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## **UNITED ENERGY GROUP LIMITED**

**聯合能源集團有限公司\***

*(Incorporated in the Cayman Islands and continued in Bermuda with limited liability)  
(Stock Code: 467)*

### **DISCLOSEABLE TRANSACTION: PROPOSED ACQUISITION OF ASIA RESOURCES OIL LIMITED**

On 24 October 2017, the Sellers and the Purchaser entered into the conditional Share Purchase Agreement pursuant to which the Purchaser agreed to acquire the entire issued share capital of AROL from the Sellers. AROL is a party to certain petroleum exploration licenses and petroleum concession agreements in Pakistan.

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

The Company announces that on 24 October 2017, the Sellers and the Purchaser entered into the conditional Share Purchase Agreement pursuant to which the Purchaser agreed to acquire the entire issued share capital of AROL from the Sellers. AROL is a party to certain petroleum exploration licenses and petroleum concession agreements in Pakistan. A summary of the principal terms of the Share Purchase Agreement is set out below.

#### **THE SHARE PURCHASE AGREEMENT**

**Date:** 24 October 2017 (after trading hours)

**Parties:** (1) the Purchaser, a wholly owned subsidiary of the Company as purchaser  
(2) the Sellers as sellers

*\* For identification purposes only*

There are fifteen Sellers and the Sellers consist of individuals, companies and trust. To the best of the Directors' knowledge, information and belief having made all reasonable enquiries, each of the Sellers and (if applicable) their respective ultimate beneficial owner(s) are Independent Third Parties and they held the interests in the Target Company primarily for investment purpose.

The Purchaser is a company incorporated in the Cayman Islands and is a wholly owned subsidiary of the Company.

### **Asset to be acquired**

Pursuant to the Share Purchase Agreement, the Sellers have agreed to sell and the Purchaser has agreed to acquire the Sale Shares, representing 100% of the entire issued share capital of the Target Company, a company incorporated in Canada and continued into and existing under the laws of the British Virgin Islands, subject to the terms and conditions of the Share Purchase Agreement.

### **Consideration**

The consideration for the sale of the Sale Shares by the Sellers to the Purchaser comprises (i) grant of a loan (in an aggregate amount equal to the Loan Amount) to the Target Company and (ii) payment of the Final Consideration (as defined thereafter) to the Sellers for the purchase of Sale Shares:

(i) Loan Amount, which shall be payable to the Target Company by the Purchaser in accordance with the terms of the Loan Agreement, it being clarified that the disbursement of such Loan Amount to the Target Company in terms of the Loan Agreement shall be considered as discharging the Purchaser's obligation to pay the Loan Amount as consideration in terms hereof; and

(ii) US\$7,637,760 (equivalent to approximately HK\$59,574,528) which shall be payable on the Completion Date to the Sellers by the Purchaser in proportion to their shareholding percentage in the Target Company through wire transfer to the designated account(s) ("**Final Consideration**").

The consideration was determined with reference to, among others, various working interests in the petroleum exploration licenses and concession agreements of certain concession blocks located in Pakistan held by the Target Company, the financial position of the Target Company and its future business prospect.

The consideration was arrived at after arm's length negotiations between the parties to the Share Purchase Agreement, the Loan Agreement and the Discharge Agreement. The Directors consider that the terms and conditions of the Acquisition to be fair and reasonable and on normal commercial terms and are in the interests of the Company and the Shareholders as a whole. The consideration will be satisfied by internal resources of the Group.

### **Conditions**

The obligation of the parties to consummate the transactions contemplated by the Share Agreement is subject to the satisfaction (on or before the Completion Date (as defined thereafter)) of each of the following conditions (any of which may be waived in whole or in part by the Purchaser):

- (A) receipt of government consent pursuant to Rule 72(d) of the Pakistan Petroleum (Exploration & Production) Rules 2009 on terms reasonably acceptable to the Purchaser;
- (B) approval from the Competition Commission of Pakistan to the transfer of the Sale Shares and the transactions contemplated hereunder;
- (C) the receipt of the confirmation letter and receipt of the release letter, issued by PPL in respect of, amongst others, confirmation of the total concession liabilities due from AROL under the Kotri North, Gambat South and Naushahro Firoz concession blocks and the agreement by PPL to release AROL from all obligations and liabilities in respect of Naushahro Firoz concession block upon forfeiture of AROL's participating interest by PPL under Naushahro Firoz concession block. ;
- (D) the shareholders agreement among the Sellers and the Target Company is terminated;
- (E) the consultancy agreement of the Target Company with a consultant which is an Independent Third Party is terminated; and
- (F) certification by the Sellers in respect of, among others, the circumstances of the Company.
- (G) the warranties made by the Sellers shall be true and correct in all material respects as of the Completion Date.

In the event that all of the conditions precedent shall not have been fulfilled, or waived, by the Longstop Date (or any extension thereof in terms of the Share Purchase Agreement), the Share Purchase Agreement (with the exception of the relevant provisions relating to the costs and expenses, governing laws and notices which shall survive any termination of the Share Purchase Agreement) shall automatically lapse and terminate on the Longstop Date and neither party shall have a claim whatsoever against the other save for any breach or breaches of the Share Purchase Agreement committed before such date. If not all of the conditions precedent have been fulfilled, or waived by the Purchaser by the Longstop Date, the Purchaser may extend the period in which the conditions precedent are to be satisfied for further periods which in aggregate shall not exceed 180 days.

As at the date of this announcement, the Purchaser has no intention to waive any conditions of the Share Purchase Agreement. Further announcement(s) will be made by the Company in the event that the Purchaser determines to waive any of the conditions.

### **Completion**

Completion of the sale and purchase of the Sale Shares shall take place on a Business Day notified by the Purchaser to the Sellers being not later than five (5) Business Days after the date upon which the last of the conditions precedent is satisfied or waived (as the case may be), or the date upon which the parties are aware the last condition precedent is satisfied or waived (as the case may be), if later (the “**Completion Date**”). Completion may take place at such other time as may be agreed between the Sellers and the Purchaser in writing.

Upon Completion, the Target Company will become an indirect wholly owned subsidiary of the Company and its results will be consolidated with the financial results of the Group in accordance with the relevant accounting standards.

### **LOAN AGREEMENT**

**Date:** 24 October 2017 (after trading hours)

**Parties:** (1) the Purchaser, a wholly owned subsidiary of the Company as lender  
(2) the Target Company as borrower

Pursuant to the terms and conditions of the Loan Agreement, the Purchaser shall as lender grant to the Target Company as borrower a term loan facility of a total principal amount of US\$56,000,000 (equivalent to approximately HK\$436,800,000).

The Target Company shall use all monies borrowed by it under the Loan Agreement to finance certain costs and expenditures associated with the Target Company's operations in Pakistan. More specifically, the monies borrowed by the Target Company under the Loan Agreement shall be used in the following priority:

- (a) for settlement of the outstanding concession liabilities, which amounts to US\$54,763,043 (equivalent to approximately HK\$427,151,735) as at 30 September 2017 payable by the Target Company to PPL;
- (b) towards any future cash calls under the joint operating agreements in respect of the Gambat South concession area.

## **DISCHARGE AGREEMENT**

**Date:** 24 October 2017 (after trading hours)

**Parties:** (1) the Purchaser, a wholly owned subsidiary of the Company  
(2) X-Petroleum and its individual representative as arrangers

### **Background of the Discharge Agreement**

Prior to the entering into of the Share Purchase Agreement, the Target Company entered into risk participation agreement (the "**Risk Participation Agreement**") and an option agreement (the "**Option Agreement**") with X-Petroleum as potential acquirer pursuant to which, X-Petroleum would have, among others, certain participation rights and an option to acquire shares in the paid up share capital of the Target Company.

X-Petroleum is a limited company incorporated in Pakistan and principally engaged in investment in petroleum industry. To the best of the Directors' knowledge, information and belief having made all reasonable enquiries, X-Petroleum and its ultimate beneficial owner(s) are Independent Third Party.

### **Principal terms of the Discharge Agreement**

Pursuant to the Discharge Agreement, X-Petroleum will fully release and discharge the Target Company with respect to any and all liabilities and claims under the Option Agreement and the Risk Participation Agreement and to provide the arrangement services and other services related to the Acquisition.

Pursuant to the Discharge Agreement, the Purchaser shall pay the arrangers under the Discharge Agreement an arrangement and discharge fee of up to US\$12,093,000 (equivalent to approximately HK\$94,325,400) upon Completion and the Purchaser may withhold a portion of the fee until actual receipt of certain receivables by the Target Company.

## **INFORMATION ON THE TARGET COMPANY**

The Target Company is a company incorporated in Canada and continued into and existing under the laws of the British Virgin Islands with limited liability. To the best of the Directors' knowledge, information and belief, the Target Company entered into relevant petroleum exploration licenses and petroleum concession agreements in Pakistan and holds certain working interests in the exploration licenses and concession agreements in respect of three concession blocks located in Gambat South, Kotri North and Naushahro Firoz of Pakistan.

According to the unaudited financial statements of the Target Company for the year ended 30 June 2017, the net loss (both before and after taxation and extraordinary items) of the Target Company was US\$5,834,774 (equivalent to approximately HK\$45,511,237) and US\$3,500,864 (equivalent to approximately HK\$27,306,739) respectively.

According to the audited financial statements of the Target Company for the year ended 30 June 2016, the net loss (both before and after taxation and extraordinary items) of the Target Company was US\$892,291 (equivalent to approximately HK\$6,959,870) and US\$539,409 (equivalent to approximately HK\$4,207,390) respectively.

According to the unaudited financial statements of the Target Company, the total assets and the net liabilities of the Target Company was US\$62,920,431 (equivalent to approximately HK\$490,779,362) and US\$917,839 (equivalent to approximately HK\$7,159,144) respectively as at 30 June 2017.

Based on the estimation of the Company, the Company expects that the capital commitment of the Group in the Target Company after Completion would be up to US\$20,000,000 (equivalent to approximately HK\$156,000,000).

## **REASONS FOR THE PROPOSED ACQUISITION**

The Group is one of the largest listed independent upstream oil and gas corporations in Hong Kong, with business presence in South Asia. The Group is principally engaged in the investment and operation of upstream oil, natural gas and other energy related businesses.

The Acquisition is consistent with the current strategy of the Group for expansion of its operation in upstream oil and gas business. The Acquisition will create strategic synergies within the Group given our existing business presence in South Asia. Leveraging on management’s extensive experience in the oil and gas exploration, the Group has successfully grown its business into one of the major players in the upstream oil and gas industry. The Company believes such extensive experience will allow the Group to unlock the potential of the Target Company, which in turn is beneficial to the sustainable development of the Group.

In view of the growth potential of the Target Company, the Directors expect that the Acquisition will be beneficial to the Group and the Board is of the view that the terms of the Share Purchase Agreement, the Loan Agreement and the Discharge Agreement are fair and reasonable and the Acquisition is in the interests of the Company and the Shareholders as a whole.

**LISTING RULES IMPLICATION**

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

**DEFINITIONS**

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

- “Acquisition”** the proposed acquisition of the entire issued share capital of the Target Company in accordance with the Share Purchase Agreement
- “AROL” or “Target Company”** Asia Resources Oil Limited, a company incorporated in Canada and continued into and existing under the laws of the British Virgin Islands and limited by shares
- “Board”** the board of Directors
- “Business Day”** a day other than a Saturday, Sunday or public holiday on which banks in London, Hong Kong, British Virgin Islands and Pakistan are generally open for business

<b>“Company”</b>	United Energy Group Limited, a company incorporated in the Cayman Islands and continued in Bermuda with limited liability and the issued Shares are listed on the Main Board of the Stock Exchange
<b>“Completion”</b>	completion of the Acquisition in accordance with the terms of the Share Purchase Agreement
<b>“connected persons”</b>	has the meaning ascribed to it under the Listing Rules
<b>“Directors”</b>	directors of the Company from time to time
<b>“Discharge Agreement”</b>	the discharge agreement dated 24 October 2017 and entered into between the Purchaser and X-Petroleum and its representative
<b>“Group”</b>	the Company and its subsidiaries
<b>“Hong Kong”</b>	the Hong Kong Special Administrative Region of the PRC
<b>“Independent Third Party(ies)”</b>	any person(s) or company(ies) and their respective ultimate beneficial owner(s), to the best of the Directors’ knowledge, information and belief having made all reasonable enquiries, are not connected persons of the Company and are third parties independent of the Company and its connected persons in accordance with the Listing Rules
<b>“Loan Agreement”</b>	the conditional loan agreement dated 24 October 2017 and entered into between the Purchaser as lender and the Target Company as borrower
<b>“Loan Amount”</b>	the loan amount to be disbursed under the Loan Agreement
<b>“Listing Rules”</b>	the Rules Governing the Listing of Securities on the Stock Exchange
<b>“Longstop Date”</b>	180 days from the signing date of the Share Purchase Agreement or such other date as the parties to the Share Purchase Agreement agree to in writing
<b>“PPL”</b>	Pakistan Petroleum Limited, a state-owned corporation of Pakistan
<b>“PRC”</b>	the People’s Republic of China
<b>“Purchaser”</b>	KNGS Exploration and Development Limited, a company incorporated in the Cayman Islands with limited liability and a wholly owned subsidiary of the Company



“Sale Shares”	100% of the issued and fully paid up shares in the capital of the Target Company
“Sellers”	the fifteen shareholders of the Target Company and the sellers of the Sale Shares under the Share Purchase Agreement
“Shares”	ordinary shares of HK\$0.01 each in the share capital of the Company
“Shareholders”	holders of the Shares
“Share Purchase Agreement”	the conditional share purchase agreement dated 24 October 2017 and entered into between the Sellers and the Purchaser in respect of the Acquisition
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“X-Petroleum”	X-Petroleum Limited, a limited company incorporated in Pakistan
“HK\$”	Hong Kong dollars, the lawful currency of Hong Kong
“US\$”	United States dollars, the lawful currency of the United States of America
“%”	per cent.

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

Hong Kong, 24 October 2017

*For the purpose of this announcement, translations of United States dollars into Hong Kong dollars or vice versa have been calculated by using an exchange rate of US\$1.00 equal to HK\$7.8. Such exchange rate has been used, where applicable, for the purpose of illustration only and does not constitute a representation that any amounts were, may have been or will be exchanged at such rate or any other rates or at all.*

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