

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

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 DISPOSAL OF A SUBSIDIARY

On 13 September 2010, the Vendor (a wholly-owned subsidiary of the Company) entered into the Disposal Agreement with the Purchaser for the Disposal of the Sale Interest in the Target. Consideration for the Disposal is RMB32.75 million (equivalent to approximately HK\$37.64 million). 50% of the Consideration shall be paid by the Purchaser on or before 31 March 2011, and the remaining balance shall be paid in full on or before 30 June 2011.

As the applicable percentage ratios (as calculated in accordance with Rule 14.07 of the Listing Rules) for the Disposal are more than 5% but less than 25%, the Disposal constitutes a discloseable transaction for the Company under Rule 14.06 of the Listing Rules.

DISPOSAL AGREEMENT DATED 13 SEPTEMBER 2010

Parties to the Disposal Agreement

Purchaser: 瀋陽通泰投資管理有限公司 (Shenyang Tongtai Investment Management Co., Ltd. *), a limited liability company established in the PRC

Vendor: United Energy International Investments Limited (聯合能源國際投資有限公司), a wholly-owned subsidiary of the Company

To the best of the Directors' knowledge, information and belief, having made all reasonable enquiries, the Purchaser and its ultimate beneficial owners are third parties independent of the Group and the connected persons of the Group.

Assets Disposed of

The Sale Interest represents 71% of the registered capital of the Target. Assets of the Target mainly consist of the Property, a commercial property located at Levels 2 and 3, No. 388-1 Shen Liao Road, Shenyang Economic and Technology Development Region, Shenyang City, Liaoning Province, the PRC.

Consideration

Consideration for the Disposal is RMB32.75 million (equivalent to approximately HK\$37.64 million). 50% of the Consideration shall be paid by the Purchaser on or before 31 March 2011, and the remaining balance shall be paid in full on or before 30 June 2011.

The Consideration was determined after arm's length negotiations between the Vendor and the Purchaser with reference to 71% of the appraised value of the Property in the amount of approximately RMB 32.56 million (equivalent to approximately HK\$37.42 million) derived from the asset appraisal conducted by an independent professional valuer as at 3 September 2010 and taking into account the existing condition of the Property, including the defective fire protection system, the problematic quality of the Property, the fact that it did not produce any rental income, the high repairing costs, the uncertain operation of the Target and the unstable property market in the PRC.

Taking into account the reasons and benefits as stated in the paragraph headed "Reasons for and benefits of the Disposal" below, the Board considers that the terms of the Disposal Agreement and the Consideration are fair and reasonable and in the interests of the Company and the Shareholders as a whole.

Completion

Both the Purchaser and the Vendor shall procure the completion of all the requisite transfer procedures in respect of the Disposal at the Administration for Industry and Commerce of the PRC government on or before 31 December 2010.

INFORMATION OF THE GROUP, THE TARGET AND THE PURCHASER

The Group is currently principally engaged in upstream oil and natural gas business, including exploitation, development, production of crude oil and natural gas, and the provision of patented technologies services to oilfields.

The Purchaser is principally engaged in investment management including provision of consultancy services and information on investment, business, financial and corporate management.

The Target is a sino-foreign joint venture established in the PRC on 26 January 2007 and is principally engaged in property investment in the PRC. Immediately prior to completion of the Disposal, the Target is 71% owned by the Vendor and 29% by 廣州銀創投資有限公司 (Guangzhou Yinchuang Investment Co., Ltd.*).

Based on the unaudited accounts of the Target which have been prepared in accordance with PRC Accounting Standards for Business Enterprises with adjustments for consolidation made in accordance with the Hong Kong Generally Accepted Accounting Principles, the consolidated net asset value of the Target was approximately RMB113.1 million (equivalent to HK\$130 million) as at 31 August 2010. The consolidated net asset value of the Target as at 31 August 2010 was the carrying value in the unaudited accounts of the Target without consideration of the existing condition of the Property. Some of the financial data of the Target are set out as follows:

	Consolidated net profits/ (losses) before taxation and extraordinary items	Consolidated net profits/ (losses) after taxation and extraordinary items
For the year ended 31 March 2009	Loss of RMB35.9 million) (equivalent to approximately HK\$41.3 million)	Loss of RMB26.8 million (equivalent to approximately HK\$30.8 million)
For the 9 months ended 31 December 2009	Profit of RMB12.6 million (equivalent to approximately HK\$14.5 million)	Profit of RMB9.6million (equivalent to approximately HK\$11 million)

The net losses for the year ended 31 March 2009 and the net profits for the period of 9 months ended 31 December 2009 of the Target were mainly derived from revaluation of the Property.

Upon completion of the Disposal, the Group will cease to have any interest in the Target and accordingly it will cease to be a subsidiary of the Group.

REASONS FOR AND BENEFITS OF THE DISPOSAL

Due to the defective fire protection system and problematic quality of the Property, the tenant of the Property could not operate its business at the Property and for this reason was granted a rent-free period since October 2008. The Target attempted to submit repair works plan to the relevant PRC government department for approval but the approval application was rejected due to technical issues. As such, the Target has not been able to obtain permit from the relevant PRC government department for carrying out necessary repair works to the Property. As business of the Target had been inactive and was not consistent with the current principal business of the Group in upstream oil and natural gas, the Company decided to dispose of the Target in order to concentrate its available resources on the principal business of the Group and with a view to streamlining the business structure of the Group. The Company negotiated with several independent third parties for the disposal of the Sale Interest and only the Purchaser is willing to acquire the Sale Interest.

Given the unstable property market conditions in the PRC, the depreciation in the value of the Property and the uncertain operation of the Target, the Directors consider that the terms of the Disposal Agreement are fair and reasonable and on normal commercial terms and that the entering into of the Disposal Agreement is in the interests of the Company and the Shareholders as a whole.

FINANCIAL EFFECT OF THE DISPOSAL

Subject to completion of the Disposal, the loss expected to arise from the Disposal before transaction expenses would be in the region of approximately RMB32.45 million (equivalent to about HK\$37.3 million). The loss represents the aggregate of (i) the difference between the Consideration and 71% of the unaudited consolidated net assets value of the Target as at 31 August 2010 of approximately RMB80.3 million (equivalent to HK\$92.3 million) as set out in the unaudited consolidated management accounts of the Company as at 31 August 2010 and (ii)

the foreign currency translation reserve up to 31 August 2010 related to the Target in the region of approximately RMB15.1 million (equivalent to HK\$17.4 million).

USE OF PROCEEDS ARISING FROM THE DISPOSAL

The net proceeds to be received by the Group from the Disposal are intended to be used as its general working capital.

DISCLOSEABLE TRANSACTION

As the applicable percentage ratios (as calculated in accordance with Rule 14.07 of the Listing Rules) for the Disposal are more than 5% but less than 25%, the Disposal constitutes a discloseable transaction of the Company under Rule 14.06 of the Listing Rules.

DEFINITIONS

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

“Board”	board of Directors
“Company”	United Energy Group Limited, an exempted company incorporated in the Cayman Islands and continued in Bermuda with limited liability, the securities of which are listed on the Main Board of the Stock Exchange
“Consideration”	the sum of RMB32.75 million (equivalent to approximately HK\$37.64 million)
“connected persons”	has the same meaning ascribed thereto under the Listing Rules
“Directors”	directors of the Company
“Disposal”	the disposal of the Sale Interest by the Vendor to the Purchaser under the Disposal Agreement
“Disposal Agreement”	equity transfer agreement entered into between the Vendor and the Purchaser on 13 September 2010 regulating the terms of the Disposal
“Group”	the Company and its subsidiaries
“HK\$”	Hong Kong dollars, the lawful currency of Hong Kong
“Hong Kong”	The Hong Kong Special Administrative Region of the PRC
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange
“PRC”	the People’s Republic of China

“ Property ”	a commercial property located in Levels 2 and 3, No. 388-1 Shen Liao Road, Shenyang Economic and Technology Development Region, Shenyang City, Liaoning Province, the PRC
“ Purchaser ”	瀋陽通泰投資管理有限公司 (Shenyang Tongtai Investment Management Co., Ltd. *), a limited liability company established in the PRC, and independent third party
“ RMB ”	Renminbi, the lawful currency of the PRC
“ Sale Interest ”	71% of the registered capital of the Target
“ Shareholders ”	shareholders of the Company
“ Stock Exchange ”	The Stock Exchange of Hong Kong Limited
“ Target ”	瀋陽盛泰誠置業有限公司 (Shenyang Shengtaicheng Property Development Co., Ltd.*), a sino-foreign joint venture established in the PRC on 26 January 2007
“ Vendor ”	United Energy International Investments Limited (聯合能源國際投資有限公司), a wholly-owned subsidiary of the Company
“ % ”	per cent.

For the purpose of this announcement, unless otherwise indicated, the exchange ratio at HK\$1.00 = RMB0.87 has been used for the purpose of illustration only and does not constitute a representation that any amount has been, could have been or may be exchanged.

** For identification purposes only*

By Order of the Board
United Energy Group Limited
Zhang Hongwei
Director

Hong Kong, 13 September 2010

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