UNITED ENERGY GROUP LIMITED

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

(Stock Code: 467)

ANNUAL RESULTS ANNOUNCEMENT FOR THE YEAR ENDED 31 MARCH 2008

The Board of Directors of United Energy Group Limited (the "Company") hereby present the audited consolidated results of the Company and its subsidiaries (the "Group") for the year ended 31 March 2008 as follows:

CONSOLIDATED INCOME STATEMENT

	Note	2008 HK$'000	2007 HK$'000 (Restated)
Turnover	3	**4,893**	15,933
Cost of sales and service rendered		**(754)**	(5,314)
Gross profit		**4,139**	10,619
Other income	5	**55,573**	40,868
Oil exploitation expenses		**(76,875)**	(723)
Administrative expenses		**(97,776)**	(28,254)
(Loss)/profit from operations	6	**(114,939)**	22,510
Finance costs	7	**—**	(951)
Share of loss of an associate		**(758)**	—
Gain on deemed disposal of a subsidiary		**7,395**	—
(Loss)/profit before tax		**(108,302)**	21,559
Income tax credit/(expense)	8	**3,823**	(2,571)
(Loss)/profit for the year		**(104,479)**	18,988
Attributable to:			
Equity holders of the Company		**(101,497)**	16,820
Minority interests		**(2,982)**	2,168
		(104,479)	18,988
(Loss)/earnings per share			
Basic	9	**(0.84 cents)**	0.15 cents
Diluted	9	**N/A**	N/A

CONSOLIDATED BALANCE SHEET

	Note	2008 HK$'000	2007 HK$'000 (Restated)
Non-current assets			
Property, plant and equipment		**36,703**	150,323
Investment properties		**177,600**	161,616
Investment in an associate		**86,403**	—
		300,706	311,939
Current assets			
Properties under development		—	367,480
Trade and other receivables	*10*	**716,350**	77,263
Deposits paid for prepaid land lease payments		—	13,398
Due from a director		—	5
Due from a corporate shareholder		—	133,724
Due from a related company		—	69
Due from an associate		**66,552**	—
Financial assets at fair value through profit or loss		**6,613**	6,109
Pledged bank deposits		—	128,043
Bank and cash balances		**2,113,460**	361,014
		2,902,975	1,087,105
Current liabilities			
Trade and other payables	*11*	**34,005**	22,533
Current tax liabilities		**4**	573
Due to directors		**5,534**	3,930
Due to related companies		**3,774**	13,216
Due to a minority equity holder		—	31,402
Bank loans		—	303,030
		43,317	374,684
Net current assets		**2,859,658**	712,421
Total assets less current liabilities		**3,160,364**	1,024,360
Non-current liabilities			
Deferred tax liabilities		**27,209**	29,020
NET ASSETS		**3,133,155**	995,340

	Note	2008 HK$'000	2007 HK$'000 (Restated)
Capital and reserves			
Share capital		**127,771**	114,031
Reserves		**2,813,966**	674,609
Equity attributable to equity holders of the Company		**2,941,737**	788,640
Minority interests		**191,418**	206,700
TOTAL EQUITY		**3,133,155**	995,340

Notes:

1. **Basis of Preparation and Accounting Policies**

The consolidated financial statements have been prepared in accordance with Hong Kong Financial Reporting Standards ("HKFRSs") issued by the Hong Kong Institute of Certified Public Accountants (the "HKICPA"). In addition, the consolidated financial statements include applicable disclosures required by the Rules Governing the Listing of Securities on the Stock Exchange of Hong Kong Limited (the "Listing Rules") and by the Hong Kong Companies Ordinance.

These financial statements have been prepared under the historical cost convention, as modified by the revaluation of investment properties and financial assets at fair value through profit or loss which are carried at their fair values.

Application of Merger Accounting

(i) Pursuant to the sale and purchase agreement dated 22 September 2005, the Company issued 5,080,000,000 shares at par value of HK$0.01 each as consideration to acquire Grand Hope Group Limited ("Grand Hope") and its subsidiaries ("Grand Hope Group") from He Fu International Limited ("He Fu") (the "First Acquisition"). The First Acquisition was a very substantial acquisition pursuant to the Listing Rules. Details of the First Acquisition were set out in the Company's circular dated 31 March 2006. The First Acquisition was completed on 6 June 2006.

As the Company and Grand Hope Group were both ultimately controlled by He Fu before and after the First Acquisition, the First Acquisition was accounted for as a business combination of entities under common control. The financial statements of the Group for the year ended 31 March 2007 were prepared based on the principles of merger accounting in accordance with the Accounting Guideline 5 "Merger Accounting for Common Control Combinations" (the "AG 5") issued by the HKICPA, as if the First Acquisition had occurred from the date when the combining entities first came under the control of He Fu.

(ii) Pursuant to the sale and purchase agreement dated 8 August 2007, the Company issued 4,360,248,448 shares at par value of HK$0.01 each as consideration to acquire 51%, 34% and 15% equity interest in United Petroleum & Natural Gas Investments Limited ("United Petroleum") from United Energy Holdings Limited ("United Energy"), United Petroleum & Natural Gas Holdings Limited ("United Petroleum Holdings") and Kowin Limited respectively (the "Second Acquisition"). In addition, the Company issued 166,859,809 shares at par value of HK$0.01 each to United Energy for acquiring the loan of HK$268,644,000 due to United Energy by United Petroleum before the completion of the Second Acquisition. United Energy and United Petroleum Holdings were wholly owned by Mr. Zhang Hongwei. Details of the Second Acquisition were set out in the Company's circular dated 17 September 2007. The Second Acquisition was completed on 16 October 2007.

As the Company and United Petroleum were both ultimately controlled by Mr. Zhang Hongwei before and after the Second Acquisition, the Second Acquisition was accounted for as a business combination of entities under common control. The financial statements of the Group for the year ended 31 March 2008 were prepared based on the principles of merger accounting in accordance with the AG 5, as if the Second Acquisition had occurred from the date when the combining entities first came under the control of Mr. Zhang Hongwei. Comparative figures have been restated accordingly.

2. Adoption of New and Revised HKFRSs

In the current year, the Group has adopted all the new and revised HKFRSs issued by the HKICPA that are relevant to its operations and effective for its accounting year beginning on 1 April 2007. HKFRSs comprise Hong Kong Financial Reporting Standards; Hong Kong Accounting Standards; and Interpretations. The adoption of these new and revised HKFRSs did not result in substantial changes to the Group's accounting polices and amounts reported for the current year and prior years.

The Group has not applied the new HKFRSs that have been issued but are not yet effective. The Group has already commenced an assessment of the impact of these new HKFRSs but is not yet in a position to state whether these new HKFRSs would have a material impact on its results of operations and financial position.

3. Turnover

The Group's turnover which represents rental income, property management service fee income and wholesale of household building materials are as follows:

	2008	2007
	HK$'000	*HK$'000*
Rental income	**3,114**	9,491
Property management service fee income	**1,779**	3,359
Wholesale of household building materials	**—**	3,083
	4,893	15,933

4. Segment Information

(a) Primary reporting format — business segments

The Group is organised into four main business segments:

Property development — The property development segment engages in development of commercial properties for sales;

Property investment — The property investment segment invests in commercial properties for their rental income, property management service fee income and value appreciation potential;

Wholesale of household building materials — The wholesale of household building materials segment engages in trading of household building materials on indent basis;

Oil exploitation — The oil exploitation segment engages in activities relating to the production of crude oil.

(b) Secondary reporting format — geographical segments

More than 90% of the Group's turnover and operating profit is earned within the PRC and all major operating assets of the Group are located in the PRC. Therefore, no geographical segment is presented.

Primary reporting format — business segments:

	Property development	Property investment	Wholesale of household building materials	Oil exploitation	Consolidated
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
Year ended 31 March 2008					
Total revenue	—	4,893	—	—	4,893
Segment results before fair value gain on investment properties and gain on disposals of property and investment properties	(16,201)	154	(125)	(95,502)	(111,674)
Gain on disposals of property and investment properties	—	—	—	—	—
Fair value gain on investment properties	—	—	—	—	—
Segment results	(16,201)	154	(125)	(95,502)	(111,674)
Other income					55,573
Unallocated expenses					(58,838)
Loss from operations					(114,939)
Finance costs					—
Gain on deemed disposal of a subsidiary	7,395				7,395
Share of loss of an associate	(758)				(758)
Loss before tax					(108,302)
At 31 March 2008					
Segment assets	66,551	203,841	270,256	244,086	784,734
Investment in an associate	86,403	—	—	—	86,403
Unallocated assets					2,332,544
Total assets					3,203,681
Segment liabilities	—	18,897	119	12,701	31,717
Unallocated liabilities					38,809
Total liabilities					70,526
Other segment information:					
Capital expenditure	5,184	—	—	41,211	46,395
Depreciation	166	31	3	7,778	7,978
Equity-settled share-based payments	—	—	—	—	35,194

	Property development	Property investment	Wholesale of household building materials	Oil exploitation	Consolidated
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000* (Restated)	*HK$'000* (Restated)
Year ended 31 March 2007					
Total revenue	—	12,850	3,083	—	15,933
Segment results before fair value gain on investment properties and gain on disposals of property and investment properties	(5,568)	7,131	(365)	(9,219)	(8,021)
Gain on disposals of property and investment properties	—	12,788	—	—	12,788
Fair value gain on investment properties	—	2,020	—	—	2,020
Segment results	(5,568)	21,939	(365)	(9,219)	6,787
Other income					26,060
Unallocated expenses					(10,337)
Profit from operations					22,510
Finance costs					(951)
Profit before tax					21,559
At 31 March 2007					
Segment assets	544,537	189,744	245,916	134,925	1,115,122
Unallocated assets					283,922
Total assets					1,399,044
Segment liabilities	18,196	1,202	107	878	20,383
Unallocated liabilities					383,321
Total liabilities					403,704
Other segment information:					
Capital expenditure	5,755	1,943	—	616	8,314
Depreciation	76	582	3	3	664

5. Other Income

	2008	2007
	HK$'000	*HK$'000*
		(Restated)
Fair value gain on investment properties	**—**	2,020
Gain on disposals of property and investment properties	**—**	12,788
Net gain on disposals of financial assets at fair value through profit or loss	**11,521**	8,896
Interest income	**38,807**	14,330
Gain on disposal of property, plant and equipment	**4**	—
Net foreign exchange gains	**3,777**	—
Others	**1,464**	2,834
	55,573	40,868

6. (Loss)/Profit from Operations

(Loss)/profit from operations is arrived at after charging the following:

	2008	2007
	HK$'000	*HK$'000*
		(Restated)
Auditor's remuneration		
— Current	**753**	915
— Under-provision in prior year	**61**	214
	814	1,129
Depreciation	**7,978**	664
Directors' emoluments	**16,448**	2,934
Operating lease rentals paid in respect of rented premises *(note)*	**3,159**	1,786
Research and development expenditures	**12,726**	723
Staff costs including directors' emoluments		
Salaries, bonuses and allowances *(note)*	**11,109**	7,560
Retirement benefits scheme contributions	**426**	285
Equity-settled share-based payments	**35,194**	—
	46,729	7,845
Direct operating expenses of investment properties that generate rental income	**3,987**	2,264

Note: The amount includes the accommodation benefits provided to a director amounting to HK$228,000 (2007: HK$206,000) included in the directors' emoluments.

7. Finance Costs

	2008	2007
	HK$'000	*HK$'000*
Interest on bank loans	**17,105**	19,147
Amount capitalised	**(17,105)**	(18,196)
	—	951

Borrowing costs on funds borrowed generally are capitalised at a rate of 5.3% per annum (2007: 6%).

8. Income Tax (Credit)/Expense

	2008	2007
	HK$'000	*HK$'000*
Current tax — PRC enterprise income tax		
Provision for the year	**680**	1,306
Under/(over)-provision in prior years	**10**	(28)
	690	1,278
Deferred tax	**(4,513)**	1,293
	(3,823)	2,571

No provision for profits tax in the Bermuda, the British Virgin Islands or Hong Kong is required as the Group has no assessable profit arising in or derived from these jurisdictions for the year ended 31 March 2008 (2007: Nil).

PRC enterprise income tax is calculated at the applicable rates based on estimated taxable income earned by the companies with certain tax preference, based on existing legislation, interpretation and practices in respect thereof.

The new PRC enterprise income tax law passed by the Tenth National People's Congress on 16 March 2007 introduces various changes which include the unification of the enterprise income tax rate for domestic and foreign enterprises at 25%. The new tax law became effective from 1 January 2008. As a result, the tax rate for the PRC subsidiaries had been reduced from 33% to 25%.

9. (Loss)/Earnings Per Share

Basic (loss)/earnings per share is calculated based on (loss)/earnings attributable to equity holders of the Company during the year divided by the weighted average number of ordinary shares in issue. The calculation of the basis earnings per share is based on the following:

	2008	2007
	HK$'000	*HK$'000*
		(Restated)
(Loss)/earnings		
(Loss)/earnings for the purpose of calculating basic (loss)/earnings per share	**(101,497)**	16,820

	2008	2007
		(Restated)
Number of shares		
Weighted average number of ordinary shares for the purpose of calculating basic (loss)/earnings per share	**12,033,780,157**	11,095,694,733

In determining the weighted average number of ordinary shares in issue, the 5,080,000,000 ordinary shares as consideration of the First Acquisition and the 4,527,108,257 ordinary shares as consideration of the Second Acquisition were deemed to be in issue since 1 April 2006.

No diluted earnings per share are presented as the Company did not have any dilutive potential ordinary sharing during the two years ended 31 March 2008.

10. Trade and Other Receivables

	2008	2007
	HK$'000	*HK$'000*
		(Restated)
Trade receivables *(note a)*	**—**	32
Loan receivables *(note b)*	**666,395**	74,280
Receivables arising from dealing in listed securities	**48,638**	—
Deposits and prepayments	**1,267**	1,564
Others	**50**	1,387
Total trade and other receivables	**716,350**	77,263

(a) The Group's trading terms with customers are mainly on credit. The Group allows an average credit period of 30 days to its trade customers. The Group seeks to maintain strict control over its outstanding receivables. Overdue balances are reviewed regularly by the directors.

The following is an aged analysis of trade receivables, based on invoice dates:

	2008	2007
	HK$'000	*HK$'000*
Within 60 days	—	29
61 to 90 days	—	3
	—	32

(b) The loan receivables represent advances to an independent third party. The balance is secured by the borrower's investment in 70% equity interests of a sino-foreign equity joint venture established in the PRC which principally engaged in operation of hotel and related business, carrying interest at 8% per annum and repayable on or before 31 December 2008. Approximately HK$513,000,000 out of the balance has been repaid after the balance sheet date.

The loan receivables were arranged at a fixed interest rate, thus exposing the Group to fair value interest rate risk.

11. Trade and Other Payables

	2008	2007
	HK$'000	*HK$'000*
		(Restated)
Trade payables *(note)*	—	7,664
Receipts in advance	**16,175**	10,101
Accrual for operating expenses	**15,939**	3,180
Salary and welfare payables	**95**	543
Deposits received	**1,119**	152
Other tax payables	**652**	252
Others	**25**	641
Total trade and other payables	**34,005**	22,533

Note: The following is an aged analysis of trade payables at the balance sheet dates:

	2008	2007
	HK$'000	*HK$'000*
Within 60 days	—	638
Over 365 days	—	7,026
	—	7,664

DIVIDEND

The Directors do not recommend the payment of a final dividend for the year ended 31 March 2008.

CLOSURE OF REGISTER

The register of members will be closed from Tuesday, 19 August 2008 to Thursday, 21 August 2008 (both days inclusive) during which period no transfer of share will be registered. In order to qualify for the attending the meeting, all share transfers, accompanied by the relevant share certificates must be lodged with the Company's Branch Share Registrar, Tricor Secretaries Limited at 26/F., Tesbury Centre, 28 Queen's Road East, Hong Kong, for registration, not later than 4:00 p.m. on Monday, 18 August 2008.

MANAGEMENT DISCUSSION AND ANALYSIS

Financial Review

Turnover during the year under review was HK$4.89 million (2007: HK$15.93 million), and loss attributable to shareholders was HK$101.50 million (2007: profit attributable to shareholder was HK$16.82 million).

On 16 October 2007, the Company raised net capital of approximately HK$2,184 million through the placement of 1,374,000,000 ordinary shares at HK$1.61 per share – further enhancing the Group's financial position.

The Group's Audit Committee has reviewed the audited consolidated financial statements for the year ended 31 March 2008. The Audit Committee has reviewed with management the accounting principles and practices adopted by the Group, as well as internal control and financial reporting matters, and found them to be satisfactory.

Business Review

In light of the continued rapid growth of China's economy, as well as strong overall demand for oil throughout Asia and other developed regions, the Group has refocused its strategy on the development of its oil production business.

Reflecting this change in emphasis towards the oil resources industry, the Company changed its name to United Energy Group Limited on 24 December 2007, with unanimous shareholder support. In January 2008, the Group further tightened its strategic focus by restructuring its shareholding of property development business to 30%.

In October 2007, the Company acquired 100% interest in United Petroleum, which holds a participating interest in an oil field project in Liaohe Field – located in China's Bohai Bay Basin. The project is being jointly developed with China National Petroleum Corporation ("CNPC"), pursuant to an Enhanced Oil Recovery ("EOR") contract; and features net 2P reserves of 61 mmbbl.

Subsequent to the financial year end, the Group proposed to acquire 60% stake in Transmeridian Exploration Inc. ("TMEI"), which owns 100% of South Alibek Field (121 mmbbl net 2P reserves) in Kazakhstan, as well as a 50% effective interest in Gasha Field (estimated 78 mmbbl net 2P reserves) in Russia.

The Group's acquisition of TMEI's majority interest compliments its strategic focus on the upstream oil and natural gas business – diversifying the geographic base of our resources and increasing overall reserves. Plans to simplify TMEI's capital structure and further consolidate the Group's stake should yield additional economic benefits.

China and Kazakhstan are becoming increasingly important markets due to the recent discovery of significant oil reserves. The Group's acquisitions in both of these countries enjoy stable fiscal regimes as well as long-term 25-year production contracts, ensuring future operational stability.

After completion of these strategic acquisitions, the Group will become China's largest independent Energy & Petroleum company – enjoying established relationships with CNPC and other major industry players, as well as strong connections with the PRC Government. Leading the business is a veteran management team, with a proven track record in successful development of exploration opportunities.

Prospects

The Group believes that global economic growth – and especially China's rapidly expanding economy – will continue to fuel increasing demand for oil and natural gas.

Given the current market conditions, the Company's production assets in China and Kazakhstan are expected to provide significant cash flows as production capacity increases in the near future.

Leveraging our relationships with major Chinese E&P players, the Group will continue to expand into new markets internationally, targeting areas such as Southeast Asia, Africa and Latin America. We will also maintain our aggressive growth strategy of acquiring reserves and increasing production through both organic and inorganic initiatives.

With an impressive international asset portfolio, a strong balance sheet and an experienced, visionary management team; the Group stands well positioned to gain long-term benefits from the global economy's constantly increasing demand for energy.

Acquisitions

The Group continued its aggressive acquisition strategy throughout the year under review.

In October 2007, the Company acquired 100% interest in United Petroleum, an oil production business that holds 60% participating interests in an oil field project located in the Gaosheng Block of China's Bohai Basin. The project is being jointly developed with China National Petroleum Corporation ("CNPC"), pursuant to an Enhanced Oil Recovery contract.

Subsequent to the end of the financial year, on 11 June 2008, the Company announced the proposed acquisition of a 60% stake in TMEI, which holds a 100% interest in South Alibek Field in Kazakhstan, as well as a 50% effective interest in Gasha Field in Russia.

Liquidity and Financial Resources

The Group maintained its strong financial position for the year under review, with cash and cash equivalents amounting to HK$2,113 million as at 31 March 2008 (2007: HK$361 million). The significant improvement in the Group's liquidity was largely the result of the issuance of 1,374 million new shares on 16 October 2007, which generated net proceeds of approximately HK$2,184 million in cash.

The Group had no long-term borrowings, therefore the gearing ratio is not applicable. The current ratio improved to 67.02 (2007: 2.90), based on current assets of HK$2,903 million (2007: HK$1,087 million) and current liabilities of HK$43 million (2007: HK$375 million).

Capital Structure

As at 31 March 2008, the Group had total assets of HK$3,204 million (2007: HK$1,399 million) which were financed by shareholders' funds of HK$2,942 million (2007: HK$789 million), total liabilities of HK$71 million (2007: HK$404 million) and minority interests of HK$191 million (2007: HK$207 million).

During the financial year, the Group substantially expanded its capital base, mainly due to the acquisition of United Petroleum and acquisition of loan due to United Energy. This was achieved through the allotment and issue of 4,527,108,257 ordinary shares. In addition, the Company issued and alloted 1,374,000,000 ordinary shares to raise approximately HK$2,184 million in cash on 16 October 2007.

Orders

In line with its business nature, the Group did not have any order records as at 31 March 2008.

Contingent Liabilities

The Group had no significant contingent liabilities as at 31 March 2008.

Exposure to Fluctuations in Exchange Rates and Related Hedges

The Group's transaction was mainly denominated in Hong Kong Dollars, United States dollars and Renminbi. As the exchange rate between these currencies are relatively stable, the exposure to fluctuations in the exchange rate of the currencies is minimal. Accordingly, no hedge on the currencies was made during the period under review.

PURCHASE, SALE OR REDEMPTION OF THE COMPANY'S LISTED SECURITIES

During the year, neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the Company's listed shares.

AUDIT COMMITTEE

The Audit Committee has reviewed the audited consolidated financial statements for the year ended 31 March 2008 and discussed with management the accounting principles and practices adopted by the Group as well as internal control and financial reporting matters.

OTHER COMMITTEE

Besides the Audit Committee, the Board has also established Remuneration Committee. Each Committee has its defined scope of duties and written terms of reference.

CODE OF CORPORATE GOVERNANCE PRACTICES

The Company has complied with the code provision set out in Appendix 14 of the Listing Rules for the year ended 31 March 2008 except as disclosed below:

Code provision A.2.1 The Company does not have the post of chief executive officer and the executive function of the Company is performed by the executive directors and management. Thus significant decision of the Company is made by the Board.

Code provision A.4.1 There is no specific term on the appointment of non-executive directors but they will subject to retirement by rotation at least every three years in accordance with the Company's Bye-laws.

PUBLICATION OF ANNUAL REPORT

The 2008 annual report will be despatched to the shareholders and available on the Company's website at www.uegl.com.hk and HKExnews website at ww.hkexnews.hk in due course.

By Order of the Board
Zhang Hongwei
Chairman

Hong Kong, 28 July 2008

As at the date of this announcement, the Board comprises three executive Directors namely Mr. Zhang Hongwei, Mr. Zhu Jun and Ms Zhang Meiying and three independent non-executive Directors, Mr. San Fung, Mr. Chau Siu Wai and Mr. Zhu Chengwu.