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UNITED ENERGY GROUP LIMITED

聯合能源集團有限公司

(Incorporated in the Cayman Islands and continued in Bermuda with limited liability)

(stock code:467)

MAJOR TRANSACTION: DIVESTMENT OF INVESTMENT IN AN ASSOCIATED COMPANY

MAJOR TRANSACTION

On 20 August 2009, the Company, Glimmer Stone and the Purchaser entered into the Divestment Agreement pursuant to which (1) Glimmer Stone has agreed to redeem all the Redemption Shares held by the Company; and (2) the Company has agreed to sell the Sale Shares to the Purchaser.

The Divestment constitutes a major transaction for the Company and is subject to approval by the Shareholders pursuant to the Listing Rules. Since no Shareholder would be required to abstain from voting if the Company were to convene a general meeting for the approval of the Divestment, written shareholders' approval has been given in lieu of holding a general meeting pursuant to Rule 14.44 of the Listing Rules. The Controlling Shareholders, in aggregate holding 9,001,240,115 Shares, representing approximately 70.45% of the existing issued share capital of the Company, have given their written approval in respect of the Divestment. Accordingly, no special general meeting of the Company will be convened for the purposes of approving the Divestment.

The Company will despatch to the Shareholders the Circular as soon as practicable.

The Board announces that on 20 August 2009, the Company, Glimmer Stone and the Purchaser entered into the Divestment Agreement pursuant to which (1) Glimmer Stone has agreed to redeem all the Redemption Shares held by the Company; and (2) the Company has agreed to sell the Sale Shares to the Purchaser. The principal terms of the Divestment Agreement are set out below.

THE DIVESTMENT AGREEMENT

Date: 20 August 2009

Parties:

- (a) the Company
- (b) Glimmer Stone. To the best of the Directors' knowledge, information and belief having made all reasonable enquiries, save that 26.3% of the issued share capital of Glimmer Stone is owned by the Company prior to Completion, Glimmer Stone and its ultimate beneficial owners are independent third parties of the Group and their respective connected persons.
- (c) the Purchaser. To the best of the Directors' knowledge, information and belief having made all reasonable enquiries, the Purchaser is independent third party of the Group and their respective connected persons.

Subject matters

- (a) the Sale Shares; and
- (b) the Redemption Shares.

Consideration

The Sale Shares Consideration is HK\$20,514 and is payable in cash at Completion.

The Redemption Shares Consideration is HK\$116,257,000, HK\$116,000,000 of which was paid in cash by Glimmer Stone to the Company prior to the date of the Divestment Agreement and the balance of HK\$257,000 is payable in cash at Completion. If the Divestment Agreement lapses pursuant to the terms therein, the Company shall forthwith refund to Glimmer Stone all amounts of the Redemption Shares Consideration that shall have been prepaid by Glimmer Stone, without interest.

Basis of determining the Consideration

The Sale Shares Consideration was determined after arm's length negotiations between the Company and the Purchaser, taking into account (1) the par value of the Sale Shares (i.e. US\$0.1); (2) that the Sale Shares were subscribed by the Company at par; and (3) that the Sale Shares are ordinary shares in the capital of Glimmer Stone, the holders of which are entitled to exercise voting right at general meetings of Glimmer Stone but are not entitled to participate in the profits or surplus assets of Glimmer Stone on a winding up or otherwise. The Directors, taking into account the factors mentioned above, in particular, the fact that the holders of the Sale Shares are not entitled to participate in the profits or surplus assets of Glimmer Stone on a winding up or otherwise, consider that the Sale Shares Consideration was fair and reasonable and in the interests of the Shareholders as a whole.

The Redemption Shares Consideration was determined after arm's length negotiations between the Company and Glimmer Stone, taking into account (1) that the Redemption Shares are non-voting preference shares in the capital of Glimmer Stone, the holders of which are entitled to participate in the profits of Glimmer Stone and (subject to a return of capital to the holders of ordinary shares) in the surplus assets of Glimmer Stone on a winding up or otherwise but are not entitled to exercise voting right at general meetings of Glimmer Stone (save for the general meetings in relation to variation of rights of non-voting preference shares in the capital of Glimmer Stone); and (2) the unaudited consolidated net assets value of Glimmer Stone as at 31 March 2009. The Directors, taking into account the factors mentioned above, consider that the Redemption Shares Consideration was fair and reasonable and in the interests of the Shareholders as a whole.

Pre-conditions

Completion of the Divestment is subject to fulfillment of the following conditions on or before the Longstop Date:

- (1) the Company having obtained clearance of this announcement and the Circular from the Stock Exchange;
- (2) the Company having obtained written approval to the Divestment Agreement and the transactions contemplated thereby from its shareholders who together hold more than 50% in nominal value of the securities of the Company giving the right to attend and vote at general meetings; and
- (3) the compliance by the Company of any other requirements under the Listing Rules or otherwise of the Stock Exchange or other regulatory authorities or any applicable laws and regulations which requires compliance by the Company at any time prior to Completion in relation to the transactions contemplated under the Divestment Agreement.

If the above conditions are not fulfilled on or before the Longstop Date, the Divestment Agreement shall lapse and be of no further effect and no party shall have any claim against or liability to the other parties, save (i) in respect of any antecedent breaches of the Divestment Agreement; and (ii) that the Company shall forthwith make the refunds to Glimmer Stone any payments made by it under the Divestment Agreement.

Completion

Completion shall take place on the first Business Day following the fulfillment of the last of the outstanding pre-conditions mentioned above or such other date as the parties to the Divestment Agreement shall mutually agree in writing as the date on which Completion shall take place.

INFORMATION ON THE GROUP AND GLIMMER STONE

The Company is an investment holding company. The Group is principally engaged in upstream oil and natural gas business, including exploitation, development, production of crude oil and natural gas, also provide patented technologies services to oil fields and property investment and management.

Glimmer Stone is an investment holding company. As at the date of this announcement, Glimmer Stone held (1) 190 million shares (“**Kaisun Shares**”) of HK\$0.01 each in the capital of Kaisun Energy Group Holdings Limited (a company which shares are listed on the Growth Enterprise Market of the Stock Exchange (stock code:8203)) (“**Kaisun**”); (2) convertible bonds issued by Kaisun in principal amount of HK\$211 million; and (3) 100% interest in a company incorporated in the British Virgin Islands, which, as at the date of this announcement, held 40 million Kaisun Shares. As set out in the circular dated 17 August 2009 issued by Kaisun, Kaisun is an investment holding company and the existing subsidiaries of Kaisun are principally engaged in the investment in mining, sale and processing of coking coal in the PRC and the provision of auto repairing/detailing services and on-line distribution of office supplies and equipment.

POSSIBLE FINANCIAL EFFECT OF THE DIVESTMENT

As at the date of this announcement and prior to Completion, Glimmer Stone is owned as to 26.3% by the Company and is an associated company of the Company.

It is expected that the Group may record a loss from the Divestment of approximately HK\$2,778,486, which is the difference between the aggregate consideration for the Divestment of HK\$116,277,514 and the share of net assets of Glimmer Stone of approximately HK\$119,056,000 as per the consolidated balance sheet of the Group as at 31 March 2009.

Glimmer Stone was incorporated on 23 April 2008. The net asset value attributable to Sale Shares and the Redemption Shares as at 31 March 2009 was about HK\$123,958,000.

The net profit before taxation and after taxation attributable to Sale Shares and the Redemption Shares for financial period commencing on 23 April 2009 to 31 March 2009 was about HK\$18,964,000.

REASONS FOR AND BENEFITS OF THE DIVESTMENT

As set out in the 2009 annual report of the Company, the global financial crisis amid increased uncertainties in the global economic environment, the Directors still hold a positive view regarding the prospect of the oil and gas market in the world within the next few decades, therefore, the Group will continue and enhance its existing oil resources business. The Divestment will enable the Group to focus more on its oil resource business and realise its investment in Glimmer Stone.

The Directors (including the independent non-executive Directors) are of the view that the terms of the Divestment Agreement are on normal commercial terms and are fair and reasonable and in the interests of the Shareholders as a whole.

USE OF PROCEEDS

The Company intends to use the net sale proceeds from the Divestment as general working capital and as at the date of this announcement, there is no specific plan as to the use of such general working capital.

LISTING RULES REQUIREMENTS

The Divestment constitutes a major transaction for the Company and is subject to approval by the Shareholders pursuant to the Listing Rules.

Under Rule 14.44 of the Listing Rules, Shareholders' approval for the Divestment may be obtained by written Shareholders' approval without the need of convening a general meeting if (a) no shareholder is required to abstain from voting if the Company were to convene a general meeting for the approval of the Divestment; and (b) written approval has been obtained from a Shareholder or a closely allied group of shareholders who together hold more than 50% in nominal value of the issued share capital of the Company giving the right to attend and vote at general meetings to approve the Divestment.

Since no Shareholder would be required to abstain from voting if the Company were to convene a general meeting for the approval of the Divestment, written Shareholders' approval has been given in lieu of holding a general meeting pursuant to Rule 14.44 of the Listing Rules. The Controlling Shareholders, in aggregate holding 9,001,240,115 Shares, representing approximately 70.45% of the existing issued share capital of the Company, have given their written approval in respect of the Divestment. Accordingly, no special general meeting of the Company will be convened for the purposes of approving the Divestment.

The Company will despatch to the Shareholders the Circular as soon as practicable.

DEFINITIONS

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

“Board”	the board of Directors
“Business Day”	a day (excluding Saturday and any day on which a tropical cyclone warning no. 8 or above is hoisted or remains hoisted between 9:00 a.m. and 12:00 noon and is not lowered at or before 12:00 noon or on which a “black” rainstorm warning is hoisted or remains in effect between 9:00 a.m. and 12:00 noon and is not discontinued at or before 12:00 noon) on which licensed banks in Hong Kong are open for business
“Circular”	the circular to be issued and despatched by the Company to the Shareholders following publication of this announcement giving further information on the Divestment Agreement and the transactions contemplated thereby in compliance with the Listing Rules
“Company”	United Energy Group Limited, 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
“Completion”	completion of the Divestment
“connected person(s)”	has the meaning ascribed to it under the Listing Rules
“Controlling Shareholders”	He Fu International Limited, United Petroleum & Natural Gas Holdings Limited and United Energy Holdings Limited, all are companies wholly-owned by Mr. Zhang Hongwei, the Chairman of the Company and an executive Director
“Director(s)”	the director(s) of the Company
“Divestment”	the disposal of the Sale Shares by the Company to the Purchaser and the redemption of the Redemption Shares by Glimmer Stone
“Divestment Agreement”	the divestment agreement dated 20 August 2009 entered into between the Company, Glimmer Stone and the Purchaser in relation to the Divestment
“Glimmer Stone”	Glimmer Stone Investments Limited, a company incorporated in the British Virgin Islands, 26.3% of the total issued share capital of which is owned by the Company prior to Completion
“Group”	collectively, the Company and its subsidiaries from time to time
“HK\$”	Hong Kong dollars, the lawful currency of Hong Kong
“Hong Kong”	the Hong Kong Special Administrative Region of the People’s Republic of China
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange
“Longstop Date”	5:00 p.m. on 31 December 2009 or such later date as the parties to the Divestment Agreement may agree in writing
“Purchaser”	Wong Sik Kam
“Redemption Shares”	26,300 non-voting preference shares of US\$0.1 each in the capital of Glimmer Stone

“Redemption Shares Consideration”	the total redemption price payable by Glimmer Stone to the Company for the Redemption Shares
“Sale Shares”	26,300 ordinary shares of US\$0.1 each in the capital of Glimmer Stone
“Sale Shares Consideration”	the total consideration payable by the Purchaser to the Company for the Sale Shares
“Shareholders”	holders of Shares
“Shares”	share(s) of HK\$0.01 each in the share capital of the Company
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“%”	per cent.
“US\$”	United States dollars, the lawful currency of the United States of America ;

By order of the Board
United Energy Group Limited
Zhang Hongwei
Chairman

Hong Kong, 20 August 2009

As at the date hereof, the Board comprises 3 executive directors, namely Messrs. Zhang Hongwei, Zhu Jun and Zhang Meiyang, 3 independent non-executive directors, Messrs. Chau Siu Wai, San Fung and Zhu Chengwu.