open Offer, being in such usual form as may be agreed between the Company and the Underwriter |
| “associate(s)” | has the meaning ascribed thereto under the Listing Rules |
| “Board” | the board of Directors |
| “Business Day” | any day (excluding a Saturday, Sunday, public holiday and any day on which a tropical cyclone warning signal number 8 or above or a “black” rainstorm warning signal is hoisted or remains hoisted in Hong Kong at any time between 9:00 a.m. and 12:00 noon and is not lowered or discontinued at or before 12:00 noon) on which licensed banks are generally open for business in Hong Kong throughout their normal business hours |
| “CCASS” | the Central Clearing and Settlement System established and operated by HKSCC |
| “Closing Date” | the date falling on the Business Day immediately preceding to the date of the announcement to be released by the Company confirming the levels of acceptance of offer under the Open Offer or such later date as the Company and the Underwriter may agree in writing |
| “Committed Shareholders” | He Fu International Limited, United Petroleum & Natural Gas Holdings Limited and United Energy Holdings Limited, each of which has given the Undertaking to the Company and the Underwriter |

DEFINITIONS

| | |
|---|--|
| “Committed Shares” | in respect of the Committed Shareholders, the total number of Offer Shares which the Committed Shareholders have undertaken to accept, or procure the acceptance of, pursuant to the Undertaking, being 3,652,025,125 Offer Shares, 2,157,718,268 Offer Shares and 1,824,544,282 Offer Shares by He Fu International Limited, United Petroleum & Natural Gas Holdings Limited and United Energy Holdings Limited, respectively |
| “Companies (Winding Up and Miscellaneous Provisions) Ordinance” | the Companies (Winding Up and Miscellaneous Provisions) Ordinance, Chapter 32 of the Laws of Hong Kong (as amended from time to time) |
| “Company” | United Energy Group Limited (Stock Code: 467), a company incorporated in the Cayman Islands and continued in Bermuda with limited liability and the Shares of which are listed on the Main Board of the Stock Exchange |
| “connected person(s)” | has the meaning ascribed thereto under the Listing Rules |
| “controlling shareholder(s)” | has the meaning ascribed thereto under the Listing Rules |
| “Deferred Annual Bonus Scheme” | the deferred annual bonus scheme of the Company approved and adopted by the Board on 28 December 2012, in its present form or as amended from time to time in accordance with the provisions of the rules relating to the deferred annual bonus scheme, as amended, modified or supplemented from time to time |
| “Director(s)” | the director(s) of the Company |
| “Excess Application Form(s)” | the form(s) of application proposed to be issued to the Qualifying Shareholders who wish to apply for Offer Shares in excess of their respective pro rata entitlements under the Open Offer, being in the form as may be agreed between the Company and the Underwriter |

DEFINITIONS

| | |
|--------------------------------------|---|
| “Executive Performance Share Scheme” | the executive performance share scheme of the Company approved and adopted by the Board on 28 December 2012, in its present form or as amended from time to time in accordance with the provisions of the rules relating to the executive performance share scheme, as amended, modified or supplemented from time to time |
| “Financial Adviser” | Haitong International Capital Limited, a licensed corporation under the SFO (Central Entity number ADQ859) and is licensed to conduct Type 6 (advising on corporate finance) regulated activity |
| “General Mandate” | the general mandate granted by the Shareholders to the Directors by a resolution of the Shareholder passed at the AGM to allot, issue and otherwise deal with Shares or securities convertible into Shares, options, warrants or similar rights to subscribe for any Shares not exceeding in aggregate 20% of the number of Shares in issue as at the date of the AGM (i.e. 2,617,144,275 Shares, being 20% of the number of Shares in issue as at the date of the AGM of 13,085,721,377 Shares) (as extended by the addition thereto an amount representing the aggregate nominal amount of the share capital of the Company repurchased by the Company under the authority granted pursuant to the Repurchase Mandate, provided that such amount shall not exceed 10% of the number of Shares in issue at the date of the AGM (i.e. 1,308,572,137 Shares, being 10% of the number of Shares in issue as at the date of the AGM of 13,085,721,377 Shares)) |
| “Group” | the Company and its subsidiaries |
| “HK\$” | Hong Kong dollars, the lawful currency of Hong Kong |
| “HKSCC” | Hong Kong Securities Clearing Company Limited |
| “Hong Kong” | the Hong Kong Special Administrative Region of the PRC |
| “Independent Board Committee” | an independent board committee of the Company, comprising all independent non-executive Directors, established to advise the Independent Shareholders in respect of the Open Offer |

DEFINITIONS

| | |
|---------------------------------|--|
| “Independent Financial Adviser” | Donvex Capital Limited, a licensed corporation under the SFO (Central Entity number ARW775) and is licensed to conduct Type 6 (advising on corporate finance) regulated activity, the independent financial adviser to the Independent Board Committee and the Independent Shareholders in respect of the Open Offer |
| “Independent Shareholder(s)” | Shareholder(s) other than the controlling shareholders of the Company and their associates or, where there are no controlling shareholders, the Directors (excluding the independent non-executive Directors) and the chief executive of the Company and their respective associates |
| “Last Trading Day” | Thursday, 2 June 2016, being the date of the Underwriting Agreement |
| “Latest Practicable Date” | Monday, 27 June 2016, being the latest practicable date for ascertaining certain information referred to in this circular prior to the printing of this circular |
| “Latest Time for Acceptance” | 4:00 p.m. on Friday, 19 August 2016 (or such other date as the Underwriter may agree with the Company as the latest date for acceptance of, and payment for, Offer Shares) |
| “Latest Time for Termination” | 4:00 p.m. on Friday, 26 August 2016 (or such other date as the Underwriter may agree with the Company as the latest date for termination of the Underwriting Agreement) |
| “Listing Rules” | the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited |
| “Long Stop Date” | 5:00 p.m. on the earlier of: (i) 30 days from the Posting Date; and (ii) 30 September 2016, or such later date as the Underwriter may agree |
| “Model Code” | Model Code for Securities Transactions by Directors of Listed Issuers as set out in Appendix 10 to the Listing Rules |

DEFINITIONS

“Non-Qualifying Shareholder(s)”

the Overseas Shareholder(s) whose address(es) is/are in a place(s) outside Hong Kong where, the Directors, based on legal opinions provided by legal advisers of the Company, consider it is necessary or expedient on account either of the legal restrictions under the laws of the relevant place or the requirements of the relevant regulatory body or stock exchange in that place not to offer the Offer Shares to such Overseas Shareholders

“Offer Shares”

the new Shares to be allotted and issued under the Open Offer, being not less than 13,085,721,377 Shares (assuming no exercise of the outstanding Share Options which have been vested and are exercisable and there is no further issue of new Shares or repurchase of Shares by the Company on or before the Record Date) and not more than 13,115,321,377 Shares (assuming not more than 17,000,000 Shares are allotted and issued pursuant to the Schemes, and new Shares are issued pursuant to the exercise in full of all the 12,600,000 Share Options which have been vested and are exercisable, but no further issue of new Shares or repurchase of Shares by the Company, on or before the Record Date) (*Note*)

Note: As at the Latest Practicable Date, the Company has outstanding Share Options carrying rights to subscribe for a total of 18,000,000 new Shares under the Share Option Scheme. Out of such outstanding Share Options, 12,600,000 Share Options have been vested and are exercisable, and 5,400,000 Share Options have not been vested and therefore are not exercisable, as at the Latest Practicable Date and on or before the Record Date. Assuming no further grant of Share Options by the Company and exercise in full of the subscription rights attaching to such outstanding and exercisable Share Options, an additional 12,600,000 Offer Shares may be issued upon the exercise of such vested and exercisable Share Options.

As at the Latest Practicable Date, taking into account and consistent with past practice of the Company, the Board has not yet approved, but expects to approve within July 2016 (i.e. before the Record Date), to allot and issue up to not more than 17,000,000 Shares to the Trustee who will hold such Shares on trust for the eligible employees of the Group under the Deferred Annual Bonus Scheme, the Executive Performance Share Scheme and the Performance Share Scheme. Such Shares will be allotted and issued under the General Mandate and will not cause the Company to exceed the General Mandate, and no Shares will be allotted and issued to the connected persons of the Company.

DEFINITIONS

| | |
|-----------------------------|--|
| “Open Offer” | the proposed issue of the Offer Shares on the basis of one Offer Share for every one Share in issue and held on the Record Date at the Subscription Price on the terms and subject to the conditions set out in the Underwriting Agreement and the Prospectus Documents |
| “Overseas Letter” | a letter from the Company to the Non-Qualifying Shareholders explaining the circumstances in which the Non-Qualifying Shareholders are not permitted to participate in the Open Offer |
| “Overseas Shareholder(s)” | the Shareholder(s) with registered address(es) (as shown in the register of members of the Company on the Record Date) are outside of Hong Kong |
| “Performance Share Scheme” | the performance share scheme of the Company approved and adopted by the Board on 28 December 2012, in its present form or as amended from time to time in accordance with the provisions of the rules relating to the performance share scheme, as amended, modified or supplemented from time to time |
| “PKR” | Pakistani rupee, the lawful currency of Pakistan |
| “Posting Date” | Friday, 5 August 2016 or such other date as the Underwriter may agree with the Company, as the date of despatch of the Prospectus Documents to the Qualifying Shareholders or the Overseas Letter and the Prospectus, for information only, to the Non-Qualifying Shareholders (as the case may be) |
| “PRC” | the People’s Republic of China |
| “Prospectus” | the prospectus to be issued by the Company in relation to the Open Offer |
| “Prospectus Documents” | the Prospectus, the Application Form and the Excess Application Form |
| “Qualifying Shareholder(s)” | Shareholder(s), other than the Non-Qualifying Shareholder(s), whose name(s) appears/appear on the register of members of the Company on the Record Date |

DEFINITIONS

| | |
|----------------------|--|
| “Record Date” | Thursday, 4 August 2016 (or such other date as the Underwriter may agree with the Company), as the date by reference to which entitlements to the Open Offer are expected to be determined |
| “Registrar” | Tricor Secretaries Limited, at Level 22, Hopewell Centre, 183 Queen’s Road East, Hong Kong, the branch share registrar and transfer office of the Company in Hong Kong |
| “Repurchase Code” | the Hong Kong Code on Share Repurchases |
| “Repurchase Mandate” | the general mandate granted by the Shareholders to the Directors by a resolution of the Shareholder passed at the AGM to repurchase Shares on the Stock Exchange or on any other stock exchange on which the Shares may be listed and recognized for this purpose by the Securities and Futures Commission of Hong Kong and the Stock Exchange under the Repurchase Code which does not exceed 10% of the number of Shares in issue as at the date of the AGM (i.e. 1,308,572,137 Shares, being 10% of the number of Shares in issue as at the date of the AGM of 13,085,721,377 Shares) |
| “RMB” | Renminbi, the lawful currency of the PRC |
| “S\$” | Singapore dollars, the lawful currency of Singapore |
| “Schemes” | the Share Match Scheme, the Deferred Annual Bonus Scheme, the Executive Performance Share Scheme and the Performance Share Scheme |
| “SFC” | the Securities and Futures Commission in Hong Kong |
| “SFO” | the Securities and Futures Ordinance, Chapter 571 of the Laws of Hong Kong (as amended from time to time) |
| “SGM” | the special general meeting of the Company to be convened for the purpose of considering and, if thought fit, approving the Open Offer |

DEFINITIONS

| | |
|------------------------------|---|
| “Share Match Scheme” | the share match scheme of the Company approved and adopted by the Board on 16 September 2011, in its present form or as amended from time to time in accordance with the provisions of the rules relating to the share match scheme, as amended, modified or supplemented from time to time |
| “Share Option(s)” | share option(s) carrying right(s) to subscribe for Shares granted by the Company pursuant to the Share Option Scheme |
| “Share Option Scheme” | the share option scheme adopted by the Company effective from 11 May 2006 and expired on 11 May 2016 |
| “Share(s)” | ordinary share(s) of HK\$0.01 each in the share capital of the Company |
| “Shareholder(s)” | the holder(s) of the issued Shares |
| “Stock Exchange” | The Stock Exchange of Hong Kong Limited |
| “Subscription Price” | HK\$0.20 per Offer Share |
| “substantial shareholder(s)” | has the meaning ascribed thereto under the Listing Rules |
| “Takeovers Code” | the Hong Kong Code on Takeovers and Mergers |
| “Trustee” | Computershare Hong Kong Trustees Limited, and any additional or replacement trustees, being the trustee or trustees appointed by the Company for the administration of the Schemes |
| “Undertaking” | the undertaking letter dated 2 June 2016 executed by each of the Committed Shareholders in favour of the Company and the Underwriter |
| “Underwriter” | Haitong International Securities Company Limited, a licensed corporation under the SFO (Central Entity number AAF806) and is licensed to conduct Type 1 (dealing in securities), Type 3 (leveraged foreign exchange trading) and Type 4 (advising on securities) regulated activities |

DEFINITIONS

| | |
|--------------------------------------|---|
| “Underwriting Agreement” | the underwriting agreement dated 2 June 2016 entered into by the Company and the Underwriter in relation to the underwriting arrangement in respect of the Open Offer as amended by a side letter dated 27 June 2016 |
| “Underwritten Shares” | all Offer Shares (other than those which have been undertaken to be subscribed for by the Committed Shareholders), being not less than 5,451,433,702 Shares (assuming no exercise of the outstanding Share Options which have been vested and are exercisable, no issue of Shares under the Schemes and no further issue of new Shares or repurchase of Shares by the Company on or before the Record Date) and not more than 5,481,033,702 Shares (assuming not more than 17,000,000 Shares are allotted and issued pursuant to the Schemes, and new Shares are issued pursuant to the exercise in full of all the 12,600,000 Share Options which have been vested and are exercisable, but no further issue of new Shares or repurchase of Shares by the Company, on or before the Record Date) |
| “US\$” | United States dollars, the lawful currency of the United States of America |
| “Valid Excess Application” | the number of Underwritten Shares applied for under the Excess Application Form which shall have been lodged in accordance with the terms of the Prospectus Documents, together with cheques or banker’s cashier orders or other remittances for the full amount payable in connection with such Excess Application Form |
| “Zhongrong International Securities” | Zhongrong International Securities Company Limited, a licensed corporation under the SFO (Central Entity number BFG513) and is licensed to conduct Type 1 (dealing in securities) and Type 4 (advising on securities) regulated activities |
| “%” | per cent. |

References to time and dates in this circular are to time and dates in Hong Kong.

| |
|---------------------------|
| EXPECTED TIMETABLE |
|---------------------------|

The expected timetable for the Open Offer set out below is indicative only and it has been prepared on the assumption that all the conditions as set out under the section headed "Letter from the Board — Conditions of the Open Offer" in this circular will be fulfilled. The expected timetable for the Open Offer is set out below:

Despatch of this circular (together with
the notice of SGM and the form of proxy) Thursday, 30 June 2016

Latest time for lodging transfers of
Shares in order to qualify for
attendance and voting at the SGM 4:30 p.m. on
Thursday, 14 July 2016

Closure of register of members of the
Company for determining the rights
to attend the SGM (both dates inclusive) Friday, 15 July 2016 to
Friday, 22 July 2016

Latest time for lodging the form of proxy
for the SGM (not less than 48 hours) 10:00 a.m. on
Wednesday, 20 July 2016

Record date for attendance and voting at the SGM Friday, 22 July 2016

SGM 10:00 a.m. on Friday,
22 July 2016

Announcement of poll results of SGM Friday, 22 July 2016

Last day of dealings in the Shares on cum-entitlement basis Monday, 25 July 2016

First day of dealings in the Shares on ex-entitlement basis Tuesday, 26 July 2016

Latest time for lodging transfers of Shares
in order to qualify for the Open Offer 4:30 p.m. on
Wednesday, 27 July 2016

Closure of register of member of the Company
for determining the eligibility of the Open Offer
(both dates inclusive) Thursday, 28 July 2016 to
Thursday, 4 August 2016

Record Date for the Open Offer Thursday, 4 August 2016

EXPECTED TIMETABLE

| | |
|--|--|
| Despatch of (i) Prospectus Documents to Qualifying Shareholders and (ii) Overseas Letter and Prospectus to Non-Qualifying Shareholders (if any) | Friday, 5 August 2016 |
| Latest Time for Acceptance and application for and payment for excess Offer Shares | 4:00 p.m. on Friday, 19 August 2016 |
| Latest Time for Termination | 4:00 p.m. on Friday, 26 August 2016 |
| Announcement of results of the Open Offer and excess application | Monday, 29 August 2016 |
| Despatch of share certificates for the Offer Shares | Tuesday, 30 August 2016 |
| Despatch of refund of cheques if the Open Offer is terminated and in respect of wholly or partly unsuccessful applications for the excess Offer Shares | Tuesday, 30 August 2016 |
| Expected date of dealings in the Offer Shares | 9:00 a.m. on Wednesday, 31 August 2016 |

All times and dates in this circular refer to Hong Kong local times and dates. Dates or deadlines specified in the expected timetable above are indicative only and may be extended or varied by the Company. Any changes to the expected timetable will be published or notified to the Shareholders as and when appropriate.

EFFECT OF BAD WEATHER ON THE LATEST TIME FOR ACCEPTANCE

If there is a tropical cyclone warning signal number 8 or above or a “black” rainstorm warning signal in force in Hong Kong on the Latest Time for Acceptance at any time between 12:00 noon and 4:00 p.m., the Latest Time for Acceptance will be postponed to the next Business Day which does not have either of those warnings in force in Hong Kong at any time between 12:00 noon and 4:00 p.m..

If the Latest Time for Acceptance is postponed in accordance with the foregoing, the dates mentioned in the above “Expected Timetable” may be affected. An announcement will be made by the Company in such event.

TERMINATION OF THE UNDERWRITING AGREEMENT

If at any time commencing from signing of the Underwriting Agreement to the Latest Time for Termination:

- (a) any breach of any of the representations and warranties or the undertakings contained in the Underwriting Agreement comes to the knowledge of the Underwriter, or there has been a breach on the part of the Company of any other provision of the Underwriting Agreement;
- (b) any event occurs or matter arises, which, if it had occurred before the date of the Underwriting Agreement or before any of the times on which the representations and warranties contained in the Underwriting Agreement are deemed to be given thereunder would have rendered any of those representations and warranties untrue, incorrect or misleading in any material respect;
- (c) any statement contained in the Prospectus has become or been discovered to be untrue, incorrect, incomplete or misleading in any material respect, or matters have arisen or have been discovered which would, if the Prospectus was to be issued at the time, constitute a material omission therefrom;
- (d) there is any material adverse change or prospective material adverse change in the condition, results of operations, management, business, stockholders' equity or in the financial or trading position of any member of the Group which, in the reasonable opinion of the Underwriter, is or may be materially adverse in the context of the Open Offer;
- (e) permission to deal in and listing of all the Offer Shares has been withdrawn by the Stock Exchange;
- (f) any expert, who has given advice which is contained in the Prospectus, has withdrawn its respective consent to the issue of the Prospectus with the inclusion of its reports, letters, opinions or advices and references to its name included in the form and context in which it respectively appears prior to the issue of the Prospectus;
- (g) the Company withdraws this circular or the Prospectus (and/or any other documents issued or used in connection with the Open Offer) or the Open Offer; or
- (h) there has occurred, happened, come into effect or become public knowledge any event, series of events or circumstances concerning or relating to (whether or not foreseeable):
 - (i) any change (whether or not permanent) in the local, national or international financial, political, military, industrial, economic, legal, fiscal, regulatory or securities market matters or conditions or currency exchange rates or exchange controls in or affecting the PRC, Hong Kong or the United States;

TERMINATION OF THE UNDERWRITING AGREEMENT

- (ii) any event force majeure (including, without limitation, economic sanctions, strike or lock-out (whether or not covered by insurance), riot, fire, explosion, flooding, earthquake, civil commotion, act or declaration of war, outbreak or escalation of hostilities (whether or not war is or has been declared), act of terrorism (whether or not responsibility has been claimed), act of God, pandemic, epidemic, outbreak of infectious disease, declaration of a state of emergency or calamity or crisis, in or affecting the PRC, Hong Kong or the United States;
- (iii) the declaration of a banking moratorium by Hong Kong authorities occurring due to exceptional financial circumstances or otherwise;
- (iv) any moratorium, suspension or restriction on trading in shares or securities generally, or the establishment of minimum prices, on the Stock Exchange or any major disruption of any securities settlement or clearing services in Hong Kong;
- (v) any suspension of dealings in the Shares (other than pending publication of announcements in respect of the Open Offer or where such suspension is temporary or routine in nature for not more than three trading days);
- (vi) any new law or regulation or any change, or any development involving a prospective change, in existing laws or regulations in Hong Kong or any other place in which any member of the Group conducts or carries on business;
- (vii) any change or development occurs involving a prospective change in taxation in Hong Kong, the PRC or any other jurisdiction(s) to which any member of the Group is subject or the implementation of any exchange controls;
- (viii) any litigation or claim of material importance to the business, financial or operations of the Group being threatened or instituted against any member of the Group;
- (ix) the imposition of economic sanctions, in whatever form, directly or indirectly, in Hong Kong, the PRC or any other jurisdiction(s) relevant to the Company and its subsidiary;

TERMINATION OF THE UNDERWRITING AGREEMENT

- (x) any governmental or regulatory commission, body, authority or agency, or any stock exchange, self-regulatory organisation or other non-government regulatory authority or any court, tribunal or arbitrator, whether national, central, federal, provincial, state, regional, municipal in any relevant jurisdiction commencing any investigation, or formally announcing to investigate or take other legal action, against the Group or any of the Directors in respect of any matter related to the Group's business, which investigation has or would have material adverse effect on the traded price of the Shares or the Group; or
- (xi) order or petition for the winding up of any members of the Group or any composition or arrangement made by any members of the Group with its creditors or a scheme of arrangement entered into by any members of the Group or any members of the resolution for the winding up of any Group or the appointment of a provisional liquidator, receiver or manager over all or part of the material assets or undertaking of any members of the Group or anything analogous thereto occurring in respect of any members of the Group;

the effect of which events or circumstances referred to herein, individually or in the aggregate (in the reasonable opinion of the Underwriter): (1) is or will likely be materially adverse to the Group (taken as a whole), or materially prejudicially affects or would materially and prejudicially affect, the Group (taken as a whole) or the Open Offer; or (2) makes or will likely make it inadvisable or inexpedient to proceed with the Open Offer, or (3) will make or is likely to make the Underwriting Agreement (including underwriting) incapable of performance in accordance with its terms or preventing the processing of applications and/or payments pursuant to the Open Offer or pursuant to the underwriting thereof;

then in any such case the Underwriter may by notice in writing to the Company, served prior to the Latest Time for Termination, rescind or terminate the Underwriting Agreement. If prior to the Latest Time for Termination any such notice is given by the Underwriter, the obligations of all parties under the Underwriting Agreement shall terminate forthwith and no party will have any claim against any other for costs, damages, compensation or otherwise, provided that:

- (a) provisions in relation to definitions, indemnity, termination, notices, general, law and dispute resolution under the Underwriting Agreement shall remain in full force and effect;
- (b) the Company shall pay all the relevant fees and expenses in accordance with the Underwriting Agreement (other than the underwriting commission payable to the Underwriter by the Company); and

TERMINATION OF THE UNDERWRITING AGREEMENT

- (c) such termination shall be without prejudice to the rights of the parties thereto in respect of any breach of the Underwriting Agreement and claims arising from the Underwriting Agreement occurring prior to such termination.

If the Underwriting Agreement is terminated by the Underwriter at such time before the Latest Time for Termination but after the Underwriter has in accordance with the Underwriting Agreement paid or procured payment to the Company of the aggregate Subscription Price in respect of the Underwritten Shares not taken up for which the Underwriter is obliged to subscribe or procure subscription under the provisions of the Underwriting Agreement, the Company shall, not later than the end of the fifth Business Day after (but not including) the date of receipt of the notice of termination issued by the Underwriter, remit to the Underwriter such amount of aggregate Subscription Price which it has received from the Underwriter.

LETTER FROM THE BOARD

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)

Executive Directors:

Zhang Hong Wei (*Chairman*)

Zhu Jun

Zhang Meiyang

Registered Office:

Clarendon House

2 Church Street

Hamilton HM11

Bermuda

Independent non-executive Directors:

Chau Siu Wai

San Fung

Zhu Chengwu

*Head office and principal place of
business in Hong Kong:*

Unit 2505, 25/F

Two Pacific Place

88 Queensway

Hong Kong

30 June 2016

To the Shareholders

Dear Sir or Madam,

**(1) PROPOSED OPEN OFFER ON THE BASIS OF ONE OFFER SHARE
FOR EVERY ONE EXISTING SHARE
HELD ON THE RECORD DATE**

AND

(2) NOTICE OF SPECIAL GENERAL MEETING

INTRODUCTION

Reference is made to the announcement of the Company dated 2 June 2016 in relation to, among other things, the proposed Open Offer.

The purpose of this circular is to provide the Shareholders, among other things, (i) further details about the proposed Open Offer; (ii) a letter of recommendation from the Independent Board Committee to the Independent Shareholders in relation to the proposed Open Offer; (iii) a letter of advice from the Independent Financial Adviser to the Independent Board Committee and the Independent Shareholders in relation to the proposed Open Offer; and (iv) the notice convening the SGM.

PROPOSED OPEN OFFER

The Company proposes to raise approximately HK\$2,617.14 million to HK\$2,623.06 million, before expenses, by issuing not less than 13,085,721,377 Shares and not more than

* *for identification purposes only*

LETTER FROM THE BOARD

13,115,321,377 Shares to the Qualifying Shareholders at the Subscription Price of HK\$0.20 per Offer Share on the basis of one Offer Share for every one existing Share held by each Qualifying Shareholder on the Record Date. The Open Offer is only available to the Qualifying Shareholders.

The net proceeds of the Open Offer after the deduction of all estimated expenses are estimated to be not less than approximately HK\$2,575.24 million and not more than approximately HK\$2,580.98 million. The Company intends to apply the net proceeds of the Open Offer for drilling wells, conducting seismic studies and construction of development and production facilities to capture business opportunities arising from the strong demand for primary energy in Pakistan, repayment of debt and interest expenses as well as potential acquisitions.

Pursuant to the Undertaking, each of the Committed Shareholders, namely, He Fu International Limited, United Petroleum & Natural Gas Holdings Limited and United Energy Holdings Limited, has undertaken to the Company and the Underwriter, among other things, to accept or procure the acceptance of 3,652,025,125 Offer Shares, 2,157,718,268 Offer Shares and 1,824,544,282 Offer Shares, respectively.

Save for those Offer Shares which the Committed Shareholders have undertaken to take up, the Open Offer is fully underwritten by the Underwriter.

Issue statistics

| | |
|--|--|
| Basis of the Open Offer: | one Offer Share for every one existing Share held by the Qualifying Shareholders on the Record Date |
| Subscription Price: | HK\$0.20 per Offer Share |
| Number of Shares in issue as at the Latest Practicable Date: | 13,085,721,377 Shares |
| Number of Offer Shares: | not less than 13,085,721,377 Shares (assuming no exercise of the outstanding Share Options which have been vested and are exercisable, no Share under the Scheme is issued and there is no further issue of new Shares or repurchase of Shares by the Company on or before the Record Date) and not more than 13,115,321,377 Shares (assuming new Shares are issued pursuant to the exercise in full of all the 12,600,000 Share Options and which have been vested and are exercisable, and not more than 17,000,000 Shares are allotted and issued pursuant to the Schemes, but no further issue of new Shares or repurchase of Shares by the Company, on or before the Record Date) (<i>Note</i>) |

LETTER FROM THE BOARD

Number of Underwritten
Shares:

all Offer Shares (other than those which have been undertaken to be subscribed for by the Committed Shareholders), being not less than 5,451,433,702 Shares (assuming no exercise of the outstanding Share Options which have been vested and are exercisable, no issue of Shares under the Scheme and no further issue of new Shares or repurchase of Shares by the Company on or before the Record Date) and not more than 5,481,033,702 Shares (assuming not more than 17,000,000 Shares are allotted and issued pursuant to the Schemes, and new Shares are issued pursuant to the exercise in full of all the 12,600,000 Share Options which have been vested and are exercisable, but no further issue of new Shares or repurchase of Shares by the Company, on or before the Record Date) (*Note*)

Number of Shares in
issue immediately
upon completion
of the Open Offer:

not less than 26,171,442,754 Shares (assuming no exercise of the outstanding Share Options which have been vested and are exercisable, no issue of Shares under the Scheme and no further issue of new Shares or repurchase of Shares by the Company on or before the Record Date) and not more than 26,230,642,754 Shares (assuming not more than 17,000,000 Shares are allotted and issued pursuant to the Schemes, and new Shares are issued pursuant to the exercise in full of all the 12,600,000 Share Options which have been vested and are exercisable, but no further issue of new Shares or repurchase of Shares by the Company, on or before the Record Date) (*Note*)

Note: As at the Latest Practicable Date, the Company has outstanding Share Options carrying rights to subscribe for a total of 18,000,000 new Shares under the Share Option Scheme. Out of such outstanding Share Options, 12,600,000 Share Options have been vested and are exercisable, and 5,400,000 Share Options have not been vested and therefore are not exercisable, as at the Latest Practicable Date and on or before the Record Date. Assuming no further grant of Share Options by the Company and exercise in full of the subscription rights attaching to such outstanding and exercisable Share Options, an additional 12,600,000 Offer Shares may be issued upon the exercise of such vested and exercisable Share Options.

As at the Latest Practicable Date, taking into account and consistent with past practice of the Company, the Board has not yet approved, but expects to approve within July 2016 (i.e. before the Record Date), to allot and issue up to not more than 17,000,000 Shares to the Trustee who will hold such Shares on trust for the eligible employees of the Group under the Deferred Annual Bonus Scheme, the Executive Performance Share Scheme and the Performance Share Scheme. Such Shares will be allotted and issued under the General Mandate and will not cause the Company to exceed the General Mandate, and no Shares will be allotted and issued to the connected persons of the Company.

Having considered that: (a) the Deferred Annual Bonus Scheme, the Executive Performance Share Scheme and the Performance Share Scheme were adopted by the Company as a long term incentive plan for its employees; (b) the objectives of each of the Deferred Annual Bonus Scheme, the Executive Performance Share Scheme and the Performance Share Scheme are to (i) drive success and growth in the shareholder value of the Group and (ii) create long-term value for the eligible employees of the Group; (c) the expected allotment and issue of not more than 17,000,000 Shares to the Trustee who will hold such

LETTER FROM THE BOARD

Shares on trust for the eligible employees of the Group under the Deferred Annual Bonus Scheme, the Executive Performance Share Scheme and the Performance Share Scheme is consistent with past practice of the Company; (d) any Shares to be allotted under the Schemes on or before the Record Date would entitle the employees to participate in the Open Offer as the Qualifying Shareholders to participate in the enlargement of the capital base of the Company and subscribe for their pro-rata entitlement to the Offer Shares for the purpose of maintaining their respective existing shareholding interests in the Company, the Directors are of the view that it is fair and reasonable and in the interests of the Company and its Shareholders as a whole to take such number of Shares to be allotted under the Schemes into account in calculating the maximum number of Offer Shares to be allotted and issued under the Open Offer and the amount of proceeds to be received by the Company.

Save for the outstanding Share Options, as at the Latest Practicable Date, the Company has no outstanding convertible securities, options or warrants in issue which confer any right to subscribe for, convert or exchange into Shares.

Pursuant to the Underwriting Agreement, the Company has undertaken to the Underwriter that for the period from the date of the Underwriting Agreement and ending on the date which is 60 days from the Closing Date, except with the prior written consent of the Underwriter, the Company will not:

- (a) except for the Offer Shares, allot or issue or offer to allot or issue or grant any option, right or warrant to subscribe (either conditionally or unconditionally, or directly or indirectly, or otherwise) any Shares or any interests in Shares or any securities convertible into or exercisable or exchangeable for or substantially similar to any Shares or interest in Shares other than the issue, offer to issue or grant of any Shares pursuant to the Schemes or any option pursuant to the Share Option Scheme or any other employee share option scheme adopted in accordance with the Listing Rules or allotment or issue of any Shares upon the exercise of such options;
- (b) agree (conditionally or unconditionally) to enter into or effect any such transaction with the same economic effect as any of the transactions described in paragraph (a) above; or
- (c) announce any intention to enter into or effect any such transaction described in paragraph (a) or (b) above.

Assuming no exercise of the outstanding Share Options which have been vested and are exercisable, no issue of Shares under the Schemes and no further issue of new Shares or repurchase of Shares by the Company on or before the Record Date, the minimum number of Offer Shares proposed to be allotted, being 13,085,721,377 new Shares, represents 100.00% of the Company's issued share capital as at the Latest Practicable Date and 50.00% of the Company's issued share capital as enlarged by the issue of the minimum number of Offer Shares.

Assuming not more than 17,000,000 Shares are allotted and issued pursuant to the Schemes, and new Shares are issued pursuant to the exercise in full of all the 12,600,000 Share Options which have been vested and are exercisable, but no further issue of new Shares or repurchase of Shares by the Company, on or before the Record Date, the maximum number of Offer Shares proposed to be allotted, being 13,115,321,377 new Shares, represents approximately 100.23% of the Company's issued share capital as at the Latest Practicable Date and 50.00% of the Company's issued share capital as enlarged by the issue of the maximum number of Offer Shares.

LETTER FROM THE BOARD

Basis of entitlement

The basis of the entitlement shall be one Offer Share for every one existing Share held on the Record Date. Acceptance for all or any part entitlement of a Qualifying Shareholder should be made by completing the Application Form and lodging the same with a remittance for the Offer Shares being accepted for.

Qualifying Shareholders

The Open Offer is only available to the Qualifying Shareholders and the invitation to subscribe for the Offer Shares to be made to the Qualifying Shareholders will not be transferable. The Company will despatch (i) the Prospectus Documents to the Qualifying Shareholders; and (ii) the Overseas Letter together with the Prospectus, for information only, to the Non-Qualifying Shareholders.

To qualify for the Open Offer, a Shareholder must: (i) be registered as a member of the Company at the close of business on the Record Date; and (ii) not be a Non-Qualifying Shareholder.

In order to be registered as members of the Company at the close of business on the Record Date, Shareholders must lodge any transfers of Shares (together with the relevant share certificates) with the Registrar by no later than 4:30 p.m. on Wednesday, 27 July 2016.

Closure of register of members for the Open Offer

The register of members of the Company will be closed from Friday, 15 July 2016 to Friday, 22 July 2016, both dates inclusive, for determining the right to attend and vote at the SGM.

The register of members of the Company will be closed from Thursday, 28 July 2016 to Thursday, 4 August 2016, both dates inclusive, for determining the entitlement of the Qualifying Shareholders to the Open Offer.

No transfer of Shares will be registered during the respective book close periods.

Subscription Price

The Subscription Price is HK\$0.20 per Offer Share, payable in full upon application.

The Subscription Price represents:

- (a) a discount of approximately 52.38% to the closing price of HK\$0.420 per Share as quoted on the Stock Exchange on the Last Trading Day;
- (b) a discount of approximately 35.48% to the theoretical ex-entitlement price of approximately HK\$0.310 per Share based on the closing price of HK\$0.420 per Share as quoted on the Stock Exchange on the Last Trading Day;

LETTER FROM THE BOARD

- (c) a discount of approximately 51.57% to the average closing price of HK\$0.413 per Share for the last five consecutive trading days up to and including the Last Trading Day;
- (d) a discount of approximately 51.28% to the average closing price of HK\$0.411 per Share for the last ten consecutive trading days up to and including the Last Trading Day; and
- (e) a discount of approximately 61.76% to the net asset value per Share of approximately HK\$0.523 calculated (based on the latest audited consolidated net asset value of the Group of HK\$6,841,609,000 as at 31 December 2015 and 13,085,721,377 Shares in issue as at the Latest Practicable Date).

The Subscription Price and the issue ratio of the Open Offer were determined after arm's length negotiations between the Company and the Underwriter with reference to, among other things, the recent financial market performance in the last six months, the prevailing market price since January 2016 and the theoretical ex-entitlement price and trading liquidity of the Shares in the last six months and the financial and working capital requirements of the Group for at least twelve months from the date of this circular. Further, the Subscription Price has been set at a discount to the recent closing prices of the Shares with an objective to encourage existing Shareholders to take up their entitlements so as to participate in the potential growth of the Company.

Having considered the above and taking into consideration the reasons as disclosed in the paragraph headed "Reasons for the Open Offer and Use of Proceeds" in this section and the reasons (including the possible maximum dilution to shareholdings of those Qualifying Shareholders who do not subscribe to the Open Offer) as disclosed in the paragraph headed "Shareholding Structure of the Company" in this section, the Directors consider the terms of the Open Offer (including the Subscription Price and the issue ratio of the Open Offer) to be fair and reasonable and in the best interests of the Company and its Shareholders as a whole.

The net price per Offer Share (after deducting the costs and expenses in relation to the Open Offer and the underwriting commission) will be approximately HK\$0.20.

Overseas Shareholders and Non-Qualifying Shareholders

The Prospectus Documents are not intended to be registered under the applicable securities legislation of any jurisdiction other than Hong Kong.

According to the register of members of the Company as at the Latest Practicable Date, there was one Overseas Shareholder whose registered address is in Canada, representing approximately 0.00002% of the total issued Shares as at the Latest Practicable Date. In compliance with Rule 13.36 of the Listing Rules, the Company has made enquiries regarding the feasibility of extending the proposed Open Offer to the Overseas Shareholder(s).

LETTER FROM THE BOARD

The Company has received legal advice that the distribution of the Offer Shares to shareholders in Canada will require either: (i) the filing and clearing of a prospectus in compliance with the prospectus requirements under the applicable securities law in Canada, which may be a lengthy and costly process; or (ii) that the distribution be made under an exemption from the prospectus requirement. A general exemption is available from the prospectus requirement in Canada for rights offerings (such as the Open Offer) but this exemption is only available for “reporting issuers” in Canada and the Company does not meet this defined term. In addition, a *de minimis* exemption is available to foreign issuers if the number of beneficial holders in Canada and in any Canadian province, as well as the number of Shares held by them, do not exceed certain limits. However, the *de minimis* exemption to such requirements would in effect require the Company to ascertain the place of residence of the beneficial owners of all issued Shares.

Having considered the legal restrictions under the laws of Canada and the requirements of the relevant regulatory body or stock exchange, the Directors consider that it would be necessary or expedient to exclude the Overseas Shareholder with registered addresses in Canada from the Open Offer due to the time and costs involved in complying with the relevant legal requirements in Canada if the Open Offer were to be made to such Overseas Shareholders in Canada.

If, at the close of business on the Record Date, a Shareholder’s address on the register of members of the Company is in a place outside Hong Kong, that Shareholder may not be eligible to take part in the Open Offer as the Prospectus Documents are not intended to be registered and/or filed under the applicable securities legislation of any jurisdictions other than Hong Kong. Prior to the despatch of the Prospectus Documents to the Qualifying Shareholders or the Overseas Letter and the Prospectus, for information only, to the Overseas Shareholder(s) (as the case may be), the Company will comply with Rule 13.36(2)(a) of the Listing Rules and make enquiries regarding the feasibility of extending the Open Offer to the Overseas Shareholders (if any). If, based on legal opinions, the Directors consider that it is necessary or expedient not to offer the Offer Shares to the Overseas Shareholders on account either of the legal restrictions under the laws of the relevant place or the requirements of the relevant regulatory body or stock exchange in that place, the Open Offer will not be available to such Overseas Shareholders, and they will become Non-Qualifying Shareholders. Accordingly, the Open Offer will not be extended to the Non-Qualifying Shareholders. Further information in this connection will be set out in the Overseas Letter and the Prospectus. The Company will send the Overseas Letter and the Prospectus to the Non-Qualifying Shareholders for their information only, but no Application Form will be sent to them.

Overseas Shareholders should note that they may or may not be entitled to the Open Offer. Accordingly, Overseas Shareholders should exercise caution when dealing in the securities of the Company.

Qualifying Shareholders who do not take up the Offer Shares in full to which they are entitled and the Non-Qualifying Shareholders should note that their shareholdings in the Company will be diluted upon completion of the Open Offer.

LETTER FROM THE BOARD

Status of the Offer Shares

The Offer Shares, when allotted, issued and fully paid, will rank *pari passu* in all respects with the Shares then in issue on the date of allotment of the Offer Shares. Holders of fully-paid Offer Shares will be entitled to receive all future dividends and distributions which are declared, made or paid after the date of allotment of the Offer Shares.

Fractions of the Offer Shares

Fractional entitlements to the Offer Shares will not be allotted to the Qualifying Shareholders and entitlements of the Qualifying Shareholders shall be rounded down to the nearest whole number. All such fractional entitlements to the Offer Shares created from the said rounding down will be aggregated and underwritten by the Underwriter.

Applications for excess Offer Shares

Qualifying Shareholders shall be entitled to apply for entitlements of Offer Shares which are not taken up by other Qualifying Shareholders in excess of their own assured allotments but are not assured of being allocated any Offer Shares in excess of those in their assured allotments. Application may be made by Qualifying Shareholders by completing the Excess Application Form and lodging the same with a separate remittance for the excess Offer Shares being applied for. The Directors will, upon consultation with the Underwriter, allocate the excess Offer Shares at their discretion on a fair and equitable basis as far as practicable, according to the principle that any excess of Offer Shares will be allocated to Qualifying Shareholders who apply for them on a pro rata basis by reference to the number of the excess of Offer Shares applied for by all such Qualifying Shareholders.

No preference will be given to topping-up odd lots to whole board lots. Shareholders who have been offered odd lots of the Offer Shares should note that there is no guarantee that such odd lots of the Offer Shares will be topped up to create whole board lots pursuant to applications for excess Offer Shares.

Any remaining Underwritten Shares not applied for by the Qualifying Shareholders will be taken up by the Underwriter.

In the event that the Board notes unusual patterns of excess applications and has reason to believe that any application may have been made with the intention to abuse the above mechanism, such application(s) for excess Offer Shares may be rejected at the sole discretion of the Board.

Shareholders with their Shares held by a nominee (including HKSCC Nominees Limited) should note that the Directors will regard the nominee (including HKSCC Nominees Limited) as a single Shareholder according to the register of members of the Company. Accordingly, investors whose Shares are registered in the name of a nominee (including HKSCC Nominees Limited) should note that the aforesaid arrangements in relation to the allocation of excess Offer Shares will not be extended to them individually. Shareholders should consult their professional advisers if they are in any doubt as to

LETTER FROM THE BOARD

whether they should register their shareholding in their own names prior to the relevant book closure period and apply for the excess Offer Shares themselves.

Share certificates and refund cheques for the Offer Shares

Subject to the fulfilment of the conditions precedent as set out in the paragraph headed “Conditions of the Open Offer” in this section, share certificates for all fully-paid Offer Shares are expected to be posted on or before Tuesday, 30 August 2016 by ordinary mail to the Qualifying Shareholders who have validly accepted and applied for (where appropriate), and paid for the Offer Shares by 4:00 p.m. on Friday, 19 August 2016 at their own risk. If the Open Offer is terminated, refund cheques will be despatched to such Qualifying Shareholders on or before Tuesday, 30 August 2016 by ordinary post at the respective Shareholders’ own risk.

Application for listing

The Company will apply to the Listing Committee of the Stock Exchange for the listing of, and permission to deal in, the Offer Shares. Dealings in the Offer Shares will be subject to the payment of stamp duty, Stock Exchange trading fee, SFC transaction levy and any other applicable fees and charges in Hong Kong.

Subject to the granting of listing of, and permission to deal in, the Offer Shares on the Stock Exchange, the Offer Shares will be accepted as eligible securities by HKSCC for deposit, clearance and settlement in CCASS with effect from the commencement date of dealings in the Offer Shares on the Stock Exchange or such other date as determined by HKSCC. Settlement of transactions between participants of the Stock Exchange on any trading day is required to take place in CCASS on the second trading day thereafter. All activities under CCASS are subject to the General Rules of CCASS and CCASS Operational Procedures in effect from time to time.

UNDERTAKING GIVEN BY THE COMMITTED SHAREHOLDERS

He Fu International Limited, United Petroleum & Natural Gas Holdings Limited and United Energy Holdings Limited, each of which is wholly owned by Mr. Zhang Hong Wei (an executive Director, the chairman and the controlling shareholder of the Company), held 5,328,879,125 Shares, 2,223,726,708 Shares and 1,824,544,282 Shares, respectively, representing approximately 40.72%, 17.00% and 13.94%, respectively, of the Company’s issued share capital, as at the Latest Practicable Date.

Pursuant to the Undertaking, each of He Fu International Limited, United Petroleum & Natural Gas Holdings Limited and United Energy Holdings Limited has provided an irrevocable undertaking to the Company and the Underwriter, among other things:

1. to accept or procure the acceptance of 3,652,025,125 Offer Shares, 2,157,718,268 Offer Shares and 1,824,544,282 Offer Shares, respectively;

LETTER FROM THE BOARD

2. to procure that its Application Forms in respect of the aforementioned Offer Shares will be lodged with the Registrar with payment therefor in accordance with the terms of the Prospectus Documents on or before three Business Days before the Latest Time for Acceptance or such later date as agreed between the Committed Shareholders and the Underwriter (which it is not expected that the Underwriter will agree to a later date);
3. in default of a Committed Shareholder complying with its obligations under paragraphs 1 and 2 above, to authorise the Company to (and, unless otherwise agreed by the Underwriter, shall) treat the Undertaking as an application by that Committed Shareholder for all of its portion of the Committed Shares, and to allocate and procure the issue of the same to that Committed Shareholder and to procure the registration of the same in that Committed Shareholder's name upon payment for the same which shall be made by that Committed Shareholder or on its behalf;
4. to provide evidence to the Company and the Underwriter of the Application Forms being lodged and paid for in accordance with the Underwriting Agreement by no later than the third Business Day after the Open Offer becomes open for acceptance;
5. not to acquire (except by taking up Offer Shares offered to them pursuant to the Open Offer and pursuant to the Underwriting Agreement or acquiring Shares in circumstances which do not contravene the Listing Rules and/or the Takeovers Code and do not render information submitted to the Stock Exchange and/or the SFC to become untrue, inaccurate or misleading in any material respect (whether by omission or otherwise)) any Shares or any interest therein between the date of the Underwriting Agreement and the Latest Time for Acceptance without the prior written consent of the Underwriter;
6. in the event that it delivers a Valid Excess Application to the Underwriter and the Underwriter permits such Committed Shareholder to take up the Shares the subject of such Valid Excess Application, such take up will not result in such Committed Shareholder, or its direct or indirect shareholder, being obliged to make a mandatory general offer for the Shares pursuant to the Takeovers Code; and
7. from the date of the Underwriting Agreement until 60 days from the Closing Date, except with the prior written consent of the Underwriter, not to (excluding any purchase of Shares during the aforesaid period and any disposal thereof):
 - (a) offer, lend, pledge, issue, sell, contract to sell, sell any option or contract to purchase, purchase any option or contract to sell, grant any option, right or warrant to purchase, or otherwise transfer or dispose of (either conditionally or unconditionally, or directly or indirectly, or otherwise) any Shares (including the Offer Shares) or any interests therein beneficially owned or held by the Committed Shareholders or such

LETTER FROM THE BOARD

controlled companies or any securities convertible into or exercisable or exchangeable for or substantially similar to any such Shares or interests;

- (b) enter into any swap or similar agreement that transfers, in whole or in part, the economic risk of ownership of such Shares, whether any such transaction described in (a) or (b) is to be settled by delivery of Shares or such other securities, in cash or otherwise; or
- (c) announce any intention to enter into or effect any such transaction described in (a) or (b).

In the event that any of the Committed Shareholders defaults to comply with its obligations under the Undertaking (including, without limitation, default in payment), the Company and the Underwriter will take all necessary actions and pursue legal action against such Committed Shareholder for breach of contract. In addition, in such event, condition (g) under the paragraph headed “Conditions of the Open Offer” in this section (i.e. compliance by the Committed Shareholders with their obligations thereunder by the times specified) would not be fulfilled and the Underwriting Agreement would not become unconditional and the proposed Open Offer would not proceed. Furthermore, the Underwriter may terminate the Underwriting Agreement in accordance with the terms thereof up to the Latest Time for Termination, as such Committed Shareholder’s default in complying with its obligations would constitute the matters described in paragraph (c) under the paragraph headed “The Underwriting Agreement — Termination of the Underwriting Agreement” in this section in the reasonable opinion of the Underwriter, and the proposed Open Offer will not proceed. The Underwriter has confirmed that it will terminate the Underwriting Agreement in the event that any of the Committed Shareholders defaults in complying with the obligations under the Undertaking.

CONDITIONS OF THE OPEN OFFER

The Open Offer is subject to, among other things, the Underwriting Agreement having become unconditional and not being terminated in accordance with its terms. The obligations of the Underwriter under the Underwriting Agreement are conditional upon the following conditions being fulfilled:

- (a) listing of, and permission to deal in, all the Offer Shares being granted (subject only to allotment and despatch of the appropriate documents of title) by the Stock Exchange by no later than the Business Day prior to the commencement of trading of the Offer Shares and such permission not being withdrawn or revoked prior to the Latest Time for Termination;
- (b) the delivery to the Stock Exchange for authorisation and the registration by the Registrar of Companies in Hong Kong respectively on or prior to the Posting Date of one copy of each of the Prospectus Documents each duly certified in compliance with the Companies (Winding Up and Miscellaneous Provisions) Ordinance (and other documents required to be attached thereto) and otherwise complying with the requirements of the Companies (Winding Up and Miscellaneous Provisions) Ordinance and the Listing Rules;

LETTER FROM THE BOARD

- (c) the despatch on the Posting Date of copies of the Prospectus Documents to the Qualifying Shareholders;
- (d) all relevant consents and approvals being obtained from the regulatory authorities, including the Stock Exchange, the SFC and the Bermuda Monetary Authority, as the case may require in connection with the Open Offer and/or issue of the Offer Shares by the relevant time that each consent and approval is required;
- (e) the despatch of a circular to the Shareholders in accordance with the Listing Rules, and the passing of the resolutions for approving the Open Offer at the SGM;
- (f) compliance by the Company with all its obligations in relation to the making of the Open Offer and the allotment and offer of Offer Shares under the Underwriting Agreement having taken place by the times specified;
- (g) signing of the Undertaking by and compliance by the Committed Shareholders with their obligations thereunder by the times specified;
- (h) receipt by the Underwriter (in a form and substance satisfactory to it) of all the relevant documents on or before such time as specified in the Underwriting Agreement; and
- (i) no breach of any of the representations and warranties given by the Company under the Underwriting Agreement having come to the knowledge of the Underwriter by the Latest Time for Termination.

The Underwriter has the sole discretion to waive any of the conditions (f) to (i) above.

If (i) any of the conditions are not fulfilled or waived in accordance with the terms of the Underwriting Agreement by the specified time and date or (ii) the Latest Time for Termination occurs, or will occur, after the Long Stop Date, the Underwriting Agreement and the obligations of all parties thereunder shall terminate forthwith and no party will have any claim against any other for costs, damages, compensation or otherwise, provided that:

- (a) provisions in relation to definitions, indemnity, termination, notices, general, law and dispute resolution under the Underwriting Agreement shall remain in full force and effect;
- (b) the Company shall pay all the relevant fees and expenses in accordance with the Underwriting Agreement (other than the underwriting commission payable to the Underwriter by the Company); and

LETTER FROM THE BOARD

- (c) such termination shall be without prejudice to the rights of the parties thereto in respect of any breach of the Underwriting Agreement and claims arising from the Underwriting Agreement occurring prior to such termination.

THE UNDERWRITING AGREEMENT

| | |
|--------------------------------------|--|
| Date: | 2 June 2016 |
| Underwriter: | Haitong International Securities Company Limited |
| Total number of Underwritten Shares: | all Offer Shares (other than those which have been undertaken to be subscribed by the Committed Shareholders), being not less than 5,451,433,702 Shares (assuming no exercise of the outstanding Share Options which have been vested and are exercisable, no issue of Share under the Scheme and there is no further issue of new Shares or repurchase of Shares by the Company on or before the Record Date) and not more than 5,481,033,702 Shares (assuming not more than 17,000,000 Shares are allotted and issued pursuant to the Schemes, and new Shares are issued pursuant to the exercise in full of all the 12,600,000 Share Options which have been vested and are exercisable, but no further issue of new Shares or repurchase of Shares by the Company, on or before the Record Date) |
| Underwriting commission: | 3.0% of a sum which is equal to the Subscription Price multiplied by the number of Underwritten Shares to be determined based on the number of issued Shares on the Record Date |

To the best of the Directors' knowledge, information and belief having made all reasonable enquires, the Underwriter and its ultimate beneficial owners are third parties independent of and not connected with the Company and its connected persons.

As at the Latest Practicable Date, the Underwriter was not interested in any Shares. The amount of commission was determined after arm's length negotiation between the Company and the Underwriter. The Directors by reference to the existing financial position of the Company, the size of the Open Offer, and the current and expected market conditions and as compared to the market practice, consider the terms of the Underwriting Agreement including the amount of commission are fair and reasonable and in the interests of the Company and its Shareholders as a whole.

LETTER FROM THE BOARD

The Underwriter has conditionally agreed to fully underwrite all the Offer Shares other than those agreed to be taken up by the Committed Shareholders pursuant to the Undertaking. Upon completion of the Open Offer in accordance with the terms of the Underwriting Agreement, the public float requirement under the Listing Rules will be complied with.

Termination of the Underwriting Agreement

If at any time commencing from signing of the Underwriting Agreement to the Latest Time for Termination:

- (a) any breach of any of the representation and warranties or the undertakings contained in the Underwriting Agreement comes to the knowledge of the Underwriter, or there has been a breach on the part of the Company of any other provision of the Underwriting Agreement;
- (b) any event occurs or matter arises, which, if it had occurred before the date of the Underwriting Agreement or before any of the times on which the representations and warranties contained in the Underwriting Agreement are deemed to be given thereunder would have rendered any of those representations and warranties untrue, incorrect or misleading in any material respect;
- (c) any statement contained in the Prospectus has become or been discovered to be untrue, incorrect, incomplete or misleading in any material respect, or matters have arisen or have been discovered which would, if the Prospectus was to be issued at the time, constitute a material omission therefrom;
- (d) there is any material adverse change or prospective material adverse change in the condition, results of operations, management, business, stockholders' equity or in the financial or trading position of any member of the Group which, in the reasonable opinion of the Underwriter, is or may be materially adverse in the context of the Open Offer;
- (e) permission to deal in and listing of all the Offer Shares has been withdrawn by the Stock Exchange;
- (f) any expert, who has given advice which is contained in the Prospectus, has withdrawn its respective consent to the issue of the Prospectus with the inclusion of its reports, letters, opinions or advices and references to its name included in the form and context in which it respectively appears prior to the issue of the Prospectus;
- (g) the Company withdraws this circular or the Prospectus (and/or any other documents issued or used in connection with the Open Offer) or the Open Offer; or

LETTER FROM THE BOARD

- (h) there has occurred, happened, come into effect or become public knowledge any event, series of events or circumstances concerning or relating to (whether or not foreseeable):
 - (i) any change (whether or not permanent) in the local, national or international financial, political, military, industrial, economic, legal, fiscal, regulatory or securities market matters or conditions or currency exchange rates or exchange controls in or affecting the PRC, Hong Kong or the United States;
 - (ii) any event force majeure (including, without limitation, economic sanctions, strike or lock-out (whether or not covered by insurance), riot, fire, explosion, flooding, earthquake, civil commotion, act or declaration of war, outbreak or escalation of hostilities (whether or not war is or has been declared), act of terrorism (whether or not responsibility has been claimed), act of God, pandemic, epidemic, outbreak of infectious disease, declaration of a state of emergency or calamity or crisis, in or affecting the PRC, Hong Kong or the United States;
 - (iii) the declaration of a banking moratorium by Hong Kong authorities occurring due to exceptional financial circumstances or otherwise;
 - (iv) any moratorium, suspension or restriction on trading in shares or securities generally, or the establishment of minimum prices, on the Stock Exchange or any major disruption of any securities settlement or clearing services in Hong Kong;
 - (v) any suspension of dealings in the Shares (other than pending publication of announcements in respect of the Open Offer or where such suspension is temporary or routine in nature for not more than three trading days);
 - (vi) any new law or regulation or any change, or any development involving a prospective change, in existing laws or regulations in Hong Kong or any other place in which any member of the Group conducts or carries on business;
 - (vii) any change or development occurs involving a prospective change in taxation in Hong Kong, the PRC or any other jurisdiction(s) to which any member of the Group is subject or the implementation of any exchange controls;
 - (viii) any litigation or claim of material importance to the business, financial or operations of the Group being threatened or instituted against any member of the Group;

LETTER FROM THE BOARD

- (ix) the imposition of economic sanctions, in whatever form, directly or indirectly, in Hong Kong, the PRC or any other jurisdiction(s) relevant to the Company and its subsidiary;
- (x) any governmental or regulatory commission, body, authority or agency, or any stock exchange, self-regulatory organisation or other non-government regulatory authority or any court, tribunal or arbitrator, whether national, central, federal, provincial, state, regional, municipal in any relevant jurisdiction commencing any investigation, or formally announcing to investigate or take other legal action, against the Group or any of the Directors in respect of any matter related to the Group's business, which investigation has or would have material adverse effect on the traded price of the Shares or the Group; or
- (xi) order or petition for the winding up of any members of the Group or any composition or arrangement made by any members of the Group with its creditors or a scheme of arrangement entered into by any members of the Group or any members of the resolution for the winding up of any Group or the appointment of a provisional liquidator, receiver or manager over all or part of the material assets or undertaking of any members of the Group or anything analogous thereto occurring in respect of any members of the Group;

the effect of which events or circumstances referred to herein, individually or in the aggregate (in the reasonable opinion of the Underwriter): (1) is or will likely be materially adverse to the Group (taken as a whole), or materially prejudicially affects or would materially and prejudicially affect, the Group (taken as a whole) or the Open Offer; or (2) makes or will likely make it inadvisable or inexpedient to proceed with the Open Offer, or (3) will make or is likely to make the Underwriting Agreement (including underwriting) incapable of performance in accordance with its terms or preventing the processing of applications and/or payments pursuant to the Open Offer or pursuant to the underwriting thereof;

then in any such case the Underwriter may by notice in writing to the Company, served prior to the Latest Time for Termination, rescind or terminate the Underwriting Agreement. If prior to the Latest Time for Termination any such notice is given by the Underwriter, the obligations of all parties under the Underwriting Agreement shall terminate forthwith and no party will have any claim against any other for costs, damages, compensation or otherwise, provided that:

- (a) provisions in relation to definitions, indemnity, termination, notices, general, law and dispute resolution under the Underwriting Agreement shall remain in full force and effect;
- (b) the Company shall pay all the relevant fees and expenses in accordance with the Underwriting Agreement (other than the underwriting commission payable to the Underwriter by the Company); and

LETTER FROM THE BOARD

- (c) such termination shall be without prejudice to the rights of the parties thereto in respect of any breach of the Underwriting Agreement and claims arising from the Underwriting Agreement occurring prior to such termination.

If the Underwriting Agreement is terminated by the Underwriter at such time before the Latest Time for Termination but after the Underwriter has in accordance with the Underwriting Agreement paid or procured payment to the Company of the aggregate Subscription Price in respect of the Underwritten Shares not taken up for which the Underwriter is obliged to subscribe or procure subscription under the provisions of the Underwriting Agreement, the Company shall, not later than the end of the fifth Business Day after (but not including) the date of receipt of the notice of termination issued by the Underwriter, remit to the Underwriter such amount of aggregate Subscription Price which it has received from the Underwriter.

Pursuant to the Underwriting Agreement:

1. the Underwriter has irrevocably undertaken to the Company that it will use its reasonable endeavours to:
 - (a) cause the sub-underwriters (if any), to procure that the subscribers procured and allocated by it and their respective associates are not connected persons of the Company and are independent of and not connected or acting in concert with the directors, chief executive or substantial shareholders of the Company or any of its subsidiaries or any of their respective associates or any nominees of the foregoing to take up such number of Offer Shares as may be necessary and will not be holding 10% or more of the total issued shares of the Company immediately following completion of the Open Offer;
 - (b) procure that none of persons to be procured and allocated by the Underwriter to subscribe for the untaken Underwritten Shares will be holding 10% or more of the total issued shares of the Company immediately following completion of the Open Offer; and
 - (c) ensure that the relevant subscriber(s) to be procured and allocated by the Underwriter for the untaken Underwritten Shares are independent of and not connected with the Company and its connected persons and are not a party acting in concert with each other; and
2. the Company has undertaken to the Underwriter that:
 - (a) it will use its reasonable endeavours to ensure that none of its connected persons and their respective associates and other person(s) connected or acting in concert with the directors, chief executive or substantial shareholders of the Company or any of its subsidiaries or any of their respective associates or any nominees of the foregoing will subscribe for the untaken Underwritten Shares; and

LETTER FROM THE BOARD

- (b) the sufficient public float would be maintained in compliance with the Listing Rules upon the completion of the Open Offer subject to the Underwriter's compliance with paragraph 1 above.

SHAREHOLDING STRUCTURE OF THE COMPANY

Set out below is the shareholding structure of the Company before and after the completion of the Open Offer assuming there is no (i) further issue of any Shares other than the issue of Shares pursuant to the exercise of any outstanding and exercisable Share Options; (ii) repurchase of any Shares by the Company; and (iii) change in the shareholding structure of the Company, from the Latest Practicable Date to immediately after completion of the Open Offer:

(A) Assuming no outstanding and exercisable Share Option is exercised and no Share under the Schemes is issued on or before the Record Date

| Name of Shareholders | As at the Latest Practicable Date | | Upon completion of the Open Offer (assuming all Shareholders are Qualifying Shareholders and they take up their respective entitlements to the Offer Shares in full) | | Upon completion of the Open Offer (assuming no Qualifying Shareholders take up their respective entitlements under the Open Offer and excess application except for the Committed Shareholders pursuant to the Undertaking) | |
|--|--------------------------------------|----------------------|--|----------------------|--|----------------------|
| | No. of Shares | App. % | No. of Shares | App. % | No. of Shares | App. % |
| Controlling Shareholders | | | | | | |
| He Fu International Limited ⁽¹⁾ | 5,328,879,125 | 40.72 | 10,657,758,250 | 40.72 | 8,980,904,250 | 34.32 |
| United Petroleum & Natural Gas Holdings Limited ⁽¹⁾ | 2,223,726,708 | 17.00 | 4,447,453,416 | 17.00 | 4,381,444,976 | 16.74 |
| United Energy Holdings Limited ⁽¹⁾ | 1,824,544,282 | 13.94 | 3,649,088,564 | 13.94 | 3,649,088,564 | 13.94 |
| Subtotal | <u>9,377,150,115</u> | <u>71.66</u> | <u>18,754,300,230</u> | <u>71.66</u> | <u>17,011,437,790</u> | <u>65.00</u> |
| The Underwriter ⁽²⁾ | – | 0.00 | – | 0.00 | 2,451,433,702 | 9.37 |
| Zhongrong International Securities ⁽³⁾ | – | 0.00 | – | 0.00 | 3,000,000,000 | 11.46 |
| Holder of Share Option | – | 0.00 | – | 0.00 | – | 0.00 |
| Zhu Jun | 1,443,000 | 0.01 | 2,886,000 | 0.01 | 1,443,000 | 0.01 |
| Existing public Shareholders | <u>3,707,128,262</u> | <u>28.33</u> | <u>7,414,256,524</u> | <u>28.33</u> | <u>3,707,128,262</u> | <u>14.16</u> |
| Total | <u><u>13,085,721,377</u></u> | <u><u>100.00</u></u> | <u><u>26,171,442,754</u></u> | <u><u>100.00</u></u> | <u><u>26,171,442,754</u></u> | <u><u>100.00</u></u> |

LETTER FROM THE BOARD

Note:

- (1) These companies are wholly owned by Mr. Zhang Hong Wei.
- (2) Pursuant to the Underwriting Agreement, the Underwriter: (i) shall not, except with the prior written consent of the Company (which shall not be unreasonably withheld), hold more than 10% of the issued share capital of the Company as enlarged by the Open Offer on its own account; and (ii) in performance of its obligations under the Underwriting Agreement, shall comply with all relevant laws and regulations in material respects and in particular, shall ensure that all offers made by it of the Offer Shares are made only in compliance with all relevant securities legislation.

In circumstances where the Underwriter is obliged to take up the Underwritten Shares in their entirety, it is expected that after taking into account the sub-underwriting arrangement as referred to in note (3) below, it will hold a maximum of 2,451,433,702 Offer Shares, representing approximately 9.37% of the total issued Shares upon completion of the Open Offer (assuming (i) no exercise of the outstanding Share Options which have been vested and are exercisable, no issue of Shares under the Schemes and no further issue of new Shares or repurchase of Shares by the Company on or before the Record Date and (ii) no Qualifying Shareholders take up their respective entitlements under the Open Offer and excess application except for the Committed Shareholders pursuant to the Undertaking). As such, it is expected that the Underwriter or its associates will not become a substantial shareholder of the Company and the shareholding of the Underwriter (if any) will be counted towards the Company's public float.

- (3) Up to the Latest Practicable Date, the Underwriter entered into one sub-underwriting agreement with a sub-underwriter, being Zhongrong International Securities, in relation to a maximum of 3,000,000,000 Offer Shares, representing approximately 11.46% of the total issued Shares upon completion of the Open Offer (assuming (i) no exercise of the outstanding Share Options which have been vested and are exercisable, no issue of Shares under the Schemes, and no further issue of new Shares or repurchase of Shares by the Company, on or before the Record Date and (ii) no Qualifying Shareholders take up their respective entitlements under the Open Offer and excess application except for the Committed Shareholders pursuant to the Undertaking). Pursuant to the sub-underwriting agreement, the sub-underwriter has undertaken that it or its placee(s) will not hold more than 10% of the Shares in issue immediately following completion of the Open Offer. The Company will ensure that sufficient public float maintained upon the completion of the Open Offer in compliance with the Listing Rules.

To the best of the Directors' information, knowledge and belief, having made all reasonable enquiries, Zhongrong International Securities and its ultimate holding companies are third parties independent of the Company and its connected persons.

Save for the above, as of the Latest Practicable Date, the Underwriter has not entered into any other sub-underwriting arrangement with other sub-underwriters.

LETTER FROM THE BOARD

- (B) Assuming a maximum of 17,000,000 Shares are allotted and issued pursuant to the Schemes, but no outstanding and exercisable Share Option is exercised and no further issue of new Shares or repurchase of Shares by the Company, on or before the Record Date

| Name of Shareholders | As at the Latest Practicable Date | | Upon completion of the Open Offer (assuming all Shareholders are Qualifying Shareholders and they take up their respective entitlements to the Offer Shares in full) | | Upon completion of the Open Offer (assuming no Qualifying Shareholders take up their respective entitlements under the Open Offer and excess application except for the Committed Shareholders pursuant to the Undertaking) | |
|--|--------------------------------------|----------------------|--|----------------------|--|----------------------|
| | <i>No. of Shares</i> | <i>App. %</i> | <i>No. of Shares</i> | <i>App. %</i> | <i>No. of Shares</i> | <i>App. %</i> |
| Controlling Shareholders | | | | | | |
| He Fu International Limited ⁽¹⁾ | 5,328,879,125 | 40.72 | 10,657,758,250 | 40.67 | 8,980,904,250 | 34.27 |
| United Petroleum & Natural Gas Holdings Limited ⁽¹⁾ | 2,223,726,708 | 17.00 | 4,447,453,416 | 16.97 | 4,381,444,976 | 16.72 |
| United Energy Holdings Limited ⁽¹⁾ | 1,824,544,282 | 13.94 | 3,649,088,564 | 13.92 | 3,649,088,564 | 13.92 |
| Subtotal | <u>9,377,150,115</u> | <u>71.66</u> | <u>18,754,300,230</u> | <u>71.57</u> | <u>17,011,437,790</u> | <u>64.92</u> |
| The Underwriter ⁽²⁾ | – | 0.00 | – | 0.00 | 2,468,433,702 | 9.42 |
| Zhongrong International Securities ⁽³⁾ | – | 0.00 | – | 0.00 | 3,000,000,000 | 11.45 |
| Holder of Share Option | – | 0.00 | – | 0.00 | – | 0.00 |
| The Trustee or the beneficiaries under the Schemes | – | 0.00 | 34,000,000 | 0.13 | 17,000,000 | 0.06 |
| Zhu Jun | 1,443,000 | 0.01 | 2,886,000 | 0.01 | 1,443,000 | 0.01 |
| Existing public Shareholders | <u>3,707,128,262</u> | <u>28.33</u> | <u>7,414,256,524</u> | <u>28.29</u> | <u>3,707,128,262</u> | <u>14.15</u> |
| Total | <u><u>13,085,721,377</u></u> | <u><u>100.00</u></u> | <u><u>26,205,442,754</u></u> | <u><u>100.00</u></u> | <u><u>26,205,442,754</u></u> | <u><u>100.00</u></u> |

LETTER FROM THE BOARD

Note:

- (1) These companies are wholly owned by Mr. Zhang Hong Wei.
- (2) Pursuant to the Underwriting Agreement, the Underwriter (i) shall not, except with the prior written consent of the Company (which shall not be unreasonably withheld), hold more than 10% of the issued share capital of the Company as enlarged by the Open Offer on its own account; and (ii) in performance of its obligations under the Underwriting Agreement, shall comply with all relevant laws and regulations in material respects and in particular, shall ensure that all offers made by it of the Offer Shares are made only in compliance with all relevant securities legislation.

In circumstances where the Underwriter is obliged to take up the Underwritten Shares in their entirety, it is expected that after taking into account the sub-underwriting arrangement as referred to in note (3) below, it will hold a maximum of 2,468,433,702 Offer Shares, representing approximately 9.42% of the total issued Shares upon completion of the Open Offer (assuming (i) a maximum of 17,000,000 Shares are allotted and issued pursuant to the Schemes, but no outstanding and exercisable Share Option is exercised and no further issue of new Shares or repurchase of Shares by the Company, on or before the Record Date and (ii) no Qualifying Shareholders take up their respective entitlements under the Open Offer and excess application except for the Committed Shareholders pursuant to the Undertaking). As such, it is expected that the Underwriter or its associates will not become a substantial shareholder of the Company and the shareholding of the Underwriter (if any) will be counted towards the Company's public float.

- (3) Up to the Latest Practicable Date, the Underwriter entered into one sub-underwriting agreement with a sub-underwriter, being Zhongrong International Securities, in relation to a maximum of 3,000,000,000 Offer Shares, representing approximately 11.45% of the total issued Shares upon completion of the Open Offer (assuming (i) a maximum of 17,000,000 Shares are allotted and issued pursuant to the Schemes, but no outstanding and exercisable Share Option is exercised and no further issue of new Shares or repurchase of Shares by the Company, on or before the Record Date and (ii) no Qualifying Shareholders take up their respective entitlements under the Open Offer and excess application except for the Committed Shareholders pursuant to the Undertaking). Pursuant to the sub-underwriting agreement, the sub-underwriter has undertaken that it or its placee(s) will not hold more than 10% of the Shares in issue immediately following completion of the Open Offer. The Company will ensure that sufficient public float maintained upon the completion of the Open Offer in compliance with the Listing Rules.

To the best of the Directors' information, knowledge and belief, having made all reasonable enquiries, Zhongrong International Securities and its ultimate holding companies are third parties independent of the Company and its connected persons.

Save for the above, as of the Latest Practicable Date, the Underwriter has not entered into any other sub-underwriting arrangement with other sub-underwriters.

LETTER FROM THE BOARD

- (C) Assuming new Shares are issued pursuant to the exercise in full of all the 12,600,000 Share Options which have been vested and are exercisable, but no Share under the Schemes is issued and no further issue of new Shares or repurchase of Shares by the Company, on or before the Record Date

| Name of Shareholders | As at the Latest Practicable Date | | Upon completion of the Open Offer (assuming all Shareholders are Qualifying Shareholders and they take up their respective entitlements to the Offer Shares in full) | | Upon completion of the Open Offer (assuming no Qualifying Shareholders take up their respective entitlements under the Open Offer and excess application except for the Committed Shareholders pursuant to the Undertaking) | |
|--|--------------------------------------|----------------------|--|----------------------|--|----------------------|
| | No. of Shares | App. % | No. of Shares | App. % | No. of Shares | App. % |
| Controlling Shareholders | | | | | | |
| He Fu International Limited ⁽¹⁾ | 5,328,879,125 | 40.72 | 10,657,758,250 | 40.68 | 8,980,904,250 | 34.28 |
| United Petroleum & Natural Gas Holdings Limited ⁽¹⁾ | 2,223,726,708 | 17.00 | 4,447,453,416 | 16.98 | 4,381,444,976 | 16.73 |
| United Energy Holdings Limited ⁽¹⁾ | 1,824,544,282 | 13.94 | 3,649,088,564 | 13.93 | 3,649,088,564 | 13.93 |
| Subtotal | <u>9,377,150,115</u> | <u>71.66</u> | <u>18,754,300,230</u> | <u>71.59</u> | <u>17,011,437,790</u> | <u>64.94</u> |
| The Underwriter ⁽²⁾ | - | 0.00 | - | 0.00 | 2,464,033,702 | 9.41 |
| Zhongrong International Securities ⁽³⁾ | - | 0.00 | - | 0.00 | 3,000,000,000 | 11.45 |
| Holder of Share Option | - | 0.00 | 25,200,000 | 0.10 | 12,600,000 | 0.05 |
| The Trustee or the beneficiaries under the Schemes | - | 0.00 | - | 0.00 | - | 0.00 |
| Zhu Jun | 1,443,000 | 0.01 | 2,886,000 | 0.01 | 1,443,000 | 0.01 |
| Existing public Shareholders | <u>3,707,128,262</u> | <u>28.33</u> | <u>7,414,256,524</u> | <u>28.30</u> | <u>3,707,128,262</u> | <u>14.15</u> |
| Total | <u><u>13,085,721,377</u></u> | <u><u>100.00</u></u> | <u><u>26,196,642,754</u></u> | <u><u>100.00</u></u> | <u><u>26,196,642,754</u></u> | <u><u>100.00</u></u> |

LETTER FROM THE BOARD

Note:

- (1) These companies are wholly owned by Mr. Zhang Hong Wei.
- (2) Pursuant to the Underwriting Agreement, the Underwriter (i) shall not, except with the prior written consent of the Company (which shall not be unreasonably withheld), hold more than 10% of the issued share capital of the Company as enlarged by the Open Offer on its own account; and (ii) in performance of its obligations under the Underwriting Agreement, shall comply with all relevant laws and regulations in material respects and in particular, shall ensure that all offers made by it of the Offer Shares are made only in compliance with all relevant securities legislation.

In circumstances where the Underwriter is obliged to take up the Underwritten Shares in their entirety, it is expected that after taking into account the sub-underwriting arrangement as referred to in note (3) below, it will hold a maximum of 2,464,033,702 Offer Shares, representing approximately 9.41% of the total issued Shares upon completion of the Open Offer (assuming (i) new Shares are issued pursuant to the exercise in full of all the 12,600,000 Share Options which have been vested and are exercisable, but no Share under the Schemes is issued and no further issue of new Shares or repurchase of Shares by the Company, on or before the Record Date and (ii) no Qualifying Shareholders take up their respective entitlements under the Open Offer and excess application except for the Committed Shareholders pursuant to the Undertaking). As such, it is expected that the Underwriter or its associates will not become a substantial shareholder of the Company and the shareholding of the Underwriter (if any) will be counted towards the Company's public float.

- (3) Up to the Latest Practicable Date, the Underwriter entered into one sub-underwriting agreement with a sub-underwriter, being Zhongrong International Securities, in relation to a maximum of 3,000,000,000 Offer Shares, representing approximately 11.45% of the total issued Shares upon completion of the Open Offer (assuming (i) new Shares are issued pursuant to the exercise in full of all the 12,600,000 Share Options which have been vested and are exercisable, but no Share under the Schemes is issued and no further issue of new Shares or repurchase of Shares by the Company, on or before the Record Date and (ii) no Qualifying Shareholders take up their respective entitlements under the Open Offer and excess application except for the Committed Shareholders pursuant to the Undertaking). Pursuant to the sub-underwriting agreement, the sub-underwriter has undertaken that it or its placee(s) will not hold more than 10% of the Shares in issue immediately following completion of the Open Offer. The Company will ensure that sufficient public float maintained upon the completion of the Open Offer in compliance with the Listing Rules.

To the best of the Directors' information, knowledge and belief, having made all reasonable enquiries, Zhongrong International Securities and its ultimate holding companies are third parties independent of the Company and its connected persons.

Save for the above, as of the Latest Practicable Date, the Underwriter has not entered into any other sub-underwriting arrangement with other sub-underwriters.

LETTER FROM THE BOARD

- (D) Assuming a maximum of 17,000,000 Shares are allotted and issued pursuant to the Schemes, and new Shares are issued pursuant to the exercise in full of all the 12,600,000 Share Options which have been vested and are exercisable, but no further issue of new Shares or repurchase of Shares by the Company, on or before the Record Date

| Name of Shareholders | As at the Latest Practicable Date | | Upon completion of the Open Offer (assuming all Shareholders are Qualifying Shareholders and they take up their respective entitlements to the Offer Shares in full) | | Upon completion of the Open Offer (assuming no Qualifying Shareholders take up their respective entitlements under the Open Offer and excess application except for the Committed Shareholders pursuant to the Undertaking) | |
|---|--------------------------------------|----------------------|--|----------------------|--|----------------------|
| | <i>No. of Shares</i> | <i>App. %</i> | <i>No. of Shares</i> | <i>App. %</i> | <i>No. of Shares</i> | <i>App. %</i> |
| Controlling Shareholders | | | | | | |
| He Fu International Limited ⁽¹⁾ | 5,328,879,125 | 40.72 | 10,657,758,250 | 40.63 | 8,980,904,250 | 34.24 |
| United Petroleum & Natural Gas Holdings Limited ⁽¹⁾ | 2,223,726,708 | 17.00 | 4,447,453,416 | 16.96 | 4,381,444,976 | 16.70 |
| United Energy Holdings Limited ⁽¹⁾ | 1,824,544,282 | 13.94 | 3,649,088,564 | 13.91 | 3,649,088,564 | 13.91 |
| Subtotal | <u>9,377,150,115</u> | <u>71.66</u> | <u>18,754,300,230</u> | <u>71.50</u> | <u>17,011,437,790</u> | <u>64.85</u> |
| The Underwriter ⁽²⁾ Zhongrong International Securities ⁽³⁾ | – | 0.00 | – | 0.00 | 2,481,033,702 | 9.46 |
| Holder of Share Option The Trustee or the beneficiaries under the Schemes | – | 0.00 | 25,200,000 | 0.10 | 3,000,000,000 | 11.44 |
| Zhu Jun | – | 0.00 | 34,000,000 | 0.13 | 12,600,000 | 0.05 |
| Zhu Jun | 1,443,000 | 0.01 | 2,886,000 | 0.01 | 17,000,000 | 0.06 |
| Existing public Shareholders | 1,443,000 | 0.01 | 2,886,000 | 0.01 | 1,443,000 | 0.01 |
| Existing public Shareholders | <u>3,707,128,262</u> | <u>28.33</u> | <u>7,414,256,524</u> | <u>28.27</u> | <u>3,707,128,262</u> | <u>14.13</u> |
| Total | <u><u>13,085,721,377</u></u> | <u><u>100.00</u></u> | <u><u>26,230,642,754</u></u> | <u><u>100.00</u></u> | <u><u>26,230,642,754</u></u> | <u><u>100.00</u></u> |

LETTER FROM THE BOARD

Note:

- (1) These companies are wholly owned by Mr. Zhang Hong Wei.
- (2) Pursuant to the Underwriting Agreement, the Underwriter (i) shall not, except with the prior written consent of the Company (which shall not be unreasonably withheld), hold more than 10% of the issued share capital of the Company as enlarged by the Open Offer on its own account; and (ii) in performance of its obligations under the Underwriting Agreement, shall comply with all relevant laws and regulations in material respects and in particular, shall ensure that all offers made by it of the Offer Shares are made only in compliance with all relevant securities legislation.

In circumstances where the Underwriter is obliged to take up the Underwritten Shares in their entirety, it is expected that after taking into account the sub-underwriting arrangement as referred to in note (3) below, it will hold a maximum of 2,481,033,702 Offer Shares, representing approximately 9.46% of the total issued Shares upon completion of the Open Offer (assuming (i) new Shares are issued pursuant to the exercise in full of all the 12,600,000 Share Options which have been vested and are exercisable, and a maximum of 17,000,000 Shares are allotted and issued pursuant to the Schemes, but no further issue of new Shares or repurchase of Shares by the Company, on or before the Record Date and (ii) no Qualifying Shareholders take up their respective entitlements under the Open Offer and excess application except for the Committed Shareholders pursuant to the Undertaking). As such, it is expected that the Underwriter or its associates will not become a substantial shareholder of the Company and the shareholding of the Underwriter (if any) will be counted towards the Company's public float.

- (3) Up to the Latest Practicable Date, the Underwriter entered into one sub-underwriting agreement with a sub-underwriter, being Zhongrong International Securities, in relation to a maximum of 3,000,000,000 Offer Shares, representing approximately 11.44% of the total issued Shares upon completion of the Open Offer (assuming (i) new Shares are issued pursuant to the exercise in full of all the 12,600,000 Share Options which have been vested and are exercisable, and a maximum of 17,000,000 Shares are allotted and issued pursuant to the Schemes, but no further issue of new Shares or repurchase of Shares by the Company, on or before the Record Date and (ii) no Qualifying Shareholders take up their respective entitlements under the Open Offer and excess application except for the Committed Shareholders pursuant to the Undertaking). Pursuant to the sub-underwriting agreement, the sub-underwriter has undertaken that it or its placee(s) will not hold more than 10% of the Shares in issue immediately following completion of the Open Offer. The Company will ensure that sufficient public float maintained upon the completion of the Open Offer in compliance with the Listing Rules.

To the best of the Directors' information, knowledge and belief, having made all reasonable enquiries, Zhongrong International Securities and its ultimate holding companies are third parties independent of the Company and its connected persons.

Save for the above, as of the Latest Practicable Date, the Underwriter has not entered into any other sub-underwriting arrangement with other sub-underwriters.

Shareholders and public investors should note that the above shareholding changes are for illustration purposes only and the actual changes in the shareholding structure of the Company upon completion of the Open Offer are subject to various factors, including the results of acceptance of the Open Offer.

LETTER FROM THE BOARD

The Open Offer offers all the Qualifying Shareholders an equal opportunity to participate in the enlargement of the capital base of the Company and enables the Qualifying Shareholders to maintain their proportionate interests in the Company. For those Qualifying Shareholders who take up their entitlements in full under the Open Offer, their shareholding interests in the Company will remain unchanged after the Open Offer.

For Qualifying Shareholders who do not take up in full their assured entitlements under the Open Offer should note that their shareholdings in the Company will be diluted upon completion of the Open Offer. As shown in the tables above, under scenario (A) above (assuming no exercise of the outstanding Share Options which have been vested and are exercisable, no issue of Shares under the Schemes and no further issue of new Shares or repurchase of Shares by the Company on or before the Record Date), assuming that none of the Qualifying Shareholders has subscribed for the Open Offer, the percentage of shareholding of the existing public Shareholders will be reduced from approximately 28.33% as at the Latest Practicable Date to approximately 14.16%. Under scenario (D) above (assuming new Shares are issued pursuant to the exercise in full of all the 12,600,000 Share Options which have been vested and are exercisable, and a maximum of 17,000,000 Shares are allotted and issued pursuant to the Schemes, but no further issue of new Shares or repurchase of Shares by the Company, on or before the Record Date), assuming that none of the Qualifying Shareholders has subscribed for the Open Offer, the percentage of shareholding of the existing public Shareholders will be reduced from approximately 28.33% as at the Latest Practicable Date to approximately 14.13%. As such, the possible maximum dilution to shareholdings of those Qualifying Shareholders who do not subscribe to the Open Offer is: (i) approximately 50.00% no exercise of the outstanding Share Options which have been vested and are exercisable, no issue of Shares under the Schemes and no further issue of new Shares or repurchase of Shares by the Company on or before the Record Date; and (ii) approximately 50.12% assuming new Shares are issued pursuant to the exercise in full of all the 12,600,000 Share Options which have been vested and are exercisable, and a maximum of 17,000,000 Shares are allotted and issued pursuant to the Schemes, but no further issue of new Shares or repurchase of Shares by the Company, on or before the Record Date.

Notwithstanding the potential dilution to the Independent Shareholders' proportional shareholding interests in the Company as discussed above, having taken into account that:

- (a) the Independent Shareholders are given the opportunity to express their view on the terms of the Open Offer and the Underwriting Agreement through their votes at the SGM;
- (b) the Qualifying Shareholders have their choice as to whether or not to accept the Open Offer;
- (c) the Open Offer offers the Qualifying Shareholders an opportunity to subscribe for their pro-rata entitlement to the Offer Shares for the purpose of maintaining their respective existing shareholding interests in the Company at a relatively low price as compared to the historical and prevailing market prices of the Shares; and

LETTER FROM THE BOARD

- (d) those Qualifying Shareholders who choose to accept the Open Offer in full can maintain their respective existing shareholding interests in the Company after the Open Offer,

the Directors are of the view that the potential dilution effect on the existing shareholding interest of the Independent Shareholders, which may only result when the Qualifying Shareholders do not subscribe for their pro-rata Offer Shares, is acceptable.

REASONS FOR THE OPEN OFFER AND USE OF PROCEEDS

The Group is currently principally engaged in upstream oil and natural gas business, including development of strategic 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 Board expects that the demand for primary energy in Pakistan will remain strong as energy deficit in domestic market continues to escalate, according to Pakistan Energy Outlook 2015 released by the Petroleum Institute of Pakistan in October 2015. To capture the business opportunities arising from this trend, the Board is of the view that the Group should employ more resources to unlock the potential of its assets in Pakistan.

The gross proceeds of the Open Offer will be not less than approximately HK\$2,617.14 million and not more than approximately HK\$2,623.06 million. The net proceeds of the Open Offer (after deducting the costs and expenses in relation to the Open Offer and the underwriting commission) are expected to be not less than approximately HK\$2,575.24 million and not more than approximately HK\$2,580.98 million. The Company intends to apply the net proceeds of the Open Offer as to:

- (i) not less than approximately HK\$1,030.10 million and not more than approximately HK\$1,032.39 million, representing approximately 40% of the net proceeds from the Open Offer, for capital expenditure for drilling wells, conducting seismic studies, construction of development and production facilities in the proportion of which 87%, 12% and 1%, respectively, which is expected to be utilised within 24 months after the completion of the Open Offer;
- (ii) not less than approximately HK\$1,030.10 million and not more than approximately HK\$1,032.39 million, representing approximately 40% of net proceeds of the Open Offer, for repayment of debt and interest expenses, of which: (a) approximately HK\$722 million for the repayment of principal and interest expenses of a loan due to China Development Bank Corporation in September 2016; and (b) the remaining balance of not less than approximately HK\$308.10 million and not more than approximately HK\$310.39 million will be used for the settlement of part the S\$-denominated medium term notes in the principal amount of S\$100 million due in October 2016; and

LETTER FROM THE BOARD

- (iii) the remaining balance of not less than approximately HK\$515.04 million and not more than approximately HK\$516.20 million, representing approximately 20% of the net proceeds of the Open Offer, as reserve for potential acquisitions, particularly upstream oil and gas assets (including reserves and facilities), to accelerate the Group's expansion in furtherance of its track record of growing by acquisition and its strategy of maintaining reliable operations and seeking rapid growth and in order to maintain its flexibility in capturing investment and/or mergers and acquisitions opportunities as and when such investment opportunities arise with immediately available funds for deployment given the capital intensive nature in the industry which the Group operates in, without which the Group may not be able to grasp the potential opportunities in a timely manner, and which is expected to be utilised within 24 months after the completion of the Open Offer. In the event that the Company does not utilise the proceeds in accordance with the aforesaid timeframe, the Company will nevertheless continue to pursue, explore and evaluate potential opportunities for acquisitions until appropriate targets are identified. In such event or if for any reason such portion of the proceeds are not utilised as described above, the Company will make further announcement as and when appropriate in accordance with the relevant requirements under the Listing Rules.

As at the Latest Practicable Date, the Group is in the process of pursuing, exploring and evaluating potential opportunities, although no specific targets have been identified and no binding agreement has been entered into, and further announcement will be made by the Company as and when appropriate.

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 maximise future returns for its Shareholders as disclosed in the paragraph headed "Financial and trading prospects of the Group" in Appendix I to this circular. Furthermore, based on the Group's scale and operation ability, the Group focuses on the size of those acquisition targets with value of at least US\$70 million. As such, the Board considers the allocation of 20% proceeds for potential acquisitions as disclosed above to be appropriate in furtherance of its business objectives. Furthermore, the Directors will explore and evaluate carefully such opportunities to identify suitable acquisition targets with business objectives which are aligned to or are complementary to those of the Group, and which can contribute towards the Group's strategy to maintain its position as one of the largest listed independent upstream oil and gas corporations in Hong Kong and to develop its investment and operation of oil, natural gas and other energy related businesses.

Having considered and taking into account the factors set out above, the Directors consider that the allocation of proceeds for potential acquisitions is fair and reasonable and in the interests of the Company and its Shareholders as a whole.

LETTER FROM THE BOARD

As at the Latest Practicable Date, based on the Board's latest estimate, the expected funding needs of the Group for the next 12 months from the Latest Practicable Date amounted to approximately HK\$2,715 million. In arriving at such estimation, the Board's key assumptions included that: (i) the Group will be able to implement its business and investment plans as scheduled; (ii) there will be no material changes in the principal activities of the Group and the Group will be able to continue in business as a going concern during the relevant period; (iii) there will be no material change in the existing political, legal, fiscal or economic environment in Hong Kong, the PRC, Pakistan and/or other countries or jurisdictions in which the Group operates or intends to operate and (iv) there will be no material changes in interest rates and foreign exchange rates from those currently prevailing.

The proceeds from the Open Offer are not able to satisfy the Company's expected funding needs for the next 12 months but will be met by the currently available cash and bank balances, the funds generated from its operations and the facilities provided by banks and financial institutions. As at the Latest Practicable Date, the Company does not have any plan to conduct further fund raising activities.

The Directors consider that it is prudent to finance the Group's long-term growth by long-term financing, preferably in the form of equity which will not increase the Group's finance costs. The Company had considered other fund raising alternatives before resolving to the Open Offer such as bank borrowing, placement of Shares, issuance of bonds or convertible bonds, or rights issue. The Company had approached three financial institutions to negotiate other fundraising options and did not receive any positive feedback from any of them except the Underwriter. After considering the trading liquidity of the Shares, the current condition of the equity and debt capital markets and the financing costs in each of the options, the Board believes that it would be in the best interests of the Company and the Shareholders as a whole to raise long-term equity capital through the Open Offer after having considered that: (i) bank borrowing would result in additional interest burden to and higher gearing ratio for the Group and, given the unsatisfactory financial conditions of the Company, it may involve lengthy due diligence and negotiations with banks which are also relatively uncertain and time consuming as compared to equity financing for the Group; (ii) the nil-paid trading of rights issue will create uncertainty on the shareholding structure of the Company; and (iii) placing of new Shares or convertible bonds will preclude existing Shareholders from participating in the capital raising exercise which will inevitably result in dilution to the equity interest of the existing Shareholders. On the other hand, given that the Open Offer is expected to be subscribed (in full or in part) by the existing Shareholders who are Qualifying Shareholders and take up their pro-rata entitlement, will be participated by the Committed Shareholders pursuant to the Undertaking and is hard underwritten by the Underwriter pursuant to the Underwriting Agreement, there is a higher certainty of completing the fund raising exercise which will enable the Company to obtain the funding needed as compared to other forms of financing. In this connection, the Board considered that the Open Offer is the most appropriate fundraising option to the Company. The Board is also of the view that the Open Offer represents a good opportunity to broaden the capital base of the Company and will facilitate the long-term development of the Company. The Open Offer will give the Qualifying Shareholders the opportunity to maintain their respective pro rata shareholding interests in the Company and to continue to participate in the growth and development of the Group. The Directors consider the terms of the Open Offer, including the Subscription Price which has been set at a discount to the recent closing prices of the Shares with an objective to encourage existing Shareholders to take up their entitlements so as to participate in the potential growth and development of the Company, to be fair and reasonable and in the best interests of the Company and its Shareholders as a whole.

LETTER FROM THE BOARD

Although rights issue, as compared to the Open Offer, can provide an additional option to those Shareholders who do not wish to take up the entitlements by selling their entitled nil-paid rights, the Directors are of the view that if the Company is to carry out a rights issue instead of the Open Offer, the Company will incur: (i) splitting costs for Shareholders who only take up their rights issue entitlement partially; (ii) fees payable for nil-paid rights trading arrangement; (iii) additional printing costs of share certificates for new Shareholders who will purchase the nil-paid rights on the market; and (iv) additional professional fees for preparing and reviewing the provisional allotment letters and the excess application forms and liaising with the registrar of the Company. It is estimated that the additional costs and expenses of approximately HK\$200,000 would be incurred for such administrative work and arrangements for trading of the nil-paid rights. The Directors also noted that the average trading volume of the Shares between 1 March 2016 and 31 May 2016 was only approximately 0.007% of the total issued Shares. Furthermore, the Group reported a net loss attributable to the owners of the Company of approximately HK\$2,943.67 million for year ended 31 December 2015 as compared to a profit of approximately HK\$1,827.89 million for year ended 31 December 2014.

Having considered and taken into account the extra administrative work and additional cost which will be involved for the trading arrangement of nil-paid rights, and in addition, in view of the relatively inactive historical trading volume of the Shares, there is uncertainty of existence of a market to trade in the nil-paid rights if a rights issue is conducted by the Company. Furthermore, given that the loss-making position in terms of operating performance of the Group and all Qualifying Shareholders can have an equal opportunity to maintain their interests in the Company, the Board considers that it is important for the Group to minimise all costs which may be incurred for the fund raising, and conducting the Open Offer would be more cost-effective and efficient as compared to a rights issue.

The objective of the Open Offer is to enable the Shareholders to maintain their proportionate interests in the Company should they wish to do so, ensuring stability in the Company's Shareholders' base, and to participate in the Company's future growth and development. The Board therefore considers that, since the Open Offer will already give the Qualifying Shareholders an equal and fair opportunity to maintain their respective pro-rata shareholding interests in the Company, even without the right to trade their nil-paid rights as in a rights issue, on balance, to conduct the Open Offer instead of a rights issue will be more beneficial to the Company and its Shareholders in the current circumstances.

Having considered conducting the Open Offer or a rights issue, and taking into account the benefits and cost of each of the options, the Board is of the view that the Open Offer is the most appropriate fund raising option to the Company and in the interest of the Company and its Shareholders as a whole since it offers the Qualifying Shareholders the opportunity to maintain their pro-rata shareholding interests in the Company.

In assessing the fairness and reasonableness of the Open Offer, the Directors are of the view that:

- (a) additional costs and expenses would be incurred for a rights issue due to the administrative work and the arrangements for trading of the nil-paid rights;

LETTER FROM THE BOARD

- (b) the Company has an inactive historical trading volume, with average trading volume of the Shares between 1 March 2016 and 31 May 2016 being only approximately 0.007% of the total issued Shares;
- (c) excess applications will be available under the Open Offer;
- (d) the Open Offer will be made conditional on, among other things, the approval by the Independent Shareholders at the SGM where any controlling shareholders and their associates or, where there are no controlling shareholders, the Directors (excluding the independent non-executive Directors) and the chief executive of the Company and their respective associates shall abstain from voting in favour of the resolution(s) relating to the Open Offer;
- (e) the offer ratio of the Open Offer is determined after taking into account the estimated funding requirements of the Company as disclosed in the paragraph headed "Reasons for the Open Offer and Use of Proceeds" in this section and the Subscription Price;
- (f) the Subscription Price was determined after arm's length negotiation between the Company and the Underwriter with reference to, among other things, the prevailing market price of the Shares prior to the Last Trading Day and the theoretical ex-entitlement price and the net loss of the Group in terms of operating performance for the year ended 31 December 2015;
- (g) in view of the uncertainties in the financial market in Hong Kong as a result of the uncertainties stemming from the fluctuating market sentiment, capital flow and trend of interest rate, the Directors consider that it will be difficult to attract the Qualifying Shareholders to reinvest in the Company through the Open Offer if the Subscription Price is not set at a relatively deep discount to the historical trading prices of the Shares;
- (h) the Open Offer will provide the Group with readily available fund for its business and operation and help reduce its gearing; and
- (i) under the Open Offer, all the Qualifying Shareholders will be offered the same opportunity to maintain their proportionate interests in the Company and to participate in the growth and development of the Company. Should the Qualifying Shareholders participate in the Open Offer, they will be subscribing the Offer Shares at a price lower than the historical and prevailing market price of the Shares.

FUND RAISING EXERCISE IN THE PAST 12 MONTHS

The Company had not conducted any fund raising exercise in the past 12 months immediately preceding the Latest Practicable Date.

LETTER FROM THE BOARD

IMPLICATIONS UNDER THE LISTING RULES

As the Open Offer may increase the issued share capital of the Company by more than 50%, pursuant to Rule 7.24(5) of the Listing Rules, the Open Offer must be made conditional on, among other things, the approval by the Independent Shareholders at the SGM where any controlling shareholders and their associates or, where there are no controlling shareholders, the Directors (excluding the independent non-executive Directors) and the chief executive of the Company and their respective associates shall abstain from voting in favour of the resolution(s) relating to the Open Offer.

As at the Latest Practicable Date, He Fu International Limited, United Petroleum & Natural Gas Holdings Limited and United Energy Holdings Limited, each of which is wholly owned by Mr. Zhang Hong Wei (an executive Director, the chairman and the controlling shareholder of the Company), held 5,328,879,125 Shares, 2,223,726,708 Shares and 1,824,544,282 Shares, respectively, representing approximately 40.72%, 17.00% and 13.94%, respectively, of the issued share capital of the Company as the Latest Practicable Date. Accordingly, He Fu International Limited, United Petroleum & Natural Gas Holdings Limited and United Energy Holdings Limited are required to abstain from voting in favour of the resolution for approving the Open Offer at the SGM.

The Company has established an Independent Board Committee, which comprises all independent non-executive Directors, to advise the Independent Shareholders as to whether the terms of the Open Offer are on normal commercial terms, fair and reasonable so far as the Independent Shareholders are concerned and are in the interests of the Company and its Shareholders as a whole and to advise the Independent Shareholders on how to vote, taking into account the recommendations of the Independent Financial Adviser. The Company has appointed Donvex Capital Limited as the Independent Financial Adviser to make recommendations to the Independent Board Committee and the Independent Shareholders as to whether the terms of the Open Offer and the Underwriting Agreement are fair and reasonable and are in the interests of the Company and its Shareholders as a whole and to advise the Independent Shareholders on how to vote.

WARNING OF THE RISKS OF DEALING IN SHARES

The Open Offer is conditional upon, among other things, the fulfilment of the conditions set out under the paragraph headed “Conditions of the Open Offer” in this section and the Underwriter not having terminated the Underwriting Agreement in accordance with the terms thereof and as set out under the paragraph headed “The Underwriting Agreement — Termination of the Underwriting Agreement” in this section.

Accordingly, the Open Offer may or may not proceed. Any Shareholders or other persons contemplating dealings in the Shares should exercise caution when dealing in the Shares and, if they are in any doubt about their position, they are recommended to consult their own professional advisers.

Shareholders should note that the Shares will be dealt in on an ex-entitlement basis commencing from Friday, 20 May 2016 and that dealing in Shares will take place while the conditions to which the Underwriting Agreement is subject remain unfulfilled.

LETTER FROM THE BOARD

Shareholders and potential investors of the Company should therefore exercise extreme caution when dealing in the Shares.

GENERAL

This circular, together with a letter from the Board, a letter from the Independent Board Committee to the Independent Shareholders, a letter from the Independent Financial Adviser to the Independent Board Committee and the Independent Shareholders and a notice convening the SGM, was despatched to the Shareholders on Thursday, 30 June 2016.

In order to be registered as members of the Company at the close of business on the Record Date, Shareholders must lodge any transfers of Shares (together with the relevant share certificates) with the Registrar by no later than 4:30 p.m. on Thursday, 14 July 2016.

Subject to, among other things, the Open Offer being approved by the Independent Shareholders at the SGM, the Prospectus Documents setting out the details of the Open Offer will be despatched to the Qualifying Shareholders on the Posting Date and the Overseas Letter and the Prospectus will be despatched to the Non-Qualifying Shareholders on the Posting Date for information only.

RECOMMENDATION

The Directors (including the independent non-executive Directors after taking into account the advice of the Independent Financial Adviser) are of the opinion that the terms of the Open Offer are on normal commercial terms, fair and reasonable so far as the Independent Shareholders are concerned and are in the interest of the Company and its Shareholders as a whole. Accordingly, the Directors (including the independent non-executive Directors after taking into account the advice of the Independent Financial Adviser) recommend the Independent Shareholders to vote in favour of the resolution in relation to the Open Offer to be proposed at the SGM.

Your attention is drawn to the letter from the Independent Board Committee containing its recommendation to the Independent Shareholders set out on pages 49 to 50 of this circular and the letter from the Independent Financial Adviser containing its recommendation to the Independent Board Committee and the Independent Shareholders and the principal factors which it has considered in arriving at its recommendation with regard to the Open Offer, as set out on pages 51 to 74 of this circular.

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

LETTER FROM THE INDEPENDENT BOARD COMMITTEE

The following is the text of the letter from the Independent Board Committee setting out its recommendation to the Independent Shareholders in relation to the Open Offer.

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)

30 June 2016

To the Independent Shareholders

Dear Sirs or Madams,

PROPOSED OPEN OFFER ON THE BASIS OF ONE OFFER SHARE FOR EVERY ONE EXISTING SHARE HELD ON THE RECORD DATE

We refer to the circular of the Company to the Shareholders dated 30 June 2016 (the “**Circular**”) of which this letter forms part. Capitalised terms defined in the Circular shall have the same meanings when used herein unless the context otherwise requires.

We have been appointed by the Board as the Independent Board Committee and to advise the Independent Shareholders in respect of the Open Offer.

Donvex Capital Limited has been appointed as the Independent Financial Adviser to advise the Independent Board Committee and the Independent Shareholders as to whether the terms of the Open Offer are on normal commercial terms, fair and reasonable so far as the Independent Shareholders are concerned and whether it is in the interests of the Company and its Shareholders as a whole. Details of its recommendation, together with the principal factors and reasons taken into consideration in arriving at such recommendation, are set out on pages 51 to 74 of the Circular.

Your attention is also drawn to the letter from the Board set out on pages 16 to 48 of the Circular.

* *for identification purposes only*

LETTER FROM THE INDEPENDENT BOARD COMMITTEE

Having considered the factors and reasons considered by, and the opinion of, the Independent Financial Adviser as set out in the “Letter from the Independent Financial Adviser” in the Circular, we are of the opinion that the terms of the Open Offer are on normal commercial terms, fair and reasonable so far as the Independent Shareholders are concerned and are in the interests of the Company and its Shareholders as a whole. We therefore recommend the Independent Shareholders to vote in favour of the resolution(s) to be proposed at the SGM to approve the Open Offer, the Underwriting Agreement and the transactions contemplated respectively thereunder.

Yours faithfully,
The Independent Board Committee

Mr. Chau Siu Wai
Independent
non-executive Director

Mr. San Fung
Independent
non-executive Director

Mr. Zhu Chengwu
Independent
non-executive Director

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

The following is the full text of the letter from the Independent Financial Adviser setting out their advice to the Independent Board Committee and the Independent Shareholders, which has been prepared for the purpose of inclusion in this circular.



Unit 1305, 13th Floor,
Carpo Commercial Building
18-20 Lyndhurst Terrace
Central Hong Kong

30 June 2016

*The Independent Board Committee and the Independent Shareholders of
United Energy Group Limited*

Dear Sirs,

PROPOSED OPEN OFFER ON THE BASIS OF ONE OFFER SHARE FOR EVERY ONE EXISTING SHARE HELD ON THE RECORD DATE

INTRODUCTION

We refer to our engagement as the Independent Financial Adviser to advise to the Independent Board Committee and the Independent Shareholders in respect of the terms of the Open Offer, details of which are set out in the letter from the Board (the "**Letter from the Board**") contained in the circular of the Company dated 30 June 2016 to the Shareholders (the "**Circular**"), of which this letter forms part. Capitalized terms used herein have the same meanings as defined elsewhere in the Circular unless the context requires otherwise.

As stated in the Letter from the Board, the Company proposes to raise approximately HK\$2,617.14 million to HK\$2,623.06 million, before expenses, by issuing not less than 13,085,721,377 Shares and not more than 13,115,321,377 Shares to the Qualifying Shareholders at the Subscription Price of HK\$0.20 per Offer Share on the basis of one (1) Offer Share for every one (1) existing Share held by each Qualifying Shareholder on the Record Date. The Open Offer is only available to the Qualifying Shareholders.

Assuming not more than 17,000,000 Shares are allotted and issued pursuant to the Schemes and new Shares are issued pursuant to the exercise in full of all the 12,600,000 Share Options which have been vested and are exercisable, but no further issue of new Shares or repurchase of Shares by the Company, on or before the Record Date, the maximum number of Offer Shares proposed to be allotted, being 13,115,321,377 new Shares, represents approximately 100.23% of the Company's issued share capital as at the Latest Practicable Date and 50.00% of the Company's issued share capital as enlarged by the issue of the maximum number of Offer Shares.

As the Open Offer will increase the issued share capital of the Company by more than 50%, in accordance with Rule 7.24(5) of the Listing Rules, the Open Offer must be made conditional on, among other things, the approval by the Independent Shareholders

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

at the SGM where any controlling Shareholders and their associates or, where there are no controlling Shareholders, the Directors (excluding the independent non-executive Directors) and the chief executive of the Company and their respective associates shall abstain from voting in favour of the resolution(s) relating to the Open Offer.

As at the Latest Practicable Date, He Fu International Limited, United Petroleum & Natural Gas Holdings Limited and United Energy Holdings Limited, each of which is wholly owned by Mr. Zhang Hong Wei (an executive Director, the chairman and the controlling shareholder of the Company), held 5,328,879,125 Shares, 2,223,726,708 Shares and 1,824,544,282 Shares, respectively, representing approximately 40.72%, 17.00% and 13.94%, respectively, of the issued share capital of the Company as at the Latest Practicable Date. Accordingly, He Fu International Limited, United Petroleum & Natural Gas Holdings Limited and United Energy Holdings Limited are required to abstain from voting in favour of the respective resolution(s) for approving the Open Offer at the SGM.

The Independent Board Committee, comprising Mr. Chau Siu Wai, Mr. San Fung and Mr. Zhu Chengwu, all being the independent non-executive Directors, has been established to advise the Independent Shareholders as to whether the terms of the Open Offer are on normal commercial terms, fair and reasonable so far as the Independent Shareholders are concerned and are in the interests of the Company and its Shareholders as a whole, and to advise the Independent Shareholders on how to vote, taking into account the recommendations of the Independent Financial Adviser in respect thereof. Being the Independent Financial Adviser, our role is to give an independent opinion to the Independent Board Committee and the Independent Shareholders in this regard.

Apart from normal professional fees for our services to the Company in connection with this engagement, no other arrangement exists whereby we will receive any fees and/or benefits from the Group. We are independent of and not connected with any members of the Group or any of their substantial shareholders, directors or chief executives, or any of their respective associates and accordingly, are qualified to give an independent advice in respect of the Open Offer. In the past two years, we did not act as independent financial adviser to other transactions of the Company.

BASIS OF OUR OPINION

In formulating our opinion to the Independent Board Committee and the Independent Shareholders, we have relied on the statements, information, opinions and representations contained or referred to in the Circular and the information and representations provided to us by the Directors and management of the Company. We have no reason to believe that any information and representations relied on by us in forming our opinion is untrue, inaccurate or misleading, nor are we aware of any material facts the omission of which would render the information provided and the representations made to us untrue, inaccurate or misleading. We have assumed that all statements, information, opinions and representations contained or referred to in the Circular, which have been provided by the Directors and management of the Company and for which they are solely and wholly responsible, were true and accurate at the time they were made and continue to be true up to the Latest Practicable Date and should there be any material changes after the despatch of the Circular, Shareholders would be notified as soon as possible.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

The Directors have jointly and severally accepted full responsibility for the accuracy of the information contained in the Circular and have confirmed, having made all reasonable enquiries, which to the best of their knowledge and belief, there are no other facts the omission of which would make any statement in the Circular misleading. We consider that we have reviewed sufficient information to reach an informed view, to justify reliance on the accuracy of the information contained in the Circular and to provide a reasonable basis for our recommendation. We have not, however, for the purpose of this exercise, conducted any form of independent in-depth investigation or audit into the businesses or affairs or future prospects of the Group.

We have not considered the tax consequences on the Qualifying Shareholders arising from the subscription for, holding of or dealing in the Offer Shares, other otherwise, since these are particular to their own circumstances. We will not accept responsibility for any tax effect on, or liabilities of, any person resulting from the subscription for, holding of or dealing in the Offer Shares. In particular, Qualifying Shareholders subject to overseas taxes or Hong Kong taxation on securities dealings should consider their own tax positions with regard to the Open Offer and, if in any doubt, should consult their own professional advisers.

This letter is issued for the information for the Independent Board Committee and the Independent Shareholders solely in connection with their consideration of the Open Offer and, except for its inclusion in the Circular, is not to be quoted or referred to, in whole or in part, nor shall this letter be used for any other purposes, without our prior written consent.

PRINCIPAL FACTORS AND REASONS CONSIDERED

In arriving at our recommendation in respect of the Open Offer, we have taken into consideration the following principal factors and reasons:

1. Background information of the Company

Principal business

The Company is primarily involved in investment holding. The Group is principally engaged in upstream oil and natural gas business, including development of strategic 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.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

Historical financial information

Set out below is a summary of the financial results of the Group for each of the two years ended 31 December 2015 as extracted from the annual report of the Company for the financial year ended 31 December 2015 (the “**Annual Results**”).

| | For the year ended | |
|---|---------------------------|-----------------|
| | 31 December | |
| | 2015 | 2014 |
| | <i>HK\$'000</i> | <i>HK\$'000</i> |
| Turnover | 5,417,885 | 6,120,229 |
| Gross profit | 2,792,827 | 3,290,782 |
| (Loss)/profit before tax | (3,774,523) | 2,118,457 |
| (Loss)/profit for the year attributable to owners of the Company | (2,943,674) | 1,827,887 |
| (Losses)/earnings per share for (loss)/profit attributable to the owners of the Company | | |
| Basic (HK cent(s)) | (22.51) | 14.00 |
| Diluted (HK cent(s)) | (22.51) | 14.00 |
| | As at 31 December | |
| | 2015 | 2014 |
| | <i>HK\$'000</i> | <i>HK\$'000</i> |
| Bank and cash balances | 2,161,630 | 2,494,348 |
| Total assets | 13,713,810 | 18,540,265 |
| Total liabilities | 6,872,201 | 8,722,893 |
| Net assets | 6,841,609 | 9,817,372 |

As stated above, the Group recorded a net loss attributable to owners of the Company of approximately HK\$2,943.7 million for the year ended 31 December 2015, as compared to a profit attributable to owners of the Company of approximately HK\$1,827.9 million in the corresponding period of 2014. The net loss was primarily attributable to the recognition of several non-cash impairment and written off losses in aggregate of approximately HK\$5,821.3 million for the year ended 31 December 2015 in respect of (i) the assets impairment of approximately HK\$4,216.1 million in relation to the abandonment of Liaohe Enhancing Oil Recovery Project (the “**Liaohe EOR Project**”) in view of the losses suffered in the oil exploitation segment due to the sharp fall of international oil prices; and (ii) the impairment and written off losses of the assets in Pakistan amounted to approximately HK\$1,605.2 million due to dry wells and non-productive fields.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

As at 31 December 2015, the Group had bank and cash balances of approximately HK\$2,161.6 million (2014: approximately HK\$2,494.3 million). As at 31 December 2015, the Group's total borrowings amounted to approximately HK\$4,580.2 million (2014: approximately HK\$5,085.9 million), including secured bank loans of approximately HK\$3,888.3 million (2014: approximately HK\$4,512.3 million), medium term notes of approximately HK\$542.7 million (2014: approximately HK\$573.6 million) and other secured loans of approximately HK\$149.3 million (2014: Nil). As at 31 December 2015, the gearing ratio of the Group was approximately 33.4% (2014: approximately 27.4%), based on borrowings under current liabilities and non-current liabilities of approximately HK\$1,460.2 million (2014: approximately HK\$768.3 million) and HK\$3,120.0 million (2014: approximately HK\$4,317.6 million) respectively and total assets of approximately HK\$13,713.8 million (2014: approximately HK\$18,540.3 million).

As discussed above, it is noted that under the impact of weak international oil prices and the abandonment of Liaohe EOR Project, the Group has recorded a decrease in turnover and a net loss for the two years ended 31 December 2015. Given that the decrease in cash resources and the increase in the gearing ratio, we understand that the financial performance of the Group was relatively weak in 2015 as compared to 2014.

2. Reasons for the Open Offer and use of proceeds

As stated in the Letter from the Board, the Board expects that the demand for primary energy in Pakistan will remain strong as energy deficit in domestic market continues to escalate, according to the Pakistan Energy Outlook 2015 report released by the Petroleum Institute of Pakistan in October 2015. To capture the business opportunities arising from this trend, the Board is of the view that the Group should employ more resources to unlock the potential of its assets in Pakistan.

Pursuant to information contained in the Letter from the Board, the net proceeds of the Open Offer (after deducting the costs and expenses in relation to the Open Offer and the underwriting commission) are expected to be not less than approximately HK\$2,575.24 million and not more than approximately HK\$2,580.98 million. The Company intends to apply the net proceeds of the Open Offer as to:

- (i) not less than approximately HK\$1,030.10 million and not more than approximately HK\$1,032.39 million, representing approximately 40% of the net proceeds from the Open Offer, for capital expenditure for drilling wells, conducting seismic studies, construction of development and production facilities in the proportion of which 87%, 12% and 1%, respectively, which is expected to be utilised within 24 months after the completion of the Open Offer;

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

- (ii) not less than approximately HK\$1,030.10 million and not more than approximately HK\$1,032.39 million, representing approximately 40% of the net proceeds from the Open Offer, for repayment of debt and interest expenses, of which: (a) approximately HK\$722 million for the repayment and interest expenses of a loan due to China Development Bank Corporation in September 2016; and (b) the remaining balance of not less than approximately HK\$308.10 million and not more than approximately HK\$310.39 million will be used for the settlement of part the S\$-denominated medium term notes in the principal amount of S\$100 million due in October 2016; and
- (iii) the remaining balance of not less than approximately HK\$515.04 million and not more than HK\$516.20 million, representing approximately 20% of the net proceeds from the Open Offer, as reserve for potential acquisitions, particularly upstream oil and gas assets (including reserves and facilities), to accelerate the Group's expansion in furtherance of its track record of growing by acquisition and its strategy of maintaining reliable operations and seeking rapid growth and in order to maintain its flexibility in capturing investment and/or mergers and acquisitions opportunities as and when such investment opportunities arise with immediately available funds for deployment given the capital intensive in nature in the industry which the Group operates in, without which the Group may not be able to grasp the potential opportunities in a timely manner, and which is expected to be utilised within 24 months after the completion of the Open Offer.

As at the Latest Practicable Date, the Group is in the process of pursuing, exploring and evaluating potential opportunities, although no specific targets have been identified and no binding agreement has been entered into.

As advised by the management of the Company, during the year of 2015, the financial performance of the Group was affected by lower realised selling prices of oil and gas commodities but partially offset by the increase in overall production and sales volume. Despite the challenges faced by the Group, being the upstream oil and gas operators, the Group adopts stable output strategy and cautiously monitors its capital expenditure and the respective economic return to stay competitive. The Group also focuses on building up reserve to cater for recovery of the international oil market while continues to look for investment opportunities so as to maximise the returns to its Shareholders.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

To facilitate our understanding regarding the reasons for the Open Offer, we have discussed with the management of the Company and conducted independent researches in relation to above intended use of net proceeds, details of which are presented below:

We have enquired the Company as to the development plan of the Group, in particular the expansion of its upstream oil and gas business, and noted that the Group, being one of the largest foreign energy companies with solid and reputable brand in Pakistan, is in an advantageous position to capture the growing domestic demand. We further noted from the Pakistan Energy Outlook 2015 report released by the Petroleum Institute of Pakistan that, the energy shortages have emerged as by far the biggest binding constraint on Pakistan's economic growth and the lack of fresh investment in oil storage and pipeline transportation network has increased the risk of supply shortages amid rising demand for transport fuels in the country. In this connection, resolving the energy crisis has become the priority for the Pakistan government and they have a number of policy reforms to encourage investment in the upstream sector for boosting domestic oil and gas production.

Based on the research report "Statistical Review of World Energy 2015" published by British Petroleum plc. in June 2016, which is considered an energy industry benchmark, the oil and natural gas consumption in Pakistan increased to approximately 517,000 barrels per day and 39.0 million tonnes oil equivalent in 2015, representing an 10.5% and 3.5% increase when compared to the corresponding figures in 2014, respectively. Given the growing domestic demand and the rapid development of the Group in Pakistan, the Group has not only made a contribution to alleviate the above crisis, but also enhanced long-term relationship and economic cooperation between the PRC and Pakistan.

As noted from the Annual Results, the Group plans to drill 19 exploration wells and 7 development wells in 2016 with aggregate capital expenditure of approximately US\$150 million (equivalent to approximately HK\$1,170 million) so to increase its capital efficiency. As at Latest Practicable Date, we are advised by the management of the Company that the above business activities have been commenced and the construction of 6 exploration wells and 4 development wells were completed in March 2016. Moreover, as stated in the section headed "Financial and trading prospects of the Group" set out in Appendix I to the Circular, the Group's operation in Pakistan has four new discoveries in the first quarter of 2016, the Board believes that the finding of new resources can further contribute to the increase in production and build up reserve to capture the excess demand in Pakistan. In light of (i) the abandonment of Liaohe EOR Project as stated in the section headed "Background information of the Company" above and disclosed in the announcement of the Company dated 20 May 2016; (ii) the Group intends to re-direct its resources to other core and potential businesses which can generate better returns; and (iii) it is the long-term strategy of the Group to further expand the upstream oil and gas business particularly in Pakistan so as to maintain its advantageous position, we are of the view that the ongoing and increasing capital expenditure in the oil exploration, development and production activities in Pakistan is in the ordinary course of business of the Group and the additional funds

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

raising by various measures, including the issue of new Shares, to support such capital expenditure would be beneficial to the long-term development of the Company, which is also in the interests of the Company and its Shareholders as a whole.

It is also proposed that the Company will apply approximately 40% of the net proceeds of the Open Offer for its repayment of debt and interest expenses. As at 31 December 2015, the Group had total liabilities of approximately HK\$6,872.2 million and the borrowings amounted to approximately HK\$4,580.2 million, of which approximately HK\$1,460.2 million is due within twelve months, representing approximately 21.2% of total liabilities of the Group. The average interest rate of borrowings for the year ended 31 December 2015 was 5.07%. In view of the above borrowings represent substantial portion of total liabilities of the Group, the repayment of these borrowings can immediately alleviate the financial pressure of the Group so as to improve its gearing ratio.

As stated in the Letter from the Board, the Group will continue to seek for both organic growth by enhancing the oil and gas production of existing assets and inorganic growth by mergers and acquisitions opportunities. This, together with aggressive and sustainable exploration and development of existing assets, will maximise future returns for its Shareholders. As such, the Board considers the allocation of 20% proceeds for potential acquisitions to be appropriate in furtherance of its business objectives.

Leveraging on the “Belt and Road” strategic development of the PRC government, the Group has been actively looking for investment opportunities particularly exploration and development projects in those countries covered by the “Belt and Road” policy that can fast track its growth trajectory and build up reserve. As advised by the management of the Company, while some of the projects are still in negotiations for potential acquisitions, it could result in sizeable capital commitment should the transactions materialise. After taking into account (i) the Group has terminated the Liaohe EOR Project in the PRC and the “Belt and Road” policy would encourage the Group to further invest in the energy-related projects outside the PRC and the Group can enhance economic cooperation between the PRC and those countries covered by “Belt and Road” policy; (ii) the Group focuses on the size of those acquisition targets with value of at least US\$70 million based on the Group’s scale and operation ability and its past experience participating in similar size of exploration and development projects in the PRC and Pakistan; and (iii) new acquisitions would diverse geographical concentration of the assets and revenue base of the Group, it can be justified that approximately 20% of net proceeds of the Open Offer to be applied towards the potential acquisitions can provide the Group with readily available fund so as to capture investment opportunities for its future development.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

Regarding the latest estimate on the expected fund needs of the Group for the next 12 months from the Latest Practicable Date prepared by the Board, we have reviewed the latest estimate including key assumptions thereof, details of which are set out in the section headed “Reasons for the Open Offer and use of proceeds” under the Letter from the Board. Based on our review on the Group’s business and its current financial position as detailed in the section headed “Background information of the Company” above, we noted that the estimate was made with reference to the historical operational track records and the future capital needs of the Group. Following completion of the Open Offer, the Group can (i) further expand the upstream oil and gas business particularly in Pakistan that is consistent with its current business development plan; (ii) improve the financial position of the Group by reducing the current liabilities of the Group; and (iii) obtain financing for possible investment opportunities in the future should they arise to support the Group’s long-term growth, we therefore concur with the view of the Board that the proceeds from the Open Offer are not able to satisfy the Company’s expected funding needs for the next 12 months but will be met by the currently available cash and bank balances, the funds generated from its operations and the facilities provided by banks and financial institutions.

As set out in the Letter from the Board, the Directors consider that it is prudent to finance the Group’s long-term growth by long-term funding, preferably in the form of equity which will not increase the Group’s finance costs. The Open Offer represents a good opportunity to broaden the capital base of the Company and will facilitate the long-term development of the Company. In addition, the Open Offer will give the Qualifying Shareholders the opportunity to maintain their respective pro-rata shareholding interests in the Company and to continue to participate in the growth and development of the Group. Further discussions regarding the other funding options are set out in the section headed “Other fund raising alternatives considered by the Group and the reasons for choosing the Open Offer as funding method” below.

Having taken into account (i) the business challenges faced by the Company as disclosed in the paragraph headed “Historical financial information” under the section headed “Background information of the Company”; (ii) the necessity of additional working capital for its existing operations and development in Pakistan and for coping with any business challenges; (iii) based on the latest estimate prepared by the Board, the Company would be able to strengthen its financial position, through improving the gearing ratio, upon completion of the Open Offer; and (iv) the Open Offer is on the basis that all Qualifying Shareholders have been offered the same opportunity to maintain their proportional interests in the Company, we concur with the Directors’ view that the Open Offer represents a good opportunity to broaden the capital base of the Company and will facilitate the long-term development of the Company, we are also of the view that the net proceeds of the Open Offer will be utilized in accordance with the business strategies of the Group and the conduct of the Open Offer is in the interests of the Company and its Shareholders as a whole.

3. Other fund raising alternatives considered by the Group and the reasons for choosing the Open Offer as funding method

Having discussed with the management of the Company, we are given to understand that apart from the Open Offer, the Board had also considered other means of fund raising, including alternative means of equity financing (such as rights issue or placing of new Shares) and debt financing. However, the Open Offer, which is on a fully underwritten basis, will remove a certain degree of uncertainty as compared to best-efforts placing. Although rights issue is similar to open offer and the rights issue enables the Qualifying Shareholders to trade in the nil-paid rights in the market for economic benefits, the management of the Company considers that setting up the trading arrangements of the nil-paid rights, which would involve additional administration costs of approximately HK\$200,000 to the Group for trading of nil-paid rights and would require additional time for splitting and trading of nil-paid rights shares as well as reviewing relevant documents and liaising with other professional parties for such preparation to be put in place to facilitate such trading, which in turn would require longer time to complete. Compared to the rights issue, Open Offer is more cost-effective and efficient. Furthermore, in order to raise such large amount of proceeds from the Open Offer, the management of the Company is of the view that conducting the placing of new Shares would not confer the Qualifying Shareholders the equal rights to participate in the capital exercise and their interests would be diluted without having an opportunity to maintain their proportionate interests.

In addition to the equity financing, the Directors are also of the opinion that bank borrowing and/or debt financing will usually incur interest burden to the Group and may not be achievable on favourable terms on a timely basis, due to possibility of being subject to, including but not limited to, lengthy due diligence and negotiations with banks as well as pledge of assets by the Group. We noted that the finance costs of the Group was approximately HK\$253.82 million for the year ended 31 December 2015, representing a 6.4% increase as compared to prior year. In view of the increase in finance costs of the Group as well as the increase in gearing ratio as disclosed in the Annual Results, the Directors consider that it may be difficult to obtain bank borrowings or debt financing with terms which the management of the Company considers acceptable to the Group, and incurring additional debts will further increase the Group's liabilities burden.

As discussed with management of the Company regarding the combination of funding measures in form of both consideration issue and/or promissory note, we understand that the consideration issue will bring dilution effect to the existing Shareholders while the issue of promissory notes or other means of debt instrument will incur liabilities and may have interest burden to the Group. As such, we have assessed the fairness and reasonableness of the Open Offer by comparing (i) the other means of equity financing other than Open Offer; (ii) debt financing; and (iii) combination of equity and debt financing. Having considered (a) placing of new Shares does not offer equal opportunity to all Shareholders to participate in the subscription of new Shares in order to allow them to maintain their proportionate

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

interests in the Company; (b) higher administrative work and expenses will be borne by the Company if rights issue is conducted instead of the Open Offer; and (c) given the loss-making position and the increase in gearing ratio of the Group, it will be difficult for the Company to obtain additional borrowings, we are therefore of the view that the Open Offer is a most appropriate source of financing over the aforementioned alternatives.

Having taken into account (i) the Open Offer will provide the Group with readily available fund for its oil and natural gas business and operation without further incurring finance costs and increase its gearing ratio; (ii) the Open Offer allows the Qualifying Shareholders to maintain their respective pro-rata provisional entitlement of the Offer Shares and an equal opportunity to participate in the enlargement of the capital base of the Group; and (iii) the Open Offer is a preferred source of financing over other alternative funding methods as discussed above, we concur with the Directors' view that raising funds by means of Open Offer is fair and reasonable and is in the interests of the Company and its Shareholders as a whole.

4. Principal terms of the Open Offer

The table below summarizes the issue statistics of the Open Offer:

| | |
|---|--|
| Basis of the Open Offer | : one Offer Share for every one existing Share held by the Qualifying Shareholders on the Record Date |
| Subscription Price | : HK\$0.20 per Offer Share |
| Number of Shares in issue as at the Latest Practicable Date | : 13,085,721,377 Shares |
| Number of Offer Shares | : not less than 13,085,721,377 Shares (assuming no exercise of the outstanding Share Options which have been vested and are exercisable, no Share under the Scheme is issued and there is no further issue of new Shares or repurchase of Shares by the Company on or before the Record Date) and not more than 13,115,321,377 Shares (assuming new Shares are issued pursuant to the exercise in full of all the 12,600,000 Share Options and which have been vested and are exercisable, and not more than 17,000,000 Shares are allotted and issued pursuant to the Schemes, but no further issue of new Shares or repurchase of Shares by the Company, on or before the Record Date) (<i>Note</i>) |

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

Number of Shares in issue immediately upon completion of the Open Offer : not less than 26,171,442,754 Shares (assuming no exercise of the outstanding Share Options which have been vested and are exercisable, no issue of Shares under the Scheme and no further issue of new Shares or repurchase of Shares by the Company on or before the Record Date) and not more than 26,230,642,754 Shares (assuming not more than 17,000,000 Shares are allotted and issued pursuant to the Schemes, and new Shares are issued pursuant to the exercise in full of all the 12,600,000 Share Options which have been vested and are exercisable, but no further issue of new Shares or repurchase of Shares by the Company, on or before the Record Date) (*Note*)

Note:

As at the Latest Practicable Date, the Company has outstanding Share Options carrying rights to subscribe for a total of 18,000,000 new Shares under the Share Option Scheme. Out of such outstanding Share Options, 12,600,000 Share Options have been vested and exercisable, and 5,400,000 Share Options have not been vested and therefore are not exercisable as at the Latest Practicable Date and on or before the Record Date. Assuming no further grant of Share Options by the Company and exercise in full of the subscription rights attaching to such outstanding and exercisable Share Options, an additional 12,600,000 Offer Shares may be issued upon the exercise of such vested and exercisable Share Options.

As at the Latest Practicable Date, taking into account and consistent with past practice of the Company, the Board has not yet approved, but expects to approve within July 2016 (i.e. before the Record Date), to allot and issue up to not more than 17,000,000 Shares to the Trustee who will hold such Shares as trust for the eligible employees of the Group under the Deferred Annual Bonus Scheme, the Executive Performance Share Scheme and the Performance Share Scheme. Such Shares will be allotted and issued under the General Mandate and will not cause the Company to exceed the General Mandate, and no Shares will be allotted and issued to the connected persons of the Company.

Having considered that: (a) the Deferred Annual Bonus Scheme, the Executive Performance Share Scheme and the Performance Share Scheme were adopted by the Company as a long term incentive plan for its employees; (b) the objectives of each of the Deferred Annual Bonus Scheme, the Executive Performance Share Scheme and the Performance Share Scheme are to (i) drive success and growth in the shareholder value of the Group and (ii) create long-term value for the eligible employees of the Group; (c) the expected allotment and issue of not more than 17,000,000 Shares to the Trustee who will hold such Shares or trust for the eligible employees of the Group under the Deferred Annual Bonus Scheme, the Executive Performance Share Scheme and the Performance Share Scheme is consistent with past practice of the Company; (d) any Shares to be allotted under the Schemes on or before the Record Date would entitle the employees to participate in the Open Offer as the Qualifying Shareholders to participate in the enlargement of the capital base of the Company and subscribe for their pro-rata entitlement to the Offer Shares for the purpose of maintaining their respective existing shareholding interests in the Company, the Directors are of the view that it is fair and reasonable and in the interests of the Company and its Shareholders as a whole to take such number of Shares to be allotted under the Schemes into account in calculating the maximum number of Offer Shares to be allotted and issued under the Open Offer and the amount of proceeds to be received by the Company.

Save for the outstanding Share Options, as at the Latest Practicable Date, the Company has no outstanding convertible securities, options or warrants in issue which confer any right to subscribe for, convert or exchange into Shares.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

Assuming no exercise of the outstanding Share Options which have been vested and are exercisable and there is no further issue of new Shares or repurchase of Shares by the Company on or before the Record Date, the minimum number of Offer Shares proposed to be allotted, being 13,085,721,377 new Shares, represents 100% of the Company's issued share capital as at the Latest Practicable Date and 50.00% of the Company's issued share capital as enlarged by the issue of the minimum number of Offer Shares.

Assuming not more than 17,000,000 Shares are allotted and issued pursuant to the Schemes and new Shares are issued pursuant to the exercise in full of all the 12,600,000 Share Options which have been vested and are exercisable, but no further issue of new Shares or repurchase of Shares by the Company, on or before the Record Date, the maximum number of Offer Shares proposed to be allotted, being 13,115,321,377 new Shares, represents approximately 100.23% of the Company's issued share capital as at the Latest Practicable Date and 50.00% of the Company's issued share capital as enlarged by the issue of the maximum number of Offer Shares.

Subscription Price

The Subscription Price of HK\$0.20 per Offer Share will be payable in full upon application.

The Subscription Price represents:

- (i) a discount of approximately 52.38% to the closing price of HK\$0.420 per Share as quoted on the Stock Exchange on the Last Trading Day;
- (ii) a discount of approximately 35.48% to the theoretical ex-entitlement price of approximately HK\$0.310 per Share based on the closing price of HK\$0.420 per Share as quoted on the Stock Exchange on the Last Trading Day;
- (iii) a discount of approximately 51.57% to the average closing price of approximately HK\$0.413 per Share for the last five consecutive trading days up to and including the Last Trading Day;
- (iv) a discount of approximately 51.28% to the average closing price of approximately HK\$0.411 per Share for the last ten consecutive trading days up to and including the Last Trading Day;
- (v) a discount of approximately 61.76% to the net asset value per Share of approximately HK\$0.523 (based on the latest audited consolidated net asset value of the Group of HK\$6,841,609,000 as at 31 December 2015 and 13,085,721,377 Shares in issue as at the Latest Practicable Date); and

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

- (vi) a discount of approximately 36.51% to the closing price of HK\$0.315 per Share as quoted on the Stock Exchange on the Latest Practicable Date.

Historical share price performance

According to the management of the Company, the Subscription Price was determined after arm's length negotiations between the Company and the Underwriter with reference to, among other things, the recent financial market performance in the last six months, the prevailing market price since January 2016, the theoretical ex-entitlement price and trading liquidity of the Shares in the last six months and the financial and working capital requirements of the Group for at least twelve months from the date of the Circular.

In order to assess the fairness and reasonableness of the Subscription Price, we have reviewed the trading price of the Shares for a twelve-month period from 2 June 2015, up to the Last Trading Day and prior to the date of the Underwriting Agreement (the "**Review Period**"), for the purpose of illustrating the trend of the share price performance of the Shares. The chart below illustrates the daily closing price of the Shares versus the Subscription Price of HK\$0.20 during the Review Period:



Source: the website of the Stock Exchange

As shown in the above chart, we noted that there was a general downward trend of closing price of the Shares since July 2015. During the Review Period, the highest closing price and the lowest closing price of the Shares were HK\$1.58 on 24 June 2015 and HK\$0.335 on 30 March 2016. The Subscription Price of HK\$0.20 is lower than all the daily closing price of the Shares during the Review Period, representing a discount of approximately

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

87.34% and 40.30% to such highest and lowest closing prices of the Shares during the Review Period. As noted in the Letter from the Board, the Directors consider that the Subscription Price which has been set at a discount to the recent closing prices of Shares can encourage existing Shareholders to take up their entitlements so as to participate in the potential growth of the Company. Having taken into consideration that it is common for the listed issuers in Hong Kong to issue offer shares at a discount to the prevailing market prices of the relevant shares so as to enhance the attractiveness of an open offer transaction as discussed in section headed "Comparison with other open offers" below, we are of the view that the setting of Subscription Price at a discount to the prevailing market price of the Shares is in line with common market practice.

We have also assessed the correlation between the attractiveness of open offer and the level of discount rates and are given to understand that a higher level of discount rates may not guarantee a higher subscription rate, as there are numerous factors that would affect the attractiveness of the open offer, including but not limited to, the subscription price and subscription ratio for the open offer, the prevailing market conditions and the then financial position and business prospects of the listed issuer. Given that (i) the general declining trend of the trading prices of the Shares in the past twelve months; (ii) the net loss recorded by the Company for the year ended 31 December 2015; (iii) the funding needs of approximately HK\$2,600 million to be achieved by the Group, we are of the view and concur with the view of Directors that it will be difficult to attract the Qualifying Shareholders to reinvest in the Company through the Open Offer if the Subscription Price is not set at a relatively deep discount to the historical trading prices of the Shares.

As the Offer Shares are offered to all Qualifying Shareholders, we are advised by the Directors that they would like to set and maintain the Subscription Price at the current discount level that would attract all the Qualifying Shareholders and encourage them to participate in the Open Offer and accordingly maintain their shareholdings in the Company and participate in the future growth of the Company.

Regarding our analyses on the discount rate of the Subscription Price, we have considered (i) the past share price performance of the Company as shown above; (ii) the need of increasing the attractiveness of the Open Offer to the Qualifying Shareholders and the Underwriter; (iii) it is a common market practice that the subscription price represents a discount to the prevailing market prices of the relevant shares so as to encourage the existing shareholders to participate in it; and (iv) the discounts represented by the Subscription Price to the all the closing price of the Shares falls within the relevant range of the comparable issues, details of which are shown in the section headed "Comparison with other open offers" below, we consider that the discount rate of the Subscription Price to the prevailing market price of the Shares is fair and reasonable and is in the interest of the Company and its Shareholders as a whole.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

Comparison with other open offers

To further assess the fairness and reasonableness of the Open Offer, we have selected and identified an exhaustive list of 11 open offers conducted by companies (the “**Comparables**”) listed on the Stock Exchange for the three-month period from 2 March 2016 up to and including the date of the Underwriting Agreement (the “**Comparable Period**”), for comparison purpose. We are of the view that the Comparable Period could provide us with the recent relevant information on the market condition and sentiment, which plays an important role in the determination of the subscription price of an open offer in general. Furthermore, we consider that the selection of the three-month Comparable Period is appropriate for our analysis as a result of such period represents the recent structure of open offer transactions in the Hong Kong stock market under the prevailing market condition. We also attempted to include criteria to focus on companies listed on the Stock Exchange (i) which are principally engaged in the oil and gas industry, but noted that only one of them conducted an open offer in the Comparable Period and we considered the sample size is not adequate for comparison purpose; and (ii) with similar scale of operation or financial position, but noted that none of the Comparables have a comparable market capitalisation or net asset value to the Company.

We noted that the business activities of the Comparables are not directly comparable to those carried out by the Group and the terms of the open offer of the Comparables may vary from companies with different business nature, financial performance, future prospects and funding requirements. Nevertheless, based on (i) the Comparables are the most recent open offer transactions announced to the public as accepted by other equity underwriters in Hong Kong in the recent three months prior to the date of the Underwriting Agreement; (ii) the terms of the Comparables were determined under similar market condition and sentiment and they might be able to reflect the recent trend of open offer transactions in the Hong Kong stock market; (iii) the price performance of the Shares was generally in line with the movements of Hang Seng Index during the Comparable Period; and (iv) the size of Comparables is adequate with more than ten samples for the purpose of comparison during the Comparable Period, we are of the opinion that the Comparables are fair and representative samples for comparison purpose in arriving our opinion in relation to (i) the subscription prices of other proposed open offers as compared to the prevailing market prices of the relevant shares; (ii) maximum dilution effect; (iii) underwriting commissions; and (iv) application for excess offer shares under the recent market conditions and sentiments.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

Details regarding the Comparables are set out below:

| Date of announcement | Company | Stock code | Basis of entitlement | Excess application | Discount of subscription price to closing price on last trading day or the date of announcement (approximate %) <i>(Note 1)</i> | Discount of subscription price to the theoretical ex-entitlement price on last trading day or the date of announcement (approximate %) <i>(Note 1)</i> | Value of maximum underwritten shares at subscription price <i>(HK\$ million)</i> | Underwriting commission (%) <i>(Note 2)</i> | Maximum dilution of shareholding (%) |
|----------------------|-------------------------------------|------------|----------------------|--------------------|--|---|---|--|--------------------------------------|
| 25/5/2016 | TC Orient Lighting Holdings Limited | 515 | 1 for 2 | No | 70.15 | 61.09 | 27.84 | 1.25 | 33.33 |
| 17/5/2016 | Newtree Group Holdings Limited | 1323 | 3 for 2 | No | 56.84 | 34.50 | 204.69 | 4.00 | 60.00 |
| 16/5/2016 | Culture Landmark Investment Limited | 674 | 1 for 2 | No | 49.15 | 38.78 | 98.15 | 0.00 | 33.33 |
| 6/5/2016 | Rosan Resources Holdings Limited | 578 | 1 for 2 | Yes | 68.25 | 58.90 | 24.42 | 0.00 | 33.33 |
| 3/5/2016 | China Innovation Investment Limited | 1217 | 1 for 1 | Yes | 5.66 | 3.85 | 213.36 | 3.00 | 50.00 |
| 8/4/2016 | Titan Petrochemicals Group Limited | 1192 | 1 for 3 | Yes | 59.35 | 52.27 | 782.06 | 0.00 | 25.00 |
| 1/4/2016 | Neptune Group Limited | 70 | 1 for 2 | No | 32.30 | 24.10 | 66.35 | 3.00 | 33.33 |
| 29/3/2016 | Aurum Pacific (China) Group Limited | 8148 | 1 for 2 | No | 2.04 | 1.23 | 60.48 | 2.50 | 33.33 |
| 24/3/2016 | Amax International Holdings Limited | 959 | 1 for 2 | No | 69.23 | 60.00 | 34.08 | 5.00 | 33.33 |
| 11/3/2016 | Grand Peace Group Holdings Limited | 8108 | 10 for 1 | No | 22.58 | 15.38 | 362.66 | 3.50 | 90.91 |
| 7/3/2016 | The Grande Holdings Limited | 186 | 5 for 2 | No | 78.78 | 51.47 | 100.10 | 0.00 | 71.43 |
| | | | | Maximum | 78.78 | 61.09 | 782.06 | 5.00 | 90.91 |
| | | | | Minimum | 2.04 | 1.23 | 24.42 | 0.00 | 25.00 |
| | | | | Average | 46.76 | 36.51 | 179.47 | 2.02 | 45.21 |
| | The Company | | 1 for 1 | Yes | 52.38 | 35.48 | 1,096.21 | 3.00 | 50.00 |

Source: *the Stock Exchange*

Notes:

- Based on the figures disclosed in the initial announcement of the Comparables respectively.
- Maximum dilution effect of each open offer is calculated as: (number of new shares to be issued under the basis of entitlement) / (number of existing shares held for the entitlement for the new shares under the basis of entitlement + number of new shares to be issued under the basis of entitlement) x 100%.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

As shown on the above list of the Comparables, the subscription prices of all of the Comparables are set at discounts to relevant market price, ranging from a discount of approximately 2.04% to 78.78%, with an average discount of approximately 46.76%. The discount represented by the Subscription Price to the closing price of the Shares on the Last Trading Day of approximately 52.38% is higher than the average discount but within the range of discounts of the Comparables. We also noted that out of the 11 Comparables, 6 of which set the subscription price of the offer shares at discount deeper than the average discount of the Comparables.

Having taken into account that:

- (i) the discount represented by the Subscription Price to the closing price of the Shares on the Last Trading Day is higher than the average but falls within the relevant range of the Comparables;
- (ii) the discount represented by the Subscription Price to the theoretical ex-entitlement price of the Shares on the Last Trading Day is lower than the average and falls within the relevant range of the Comparables;
- (iii) it is the common practice by the Comparables to set their subscription prices at a discount to the prevailing market prices of the relevant shares in order to enhance the attractiveness of an open offer exercise; and
- (iv) the Open Offer is fair and reasonable when compare to other alternatives as stated in the section headed "Other fund raising alternatives considered by the Group and the reasons for choosing the Open Offer as funding method" above,

we consider it is inevitable for the Company to set the Subscription Price at discount so as to increase the attractiveness of the Open Offer to all the Qualifying Shareholders and to induce the Underwriter to participate the underwriting of the Open Offer.

Having considered the abovementioned and that all Qualifying Shareholders are offered an equal opportunity to participate in the Open Offer and to take up their entitlements in full at the same price to maintain their respective shareholdings in the Company, we are of the opinion and concur with the Directors' view that the discount rate of the Subscription Price as compared to the recent market prices of the Shares would encourage Shareholders to participate in the Open Offer and that the Subscription Price is fair and reasonable and the maximum dilution effect of the Open Offer as stated in the section headed "Potential dilution effect on the interests of the Independent Shareholders" is acceptable so far as the Independent Shareholders are concerned.

5. Underwriting Agreement

Pursuant to the terms of the Underwriting Agreement, the Underwriter has conditionally agreed to fully underwrite all Offer Shares (other than those which have been undertaken to be subscribed by the Committed Shareholders), being not less than 5,451,433,702 Shares (assuming no exercise of the outstanding Share Options which have been vested and are exercisable and there is no further issue of new Shares or repurchase of Shares by the Company on or before the Record Date) and not more than 5,481,033,702 Shares (assuming not more than 17,000,000 Shares are allotted and issued pursuant to the Schemes, and, new Shares are issued pursuant to the exercise in full of all the 12,600,000 Share Options which have been vested and are exercisable, but no further issue of new Shares or repurchase of Shares by the Company on or before the Record Date).

The underwriting commission will be payable by the Company to the Underwriter at 3.00% of a sum which is equal to the Subscription Price multiplied by the number of Underwritten Shares to be determined based on the number of issued Shares on the Record Date. As stated in the Letter from the Board, the amount of commission was determined after arm's length negotiation between the Company and the Underwriter, by reference to the existing financial position of the Company, the size of the Open Offer, and the current and expected market conditions and as compared to the market practice.

Based on our review of the underwriting arrangements of the Comparables set out in the table under the sub-section headed "Comparison with other open offers" above, we noted that (i) the rates of the underwriting commission paid by the Comparables ranged from nil to 5.00% with an average commission rate of 2.02%; and (ii) the value of the Underwritten Shares at Subscription Price is significantly larger than each of the Comparables.

In view of (i) the value of the Underwritten Shares at Subscription Price is significantly larger than each of the Comparables, a commission rate that is slightly higher than the average commission rate of the Comparables may be required to induce the Underwriter to participate in the Open Offer given that the Group had approached three financial institutions to negotiate other fundraising options in raising such significant size of funding but did not receive any positive feedback from any of them except the Underwriter; and (ii) the determined commission rate of 3.00% is still within the range charged by other underwriters to the Comparables, we consider the underwriting commission is in line with the market practice and is fair and reasonable so far as the Independent Shareholders are concerned.

6. Application for excess Offer Shares

Pursuant to the terms of the Open Offer, Qualifying Shareholders shall be entitled to apply for entitlements of Offer Shares which are not taken up by other Qualifying Shareholders in excess of their own assured allotments but are not assured of being allocated any Offer Shares in excess of those in their assured allotments. Any remaining Underwritten Shares not applied for by the Qualifying Shareholders will be taken up by the Underwriter. Further details of application are disclosed in the Letter from the Board. We are of the view that the above excess application mechanism is fair and reasonable as Qualifying Shareholders are given the first right to subscribe for any Offer Shares not taken up before the Underwriter.

The Company will allocate the excess Offer Shares at its discretion on a fair and equitable basis as far as practicable, according to the following principles:

- (i) subject to availability of excess Offer Shares, the excess of Offer Shares will be allocated to Qualifying Shareholders who apply for them on a pro rata basis by reference to the number of the excess of Offer Shares applied for by all such Qualifying Shareholders; and
- (ii) no preference will be given to topping-up odd lots to whole board lots, as the giving of such preference may potentially be abused by certain investors by splitting their Shares and thereby receiving more Offer Shares than they would receive if such preference is not given, which is an unintended and undesirable result.

The above two allocation principles are in line with common market practice and we are of the view that such arrangement is fair and reasonable and is in the interests of the Company and its Shareholders as a whole.

7. Potential dilution effect on the interests of the Independent Shareholders

The table which demonstrates the possible shareholding structure of the Company as at the Latest Practicable Date and upon completion of the Open Offer is set out in the section headed "Shareholding Structure of the Company" in the Letter from the Board.

Upon completion of the Open Offer, not less than 13,085,721,377 Shares (assuming no exercise of the outstanding Share Options which have been vested and are exercisable, no Share under the Scheme is issued and there is no further issue of new Shares or repurchase of Shares by the Company on or before the Record Date) and not more than 13,115,321,377 Shares (assuming new Shares are issued pursuant to the exercise in full of all the 12,600,000 Share Options and which have been vested and are exercisable, and not more than 17,000,000 Shares are allotted and issued pursuant to the Schemes, but no further issue of new Shares or repurchase of Shares by the Company, on or before the Record Date) will be issued.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

The Independent Shareholders who are Qualifying Shareholders should note that, if they decide to subscribe for their provisional allotment entitlements of the Offer Shares in full, there would not be any dilution effect on their shareholding interests in the Company. However, we would like to draw the Qualifying Shareholders' attention to the fact that, for those Qualifying Shareholders who do not wish to take up all or part of their provisional allotment entitlements to the Offer Shares, their corresponding interest in the Company will be diluted. In view that the Company sets the Subscription Price at a discount, the Qualifying Shareholders are more likely to be attracted to participate in the Open Offer so as their shareholding are not to be diluted. Nevertheless, if all the Qualifying Shareholders (other than the Underwriter) still decide not to take up the provisional allotments of the Open Offer and the Underwriter has taken up all the provisional allotments in its capacity as the Underwriter, the percentage of shareholding of the existing Shareholders will be reduced from 28.33% to 14.13% (assuming a maximum of 17,000,000 Shares are allotted and issued pursuant to the Schemes, and new Shares are issued pursuant to the exercise in full of all the 12,600,000 Share Options which have been vested and are exercisable, but no further issue of new Shares or repurchase of Shares by the Company, on or before the Record Date). The possible maximum dilution effect on the existing shareholding interest of those Qualifying Shareholders who do not subscribe for the Offer Shares is approximately 50.12% as a result of the Open Offer.

As shown under the section headed "Comparison with other open offers", we note that the maximum dilution effect of the Comparables ranges from approximately 25.00% to approximately 90.91%, with an average of approximately 45.21%. The maximum dilution effect of the Open Offer of 50.00% and the above possible maximum dilution effect on the shareholding interest of the non-participating Qualifying Shareholders of approximately 50.12% are both within the range and close to the average of the maximum dilution effect of the Comparables.

Having considered that (i) the intended use of proceeds of the Open Offer will enable the Group to broaden its capital base and will facilitate the long-term development of the Company; (ii) the Subscription Price represents a discount to the Share price as at the Last Trading Day and to the theoretical ex-entitlement price may likely to attract the Qualifying Shareholders to participate in the Open Offer; (iii) the inherent dilutive nature of open offer to all the non-participating Qualifying Shareholders is inevitable; (iv) the possible maximum dilution effect on the shareholding interest of the non-participating Qualifying Shareholders is also within the range and close to the average of the maximum dilution effect of the Comparables; and (v) the Open Offer is on the basis that all Qualifying Shareholders have been offered the equal opportunity to maintain their proportional interests in the Company, we are of the view that the maximum dilution effect on the existing shareholding interest of Independent Shareholders, which may only result when Qualifying Shareholders do not participate in the Open Offer, is acceptable.

8. Financial effects of the Open Offer

Net tangible assets

According to the unaudited pro forma financial information of the Group set out in Appendix II to the Circular, the consolidated net tangible assets of the Group attributable to the owners of the Company as at 31 December 2015 is approximately HK\$4,030.1 million and the consolidated net tangible assets of the Group per Share before the Open Offer is approximately HK\$0.31.

- (a) *Based on 26,171,442,754 Shares in issue, which comprise (i) 13,085,721,377 Shares in issue as at 31 December 2015 and (ii) 13,085,721,377 Offer Shares expected to be issued on the completion of the Open Offer by the basis of one Offer Share for every one Share in issue and held on the Record Date of the Open Offer, and assumed that all outstanding Share Options as at 31 December 2015 would not be exercised and no allotment of the Schemes' shares would be made before the Record Date of the Open Offer.*

According to the unaudited pro forma financial information of the Group set out in Appendix II to the Circular, after taking into account the inflow of the estimated net proceeds from the Open Offer, the unaudited pro forma adjusted consolidated net tangible assets of the Group will increase to HK\$6,605.3 million. Immediately after completion of the Open Offer, the total number of Shares would increase to 26,171,442,754 Shares, the unaudited pro forma adjusted consolidated net tangible assets of the Group per Share will decrease to approximately HK\$0.25.

- (b) *Based on 26,230,642,754 Shares in issue, which comprise (i) 13,085,721,377 Shares in issue as at 31 December 2015; (ii) approximately 17,000,000 Shares to be allotted and issued to the Trustee who will hold such Shares on trust for eligible employees of the Group pursuant to the Performance Share Scheme, Executive Performance Share Scheme and Deferred Annual Bonus Scheme of the Company, by the Record Date of the Open Offer; (iii) issue of 12,600,000 Shares upon exercise of 12,600,000 Share Options by the Record Date of the Open Offer; and (iv) 13,115,321,377 Offer Shares expected to be issued on the completion of the Open Offer by the basis of one Offer Share for every one Share in issue and held on the Record Date of the Open Offer. Such Shares to be allotted and issued to the Trustee who will hold such Shares on trust for the eligible employees of the Group under the Performance Share Scheme, the Executive Performance Share Scheme and the Deferred Annual Bonus Scheme will be issued under the General Mandate and will not cause the Company to exceed the General Mandate, and no Shares will be allotted and issued to the connected*

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

persons of the Company. The Company will arrange the subscription money for such Shares from the Company's internal resources, and no funds will be raised by the Company.

According to the unaudited pro forma financial information of the Group set out in Appendix II to the Circular, after taking into account the inflow of the estimated net proceeds from the Open Offer, the unaudited pro forma adjusted consolidated net tangible assets of the Group will increase to HK\$6,626.2 million. Immediately after completion of the Open Offer, the total number of Shares would increase to 26,230,642,754 Shares, the unaudited pro forma adjusted consolidated net tangible assets of the Group per Share will decrease to approximately HK\$0.25.

Working capital

According to the Annual Results, the audited net current assets of the Group as at 31 December 2015 are HK\$2,063.4 million. Immediately after completion of the Open Offer, the net current assets of the Group will increase by not less than HK\$2,575.2 million. In this regard, we are of the view that the Open Offer will improve the liquidity position of the Group.

Based on the foregoing, although the unaudited net tangible assets of the Group per Share will be diminished, the Open Offer will enhance the net asset value and improve the liquidity position of the Group. Hence, we are of the view that the Open Offer is in the interest of the Company and its Shareholders as a whole.

RECOMMENDATION

Taken into account the principal factors and reasons regarding the Open Offer including:

- (a) the net proceeds of the Open Offer will facilitate the long-term development of the Company;
- (b) the Open Offer would be a preferred method of equity financing as it will allow all the Qualifying Shareholders to maintain their respective pro-rata shareholding interests in the Company and to continue to participate in the growth and development of the Group;
- (c) the discount of the Subscription Price to the prevailing market price of the Shares is necessary to encourage the Qualifying Shareholders to participate in the Open Offer;
- (d) the major terms of the Underwriting Agreement is in line with the general market practice;

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

- (e) the possible maximum dilution effect on the shareholding interest of the non-participating Qualifying Shareholders of approximately 50.12% is within the range and close to the average of the maximum dilution effect of the Comparables; and
- (f) the Open Offer will enhance the net asset value of the Group and improve the liquidity position of the Group,

we consider that the terms of the Open Offer are on normal commercial terms, fair and reasonable so far as the Independent Shareholders are concerned and are in the interests of the Company and its Shareholders as a whole. Accordingly, we advise the Independent Board Committee to recommend the Independent Shareholders, and we also recommend the Independent Shareholders, to vote in favour of the ordinary resolution(s) to be proposed at the SGM to approve the Open Offer.

Yours faithfully,
For and on behalf of
Donvex Capital Limited
Vily Leung
Director

1. SUMMARY OF FINANCIAL INFORMATION

The financial information of the Group for (i) 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 104; (ii) for 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 pages 41 to 110, and (iii) for the year ended 31 December 2015 is disclosed in the annual report of the Company for the year ended 31 December 2015 published on 20 April 2016, from pages 46 to 122, all of which have been published on the website of the Stock Exchange (www.hkex.com.hk) and the website of the Company (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.

During 2015, international oil prices exacerbated its prior year loss with Brent Oil diving below US\$40 per barrel. The weak oil price environment had also impact on the Group's financial performance. For the year ended 31 December 2015, the Group recorded a net loss attributable to the owners of the Company of approximately HK\$2,943,674,000 (2014: net profit of HK\$1,827,887,000). The net loss was primarily attributable to the recognition of non-cash impairment and written off losses in aggregate of approximately HK\$5,821,284,000. Though 2015 was a challenging year, the Group's operation in Pakistan had an encouraging performance. The average daily production grew by 36.9% to 64,464 barrels of oil equivalent per day ("boed") and proved reserves was increased by 13.0% to 95 million barrels of oil equivalent. It was a proof of the Group's commitment to deliver to its 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 its Shareholders.

Event after 31 December 2015 being the date on which the latest published audited financial statements of the Group were made up

The Group expects the international oil prices in 2016 maintaining at a relative low level. Under this environment, the Group has strategy to maintain stable production and place focus on building up reserves to prepare for recovery of the international oil market. For the first quarter of 2016, the Group's operation in Pakistan has achieved production of 68,000 boed and has four new discoveries. For

the full year of 2016, the production is projected to be in the range of 62,000 to 66,000 boed and the proved reserve replacement ratio is expected to be between 110% and 130%.

3. INDEBTEDNESS

As at the close of business on 31 May 2016, being the latest practicable date for the purpose of this statement of indebtedness prior to the printing of this circular, the indebtedness of the Group was as follows:

Borrowings

The Group had outstanding borrowings of approximately HK\$4,627 million, comprise of the following:

- The Group had secured bank loan of approximately HK\$3,744 million (equivalent to US\$480 million) which was secured by (i) account charges over the Group's bank and cash balances of approximately HK\$997 million (equivalent to US\$128 million); (ii) a share charge over the entire equity interests of the wholly owned subsidiaries of the Group, United Energy Group (Hong Kong) Limited, United Energy Pakistan Limited ("UEPL"), United Energy Pakistan Holdings Limited and Gold Trade International Limited; (iii) a corporate guarantee executed by the China Development Bank Corporation, Beijing Branch which was counter guaranteed by a related company of the Group to the extent of approximately HK\$3,744 million (equivalent to US\$480 million); and (iv) a 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 bank and cash balances of approximately HK\$149 million (equivalent to RMB127 million) were pledged for such bank loan;
- The Group issued approximately HK\$562 million (equivalent to S\$100 million) first medium term notes (the "First Drawdown Notes") on 17 October 2014. The First Drawdown Notes were 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 the financial assets at fair value through profit or loss of the Group with the carrying value of approximately HK\$200 million (equivalent to US\$26 million);

- Unsecured amounts due to directors of approximately HK\$9 million; and
- The Group had bills payable of approximately HK\$19 million (equivalent to RMB16 million), which was secured by a pledged bank deposits of approximately HK\$19 million (equivalent to RMB16 million).

Contingent liabilities

Other than the corporate guarantees given by the Company for the borrowings as disclosed above, the Group has the following contingent liabilities:

The Company 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 UEPL with all necessary financial and other means to enable UEPL to fully perform its obligations as stipulated in the concession agreements.

Bank guarantees of HK\$1.6 million (equivalent to PKR20.8 million) were granted to the third parties in favour of the Group and the Group's bank deposits of HK\$1.6 million (equivalent to PKR20.8 million) were pledged for such bank guarantees given.

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 May 2016.

To the best knowledge of the Directors, there has not been any material change in the indebtedness and contingent liabilities of our Group since 31 May 2016 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 estimated net proceeds to be raised from the Open Offer, the internally generated funds, the present bank and other facilities, 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 since 31 December 2015, being the date to which the latest published audited financial statements of the Group were made up.

**A. UNAUDITED PRO FORMA STATEMENT OF ADJUSTED CONSOLIDATED
NET TANGIBLE ASSETS OF THE GROUP**

The unaudited pro forma statement of adjusted consolidated net tangible assets of the Group prepared in accordance with Paragraph 13 of Appendix 1B and Paragraph 29 of Chapter 4 of the Listing Rules is set out below to illustrate the effects of the Open Offer on the consolidated net tangible assets of the Group as if the Open Offer had taken place on 31 December 2015.

The unaudited pro forma statement of adjusted consolidated net tangible assets of the Group has been prepared for illustrative purposes only, based on the judgements and assumptions of the Directors of the Company, and because of its hypothetical nature, may not give a true picture of the financial position of the Group following the Open Offer.

The following unaudited pro forma statement of adjusted consolidated net tangible assets of the Group is based on the audited consolidated net tangible assets of the Group attributable to owners of the Company as at 31 December 2015 as extracted and derived from the Group's audited consolidated financial statements for the year ended 31 December 2015 included in the annual report of the Group and adjusted as described below:

| | Audited consolidated net tangible assets of the Group attributable to owners of the Company as at 31 December 2015 <i>HK\$'000</i> | Proceeds from issue of shares upon exercise of the exercisable Share Options <i>HK\$'000</i> | Estimated net proceeds from the Open Offer <i>HK\$'000</i> | Unaudited pro forma adjusted consolidated net tangible assets of the Group attributable to owners of the Company immediate after the completion of the Open Offer <i>HK\$'000</i> |
|---|--|---|---|--|
| Based on 13,085,721,377 Offer Shares issued, without exercise of the exercisable Share Options and no allotment of the Schemes' shares (<i>Note 4</i>) | 4,030,061 | - | 2,575,240 | 6,605,301 |
| | <u>(<i>Note 1</i>)</u> | | <u>(<i>Note 3</i>)</u> | |
| Based on 13,115,321,377 Offer Shares issued, with the exercise of 12,600,000 exercisable Share Options and after the allotment of the Schemes' shares (<i>Note 7</i>) | 4,030,061 | 15,120 | 2,580,982 | 6,626,163 |
| | <u>(<i>Note 1</i>)</u> | <u>(<i>Note 5</i>)</u> | <u>(<i>Note 6</i>)</u> | |

Audited consolidated net tangible assets of the Group per share attributable to owners of the Company as at 31 December 2015 (*Note 2*)

HK\$0.31

Unaudited pro forma adjusted consolidated net tangible assets of the Group per share attributable to owners of the Company immediately after the completion of the Open Offer, without exercise of the exercisable Share Options and no allotment of the Schemes' shares (*Note 4*)

HK\$0.25

Unaudited pro forma adjusted consolidated net tangible assets of the Group per share attributable to owners of the Company immediately after the allotment of the Schemes' shares, the exercise of 12,600,000 exercisable Share Options and the completion of the Open Offer (*Note 7*)

HK\$0.25

Notes:

1. The amount is determined based on the consolidated net assets of the Group attributable to owners of the Company of approximately HK\$6,811,894,000 adjusted for the intangible assets of the Group attributable to owners of the Company of approximately HK\$2,781,833,000 as extracted and derived from the audited consolidated statement of financial position of the Group as at 31 December 2015 included in the published annual report of the Company for the year ended 31 December 2015.
2. The number of shares used for the calculation of the audited consolidated net tangible assets of the Group per share attributable to owners of the Company as at 31 December 2015 is based on 13,085,721,377 Shares in issue as at 31 December 2015.
3. As a result of 13,085,721,377 Offer Shares to be issued as mentioned in note 4 below, the estimated net proceeds of approximately HK\$2,575,240,000 from the Open Offer are calculated based on gross proceeds of approximately HK\$2,617,144,000 from the issue of 13,085,721,377 Offer Shares at the Subscription Price of HK\$0.20 per Offer Share, less estimated underwriting fees and other share issue related expenses of approximately HK\$41,904,000.
4. The unaudited pro forma adjusted consolidated net tangible assets of the Group per share attributable to the owners of the Company immediately after the completion of the Open Offer, without exercise of the exercisable Share Options and no allotment of the Schemes' shares is calculated based on 26,171,442,754 Shares in issue, which comprise (i) 13,085,721,377 Shares in issue as at 31 December 2015 and (ii) 13,085,721,377 Offer Shares expected to be issued on the completion of the Open Offer by the basis of one Offer Share for every one Share in issue and held on the Record Date of the Open Offer, and assumed that all outstanding Share Options as at 31 December 2015 would not be exercised and no allotment of the Schemes' shares would be made before the Record Date of the Open Offer.

5. Assumed that all exercisable Share Options with exercise price of HK\$1.2 each as at 31 December 2015 would be exercised by the Record Date of the Open Offer, proceeds of approximately HK\$15,120,000 would be received by the Company upon exercise of 12,600,000 Share Options and 12,600,000 Shares would be issued to the holders of the Share Options by the Company.
6. As a result of 13,115,321,377 Offer Shares to be issued as mentioned in note 7 below, the estimated net proceeds of approximately HK\$2,580,982,000 from the Open Offer are calculated based on gross proceeds of approximately HK\$2,623,064,000 from the issue of 13,115,321,377 Offer Shares at the Subscription Price of HK\$0.20 per Offer Share, less estimated underwriting fees and other share issue related expenses of approximately HK\$42,082,000.
7. The unaudited pro forma adjusted consolidated net tangible assets of the Group per share attributable to owners of the Company immediately after the allotment of the Schemes' shares, the exercise of the Share Options as mentioned in note 5 above and the completion of the Open Offer is calculated based on 26,230,642,754 Shares in issue, which comprise (i) 13,085,721,377 Shares in issue as at 31 December 2015; (ii) approximately 17,000,000 Shares to be allotted and issued to the Trustee who will hold such Shares on trust for eligible employees of the Group pursuant to the Performance Share Scheme, Executive Performance Share Scheme and Deferred Annual Bonus Scheme of the Company, by the Record Date of the Open Offer; (iii) issue of 12,600,000 Shares upon exercise of 12,600,000 Share Options by the Record Date of the Open Offer; and (iv) 13,115,321,377 Offer Shares expected to be issued on the completion of the Open Offer by the basis of one Offer Share for every one Share in issue and held on the Record Date of the Open Offer. Such Shares to be allotted and issued to the Trustee who will hold such Shares on trust for the eligible employees of the Group under the Performance Share Scheme, the Executive Performance Share Scheme and the Deferred Annual Bonus Scheme will be issued under the General Mandate and will not cause the Company to exceed the General Mandate, and no Shares will be allotted and issued to the connected persons of the Company. The Company will arrange the subscription money for such Shares from the Company's internal resources, and no funds will be raised by the Company.
8. No adjustment has been made to reflect any trading results or other transactions of the Group entered into subsequent to 31 December 2015.

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 Hong Kong, Certified Public Accountants, Hong Kong.



29th Floor
Lee Garden Two
28 Yun Ping Road
Causeway Bay
Hong Kong

30 June 2016

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 (the “**Directors**”) for illustrative purposes only. The pro forma financial information consists of the pro forma adjusted consolidated net tangible assets as at 31 December 2015 as set out on pages II-1 to II-3 of the Circular issued by the Company. The applicable criteria on the basis of which the Directors have compiled the pro forma financial information are described in Section A of Appendix II to the Circular.

The pro forma financial information has been compiled by the Directors to illustrate the impact of the Open Offer on the Group’s net tangible assets as at 31 December 2015 as if the transaction had been taken place at 31 December 2015. As part of this process, information about the Group’s net tangible assets has been extracted by the Directors from the Group’s consolidated financial statements as included in the annual report of the Company for the year ended 31 December 2015, on which an audit report has been published.

Directors’ Responsibility for the Pro Forma Financial Information

The Directors are responsible for compiling the pro forma financial information in accordance with paragraph 13 of Appendix 1B and 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 7 “Preparation of Pro Forma Financial Information for Inclusion in Investment Circulars” (“**AG 7**”) issued by the Hong Kong Institute of Certified Public Accountants (the “**HKICPA**”).

Our Independence and Quality Control

We have complied with the independence and other ethical requirements of the Code of Ethics for Professional Accountants issued by the HKICPA, which is founded on fundamental principles of integrity, objectivity, professional competence and due care, confidentiality and professional behavior.

The firm applies Hong Kong Standard on Quality Control 1 and accordingly maintains a comprehensive system of quality control including documented policies and procedures regarding compliance with ethical requirements, professional standards and applicable legal and regulatory requirements.

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 pro forma financial information 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 pro forma financial information 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 plans and performs procedures to obtain reasonable assurance about whether the Directors have compiled the pro forma financial information in accordance with paragraph 29 of Chapter 4 of the Listing Rules and with reference to AG 7 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 pro forma financial information, nor have we, in the course of this engagement, performed an audit or review of the financial information used in compiling the pro forma financial information.

The purpose of pro forma financial information included in the 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 31 December 2015 would have been as presented.

A reasonable assurance engagement to report on whether the pro forma financial information 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 pro forma financial information 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 pro forma financial information 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 pro forma financial information has been compiled, and other relevant engagement circumstances.

The engagement also involves evaluating the overall presentation of the pro forma financial information.

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

We make no comments regarding the reasonableness of the amount of net proceeds from the Open Offer, the application of those net proceeds, or whether such use will actually take place as described under the paragraph headed "Reasons for the Open Offer and Use of Proceeds" in the section headed "Letter from the Board" set out on pages 42 to 46 of the Circular.

Opinion

In our opinion:

- (a) the pro forma financial information 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 pro forma financial information as disclosed pursuant to paragraph 29(1) of Chapter 4 of the Listing Rules.

Yours faithfully,

RSM Hong Kong
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. SHARE CAPITAL OF THE COMPANY

The authorised and issued share capital of the Company as at the Latest Practicable Date and immediately upon completion of the Open Offer is as follows:

Authorised share capital:

| | | |
|----------------|--------|--------------------|
| 60,000,000,000 | Shares | HK\$600,000,000.00 |
|----------------|--------|--------------------|

Assuming full exercise of all the outstanding and exercisable Share Options and no other issue of any Shares on or before the Record Date:

Issued and fully-paid share capital:

| | | |
|--|--|--|
| 13,085,721,377 | Shares in issue as at the Latest Practicable Date | HK\$130,857,213.77 |
| Not less than 13,085,721,377 and not more than 13,115,321,377 | Shares to be issued pursuant to the Open Offer (<i>Note</i>) | Not less than HK\$130,857,213.77 and not more than HK\$131,153,213.77 |
| <hr/> <hr/> | | <hr/> <hr/> |
| Not less than 26,171,442,754 and not more than 26,230,642,754 | Shares in issue and fully paid immediately upon completion of the Open Offer (<i>Note</i>) | Not less than HK\$261,714,427.54 and not more than HK\$262,306,427.54 |
| <hr/> <hr/> | | <hr/> <hr/> |

Note: As at the Latest Practicable Date, the Company has outstanding Share Options carrying rights to subscribe for a total of 18,000,000 new Shares under the Share Option Scheme. Out of such outstanding Share Options, 12,600,000 Share Options have been vested and are exercisable, and 5,400,000 Share Options have not been vested and therefore are not exercisable, as at the Latest Practicable Date and on or before the Record Date. Assuming no further grant of Share Options by the Company and exercise in full of the subscription rights attaching to such outstanding and exercisable Share Options, an additional 12,600,000 Offer Shares may be issued upon the exercise of such vested and exercisable Share Options.

As at the Latest Practicable Date, taking into account and consistent with past practice of the Company, the Board has not yet approved, but expects to approve within July 2016 (i.e. before the Record Date), to allot and issue up to not more than 17,000,000 Shares to the Trustee who will hold such Shares on trust for the eligible employees of the Group under the Deferred Annual Bonus Scheme, the Executive Performance Share Scheme and the Performance Share Scheme. Such Shares will be allotted and issued under the General Mandate and will not cause the Company to exceed the General Mandate, and no Shares will be allotted and issued to the connected persons of the Company.

As at the Latest Practicable Date, save as disclosed in the paragraph headed “Share Options” in this appendix, no capital of any member of the Group was under option, or agreed conditionally or unconditionally to be put under option as at the Latest Practicable Date.

All Shares in issue rank *pari passu* in all respects with each other including, in particular, as to rights to dividends, voting rights and return of capital.

The issued Shares are listed and traded on the Main Board of the Stock Exchange. None of the securities of the Company is listed, or dealt in, on any other exchange, nor is any listing of or permission to deal in the securities of the Company being, or proposed to be, sought on any other stock exchange.

3. SHARE OPTIONS

As at the Latest Practical Date, the details of the outstanding Share Options were as follows:

| Grantees | Grant date | Exercise price per Share (HK\$) | Vesting period | Exercise period | Number of outstanding Share Options |
|-------------|----------------|---------------------------------|----------------------------------|----------------------------------|-------------------------------------|
| 8 Employees | 29 August 2012 | 1.20 | 29 August 2012 to 28 August 2013 | 29 August 2013 to 28 August 2022 | 5,400,000 |
| | | | 29 August 2012 to 28 August 2014 | 29 August 2014 to 28 August 2022 | 3,600,000 |
| | | | 29 August 2012 to 28 August 2015 | 29 August 2015 to 28 August 2022 | 3,600,000 |
| | | | 29 August 2012 to 28 August 2016 | 29 August 2016 to 28 August 2022 | 5,400,000 |
| | | | | Total | <u>18,000,000</u> |

4. 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:

| Name of Directors | Nature of Interest | Number of Shares | Approximate percentage or attributable percentage of shareholding |
|----------------------------|---|--------------------|---|
| Zhang Hong Wei (Note 2) | Attributable interest of controlled corporation | 17,011,437,790 (L) | 130.00% |
| Zhu Jun | Beneficial owner | 1,443,000 (L) | 0.01% |

Notes:

- (L) denotes long position.
- 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 (<i>Note 2</i>) | Beneficial Owner | 8,980,904,250 (L) | 68.63% (L) |
| United Petroleum & Natural Gas Holdings Limited (<i>Note 2</i>) | Beneficial Owner | 4,381,444,976 (L) | 33.48% (L) |
| United Energy Holdings Limited (<i>Note 2</i>) | Beneficial Owner | 3,649,088,564 (L) | 27.89% (L) |
| Haitong International Securities Group Limited | Beneficial Owner | 5,504,033,702 (L) | 20.95% (L) |
| Haitong Securities Co., Ltd. | Beneficial Owner | 5,504,033,702 (L) 3,000,000,000 (S) | 20.95% (L) 11.42% (S) |

Notes:

1. These companies are wholly owned by Mr. Zhang Hong Wei.
2. (L) denotes long position and (S) denotes short position.

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.

5. CORPORATE INFORMATION AND PARTIES INVOLVED IN THE OPEN OFFER

| | |
|---|---|
| Board | <i>Executive Directors:</i> Zhang Hong Wei (<i>Chairman</i>) Zhu Jun Zhang Meiying <i>Independent Non-executive Directors:</i> Chau Siu Wai San Fung Zhu Chengwu |
| Registered office | Clarendon House 2 Church Street Hamilton HM11 Bermuda |
| Head office and principal place of business in Hong Kong | Unit 2505, 25/F, Two Pacific Place 88 Queensway Hong Kong |
| Company secretary | Hung Lap Kay |
| Authorised representatives | Zhang Meiying Zhu Jun |
| Business address of Directors and authorised representatives | Unit 2505, 25/F, Two Pacific Place 88 Queensway Hong Kong |
| Underwriter | Haitong International Securities Company Limited 22/F, Li Po Chun Chambers 189 Des Voeux Road Central Hong Kong |
| Financial adviser to the Company | Haitong International Capital Limited 22/F, Li Po Chun Chambers 189 Des Voeux Road Central Hong Kong |

| | |
|--|---|
| Independent Financial Adviser to the Independent Board Committee and the Independent Shareholders | Donvex Capital Limited Unit 1305, 13/F Carpo Commercial Building 18-20 Lyndhurst Terrace Central Hong Kong |
| Legal advisers to the Company as to Hong Kong law | Simmons & Simmons 13th Floor, One Pacific Place 88 Queensway Hong Kong |
| Auditor and reporting accountant | RSM Hong Kong 29th Floor, Caroline Centre Lee Gardens Two 28 Yun Ping Road Hong Kong |
| Hong Kong branch registrar and transfer office | Tricor Secretaries Limited Level 22, Hopewell Centre 183 Queen's Road East Hong Kong |
| Principal bankers | China Development Bank, Hong Kong Branch Industrial and Commercial Bank of China (Asia) Limited Bank of Communications Company Limited, Hong Kong Branch Hongkong and Shanghai Banking Corporation Limited |
| Stock code | 467 |
| Website | http://www.uegl.com.hk/ |

6. 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).

7. 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.

8. 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.

9. 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 2015, the date to which the latest published audited financial statements of the Group were made up, up to and including the Latest Practicable Date.

10. 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 Company, as issuer and CIMB Bank Berhad in relation to the proposed issue of S\$100,000,000 6.85% first drawdown notes due 17 October 2016;
- (b) the conditional subscription agreement dated 28 August 2015 and entered into among CMBC International Holdings Limited ("**CMBCI**"), United Energy International Trading Limited ("**UEIT**"), the other co-investors participating in the subscription of an aggregate of 23,054,875,391 ordinary shares of HK\$ one third of one cent each in the share capital of Quam Limited pursuant to the terms and conditions of the Subscription Agreement ("**Other Co-Investors**") and Quam Limited; and
- (c) the consortium agreement dated 28 August 2015 and entered into among CMBCI, UEIT and the Other Co-Investors; and
- (d) the Underwriting Agreement.

11. DIRECTORS AND SENIOR MANAGEMENT OF THE COMPANY**Executive Directors**

Mr. Zhang Hong Wei, aged 61, joined the Company on 27 February 1998. Mr. Zhang is the Chairman of the Group. Mr. Zhang is also the chairman and president of Orient Group Inc. and the Deputy Chairman of China Minsheng Banking Corporation Ltd., a joint-stock bank listed on the Shanghai Exchange and on the Stock Exchange of Hong Kong Limited. Mr. Zhang has more than 30 years of experience in management in the PRC. As at the Latest Practicable Date, Mr. Zhang is beneficially interested in 9,377,150,115 shares of the Company, representing approximately 71.66% of the existing issued share capital of the Company, and is the controlling shareholder of the Company. Mr. Zhang is the father of Ms. Zhang Meiyong, an executive Director appointed on 19 June 2006.

Mr. Zhu Jun, aged 50, joined the Company on 20 October 2005 as an executive Director. Mr. Zhu is currently an executive director of China Infrastructure Holdings Limited, the shares of which are listed on The Singapore Exchange Securities Trading Limited. After graduation from the Peking University with a bachelor degree and a master degree in economics, Mr. Zhu has had over 22 years of experience in corporate finance, investment and management. As at the Latest Practicable Date, Mr. Zhu directly holds 1,443,000 shares of the Company, representing approximately 0.01% of the existing issued share capital of the Company.

Ms. Zhang Meiyong, aged 38, joined the Company on 19 June 2006 as an executive Director. Ms. Zhang previously worked in Citigroup Investment Banking Division (Hong Kong), China Minsheng Banking Corporation Limited and America Orient Group, Inc. and has over 12 years of experience in banking and financial management. Ms. Zhang Meiyong holds a BBA degree in Finance and International Business from the George Washington University, USA. Ms. Zhang has not held any directorship with other listed companies in the last 3 years. Ms. Zhang is the daughter of Mr. Zhang Hong Wei, the Chairman, executive Director and controlling shareholder of the Company.

Independent Non-executive Directors

Mr. San Fung, age 52, joined the Company on 9 November 2004 as an independent non-executive Director. Mr. San completed a course in Master of Business Administration from the International Eastwestern University of the United States and a course of EMBA from Cheung Kong Graduate School of Business and was awarded a master degree. Mr. San specialized in financial analysis in infrastructure project and has over 18 years of experience in management and business operation. Mr. San is currently the chairman of Shenzhen Jin Xun Investment Development Company Limited.

Mr. Chau Siu Wai, aged 46, joined the Company on 9 November 2004 as an independent non-executive Director. Mr. Chau obtained a master degree in business administration from Murdoch University in Australia. Mr. Chau has over 12 years of experience in financial reporting and investment analysis and is now the managing director of an investment company.

Mr. Zhu Chengwu, aged 46, joined the Company on 5 December 2005 as an independent non-executive Director. Mr. Zhu graduated from the Lanzhou Commercial College with a bachelor degree in finance. Mr. Zhu also acquired the intermediate-level accountant certificate jointly issued by the Ministry of Finance and the Ministry of Personnel of the PRC on 30 May 2000. Mr. Zhu had held senior financial positions in several PRC companies including chief financial officer of the Shanghai head office of Everbright Securities Company Limited and director and chief financial officer of Shenzhen Techo Telecom Co., Ltd. (深圳市太光電信股份有限公司).

Senior Management

Mr. Song Yu, aged 39, joined the Company in October 2009 as Investment Controller and promoted as Chief Operation Officer of the Company in October 2011. Mr. Song graduated from the Tsinghua University and obtained a bachelor's degree in physics and master's degree in law in International Economic Law. Before joining the Company, Mr. Song worked in different subsidiaries of Sinopec Group during the period from 2004 to 2009. During that time, Mr. Song served various positions including the general director in a subsidiary of Sinopec Group and focused on oil trading, procurement and technical services in relation to petroleum exploration and production, and in-house legal consultant and head of legal in other subsidiaries of Sinopec Group.

12. EXPERT AND CONSENT

The following sets out the qualifications of the experts who have given their opinions or advice as contained in this circular:

| Name | Qualification(s) |
|------------------------|--|
| RSM Hong Kong | Certified Public Accountants |
| Donvex Capital Limited | a licensed corporation under the SFO (Central Entity number ARW775) and is licensed to conduct Type 6 (advising on corporate finance) regulated activity |

- (a) Each of RSM Hong Kong and the Independent Financial Adviser has given and has not withdrawn its written consent to the issue of this circular with the inclusion of its letter, statement or advice and references to its name in the form and context in which they are included.
- (b) As at the Latest Practicable Date, each of RSM Hong Kong and Independent Financial Adviser did not have any shareholding, direct or indirect, in any member of the Group or any right (whether legally enforceable or not) to subscribe for or to nominate persons to subscribe for securities in any member of the Group.
- (c) As at the Latest Practicable Date, each of RSM Hong Kong and the Independent Financial Adviser did not have any interest, direct or indirect, in any asset which have been since 31 December 2015, being the date to which the latest published audited financial statements of the Group were made up, acquired by or disposed of or leased to any member of the Group or are proposed to be acquired by or disposed of or leased to any member of the Group.

13. EXPENSES

The expenses in connection with the Open Offer, including underwriting commission and the total professional fees, are estimated to amount to approximately HK\$41.9 million to HK\$42.1 million and are payable by the Company.

14. MISCELLANEOUS

As at the Latest Practicable Date, there was no restriction affecting the remittance of profit or repatriation of capital of the Company into Hong Kong from outside of Hong Kong.

15. DOCUMENTS AVAILABLE 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 Latest Time of Acceptance:

- (a) the memorandum of continuance and bye-laws of the Company;
- (b) the material contracts referred to under the paragraph headed “Material contracts” in this appendix;
- (c) the annual reports of the Company for the three financial years ended 31 December 2013, 2014 and 2015 respectively;
- (d) the letter from the Board, the text of which is set out on pages 16 to 48 of this circular;
- (e) the letter from the Independent Board Committee to the Independent Shareholders, the text of which is set out on pages 49 to 50 of this circular;
- (f) the letter from the Independent Financial Adviser to the Independent Board Committee and the Independent Shareholders, the text of which is set out on pages 51 to 74 of this circular;
- (g) the independent reporting accountant’s assurance report on the compilation of the unaudited pro forma financial information of the Group issued by RSM Hong Kong set out in Appendix II to this circular;
- (h) the letters of written consents referred to in the paragraph headed “Expert and Consent” in this appendix; and
- (i) this circular.

NOTICE OF SPECIAL GENERAL MEETING

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)

NOTICE OF SPECIAL GENERAL MEETING

NOTICE IS HEREBY GIVEN that a special general meeting (the “SGM”) of United Energy Group Limited (the “Company”) will be held at Taishan Room, Level 5, Island Shangri-La, Hong Kong, Pacific Place, Supreme Court Road, Central, Hong Kong on Friday, 22 July 2016 at 10:00 a.m. for the purpose of considering and, if thought fit, passing, with or without modifications, the following resolution as an ordinary resolution:

ORDINARY RESOLUTION

“THAT subject to and conditional upon fulfilment of all the conditions precedent set out in the underwriting agreement dated 2 June 2016 as amended by a side letter dated 27 June 2016 (the “Underwriting Agreement”, a copy of which marked “UA” has been produced to the SGM and initialled by the chairman of the SGM for identification purpose) and entered into between the Company and Haitong International Securities Company Limited as the underwriter (the “Underwriter”):

- (a) the allotment and issue of not less than 13,085,721,377 and not more than 13,115,321,377 new shares of HK\$0.01 each in the share capital of the Company (the “Shares”) by way of an open offer (the “Open Offer”) as offer shares (the “Offer Shares”) to the holders of Shares (the “Shareholders”) at the subscription price of HK\$0.20 per Offer Share (the “Subscription Price”) in the proportion of one (1) Offer Shares for every one (1) existing Share to the qualifying Shareholders of the Company (the “Qualifying Shareholders”) whose names appear on the register of members of the Company on Thursday, 4 August 2016 or such other record date as may be agreed between the Company and the Underwriter (the “Record Date”), other than those Shareholders whose addresses on the register of members of the Company are in a place outside Hong Kong on the Record Date where, the directors of the Company (the “Directors”, and each a “Director”), based on legal opinions provided by legal advisers of the Company, consider it is necessary or expedient on account either of legal restrictions under the laws of the relevant places or the requirements of the relevant regulatory body or stock exchange in that place not to offer the Offer Shares to them (the “Non-Qualifying Shareholders”) as described in further details in a circular issued by the Company dated 30 June 2016 (the “Circular”) of which the notice convening this meeting forms part and on and subject to such terms and conditions as may be determined by the Directors be and is hereby approved;

* for identification purpose only

NOTICE OF SPECIAL GENERAL MEETING

- (b) the Directors be and are hereby authorised to allot and issue the Offer Shares pursuant to or in connection with the Open Offer notwithstanding the same may be offered, allotted or issued otherwise than pro rata to the Qualifying Shareholders and, in particular, the Directors may make such exclusions or other arrangements in relation to fractional entitlements, odd lots or the Non-Qualifying Shareholders as they deem necessary, desirable or expedient to having regard to any restrictions or obligations under the Bye-laws of the Company or the laws of, or the rules and regulations of any recognised regulatory body or any stock exchange in, any territory outside Hong Kong applicable to the Company;
- (c) the entering into of the Underwriting Agreement by the Company be and is hereby approved, confirmed and ratified and the performance of the transactions contemplated thereunder by the Company (including but not limited to the arrangements for taking up of the unsubscribed Offer Shares, if any, by the Underwriter) be and are hereby approved; and
- (d) any Director be and is hereby authorised to sign or execute such documents and do all acts and incidental to the Open Offer or as he/she considers necessary, desirable or expedient in connection with the implementation of or giving effect to the Open Offer, the Underwriting Agreement and the transactions contemplated thereunder or in this resolution.”

By Order of the Board
Zhang Hong Wei
Chairman

Hong Kong, 30 June 2016

Notes:

- (1) Any member entitled to attend and vote at the SGM shall be entitled to appoint another person as his/her proxy to attend and vote instead of him/her. A member who is the holder of two or more shares may appoint one or more proxies to attend and vote instead of him/her and vote on his/her behalf. A proxy need not to be a member of the Company.
- (2) A form of proxy for use at the SGM is enclosed.
- (3) The form of proxy must be signed by you or your attorney duly authorised in writing or, in the case of a corporation, must be under its seal or the hand of an officer, attorney or other person duly authorised.
- (4) The form of proxy and the power of attorney or other authority, if any, under which it is signed or a certified copy thereof must be lodged at the office of the Company’s branch share registrar and transfer office in Hong Kong, Tricor Secretaries Limited, at Level 22, Hopewell Centre, 183 Queen’s Road East, Hong Kong, not later than 48 hours before the time appointed for holding the SGM or any adjourned meeting (as the case may be) and in default the proxy shall not be treated as valid.
- (5) Completion and return of the proxy form shall not preclude members from attending and voting in person at the SGM or at any adjourned meeting (as the case may be) should they so wish and in such event, the instrument appointing a proxy shall be deemed to be revoked.

NOTICE OF SPECIAL GENERAL MEETING

- (6) Where there are joint registered holders of any share, any one of such persons may vote at any meeting, either in personal or by proxy, in respect of such share as if he/she was solely entitled thereto, but if more than one of such joint holders be present at the meeting personally or by proxy, the vote of that one of the said persons so present whose name stands first on the register of members of the Company in respect of such shall be accepted to the exclusion of the votes of the other joint holders.
- (7) The register of members of the Company will be closed from Friday, 15 July 2016 to Friday, 22 July 2016, both dates inclusive, for determining the right to attend and vote at the SGM. No transfer of Shares will be registered during the book close period.

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