THIS CIRCULAR IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION

If you are in doubt as to any aspect of this circular or as to the action you should take, you should consult your licensed securities dealer or registered institution in securities, bank manager, solicitor, professional accountant or other professional adviser.

If you have sold or transferred all your shares in **NEW TIMES GROUP HOLDINGS LIMITED**, you should at once hand this circular and the accompanying form of proxy to the purchaser or transferee or to the bank, licensed securities dealer or other agent through whom the sale or transfer was effected for transmission to the purchaser or transferee.

This circular is for information only and does not constitute an invitation or offer to acquire, purchase or subscribe for any securities in the Company.

NEW TIMES GROUP HOLDINGS LIMITED
新時代集團控股有限公司*

(incorporated in Bermuda with limited liability)

(Stock Code: 166)

VERY SUBSTANTIAL ACQUISITION IN RELATION TO THE PROPOSED ACQUISITION OF THE ENTIRE ISSUED SHARE CAPITAL OF JADE HONEST LIMITED AND PROPOSED RE-ELECTION OF DIRECTOR

Financial Adviser to New Times Group Holdings Limited

OPTIMA CAPITAL

Optima Capital Limited

A notice convening a special general meeting of New Times Group Holdings Limited to be held at Board Room, 7/F, Dynasty Club, South West Tower, Convention Plaza, One Harbour Road, Wanchai, Hong Kong on Wednesday, 18 March 2009 at 3:00 p.m. is set out on pages 276 to 278 of this circular. Whether or not you intend to attend the special general meeting, you are requested to complete and return the accompanying form of proxy in accordance with the instructions printed thereon to the Company's branch share registrar in Hong Kong, Tricor Tengis Limited, at 26th Floor, Tesbury Centre, 28 Queen's Road East, Wanchai, Hong Kong as soon as practicable and in any event not later than 48 hours before the time appointed for holding of the meeting. Completion and return of the form of proxy will not preclude you from attending and voting in person at the meeting or any adjournment thereof should you so wish.

* *for identification purpose only*

20 February 2009

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DEFINITIONS

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

"acting in concert"	has the meaning ascribed to it in the Takeovers Code
"Acquisition"	the proposed acquisition of the Sale Interests by the Company from the Vendors on the terms and conditions of the Acquisition Agreements
"Acquisition Agreements"	the Framework Agreement and the Intended Contract (as supplemented by the First Supplemental Agreement, the Second Supplemental Agreement, the Third Supplemental Agreement, the Fourth Supplemental Agreement, the Fifth Supplemental Agreement and the Sixth Supplemental Agreement)
"Announcement"	the announcement of the Company dated 6 January 2009 in relation to, among others, the Supplemental Agreements
"Argentina"	the Argentine Republic
"associate(s)"	has the meaning ascribed to it in the Listing Rules
"BGP"	Bureau of Geophysical Prospecting, a subsidiary of CNPC specialising in research and development of exploration oil and natural gas
"BMI"	BMI Appraisals Limited, an independent valuation firm
"Business Days"	a day (excluding Saturdays) on which banks are generally open for business in Hong Kong
"BVI"	British Virgin Islands
"CNPC"	China National Petroleum Corporation, a state-owned petroleum cooperation in the PRC
"Company"	New Times Group Holdings Limited, a company incorporated in Bermuda, the shares of which are listed on the Stock Exchange
"Completion"	completion of the Acquisition in accordance with the terms and conditions of the Acquisition Agreements
"Concessions"	the Tartagal Concession and Morillo Concession

"connected persons"	has the meaning as ascribed to it in the Listing Rules
"Consideration"	the consideration in the amount of HK$2,100 million payable by the Company to the Vendors for the Acquisition
"Consideration Shares"	the 281,250,000 Shares to be allotted and issued at the price of HK$0.32 per Share, credited as fully paid, to the Vendors or their respective Nominee(s) on Completion
"Consortium"	JHP and Maxipetrol which have been granted the Concessions
"Contingent Announcement"	the announcement to be issued by the Company if the Company is required to pay the Contingent Consideration to the Vendors under the terms and conditions of the Supplemental Agreements
"Contingent Consideration"	the contingent consideration of HK$780,000,000 payable by the Company to the Vendors in accordance with the terms and conditions of the Supplemental Agreements
"Conversion Shares"	the 5,726,250,000 new Shares to be issued by the Company upon full conversion by the Noteholder(s) of the conversion rights attaching to the Convertible Notes at the conversion price of HK$0.32 per Share
"Convertible Note(s)"	the convertible note(s) in the principal amount of HK$1,832,400,000 to be issued by the Company to the Vendors or their respective Nominee(s) on Completion
"Director(s)"	the director(s) of the Company
"Enlarged Group"	the Group as enlarged after Completion
"Fifth Supplemental Agreement"	the fifth supplemental agreement dated 12 December 2008 supplementing the Intended Contract and the Framework Agreement
"First Announcement"	the announcement of the Company dated 25 October 2007 in relating to the Framework Agreement
"First Indicative Valuation"	the indicative valuation of US$15 billion as indicative by BMI based on the findings of the PRC Report

"First Supplemental Agreement"	the first supplemental agreement dated 12 November 2007 supplementing the Intended Contract and the Framework Agreement
"First Tranche Consideration Shares"	the 93,750,000 new Shares to be allotted and issued at the price of HK$0.32 per Share to the Vendors or their respective Nominee(s) on Completion
"Fourth Supplemental Agreement"	the fourth supplemental agreement dated 28 November 2008 supplementing the Intended Contract and the Framework Agreement
"Framework Agreement"	the conditional framework agreement entered into on 10 October 2007 among the Company, the Vendors and the Target in relation to, among others, the Acquisition
"Group"	collectively, the Company and its subsidiaries from time to time
"Guarantee"	a guarantee for the benefit of the government of Salta Province of Argentina for an amount equal to the Investment Commitment
"High Luck"	High Luck Group Limited, a company incorporated in the BVI with limited liability
"Hong Kong"	the Hong Kong Special Administrative Region of the PRC
"Intended Contract"	the final and formal contract dated 31 October 2007 entered into among the Company, the Vendors and the Target, in relation to the Acquisition
"Investment Commitment"	the investment commitment for the exploration work in Tartagal Concession and Morillo Concession of an amount of US$35,990,000 and US$13,000,000 respectively
"JHP"	JHP International Petroleum Engineering Ltd.
"Last Full Trading Day"	11 December 2008, being the last full day on which the Shares were traded on the Stock Exchange prior to suspension of trading in the Shares on 12 December 2008 pending the release of the Announcement
"Latest Practicable Date"	18 February 2009, being the latest practicable date prior to the printing of this circular for the purposes of ascertaining certain information contained herein

"Legal Opinion"	a legal opinion dated 18 October 2007 issued by Brons & Salas, the Argentina legal adviser of the Company advising on, among other things, the Acquisition
"Listing Committee"	the listing sub-committee of the Stock Exchange
"Listing Rules"	the Rules Governing the Listing of Securities on the Stock Exchange
"Long Stop Date"	the deadline for the fulfillment of conditions precedent to the Acquisition
"Maxipetrol"	Maxipetrol – Petroleros de Occidente S.A., formerly known as Oxipetrol – Petroleros de Occidente S.A. (defined as "Oxipetrol" in the Previous Announcements)
"Morillo Concession"	the exploration and potential exploitation concessions granted by the Government of Argentina located in the province of Salta in northern Argentina covering a surface area of approximately 3,518 square kilometers
"Mr. Fung"	Mr. Fung Siu To, Clement, an independent non-executive Director
"Mr. Li"	Mr. Li Guoping, a Director appointed on 22 October 2007
"Nominee(s)"	means respective person(s) (each being a person who is an independent third party to the Company and not a connected person to the Company within the meaning of the Listing Rules and who shall give a written confirmation to the Company to that effect and to the effect that he is not a party acting in concert with (i) the Vendors; or (ii) any of the nominees of the Vendors; and in case such person is an corporation together with the written confirmation by its ultimate beneficial owners to the same effects concerning such ultimate beneficial owners) to be nominated by each of the Vendors, whether jointly or severally, to receive and be registered as holder of the Promissory Notes and/or the Consideration Shares and/or the Convertible Notes
"Noteholder(s)"	holder(s) of the Convertible Note(s)
"Payment Date"	the 90th day after the publication of the Contingent Announcement on the website of the Stock Exchange

"PRC"	the People's Republic of China which, for the purposes of this circular, excludes Hong Kong, the Macau Special Administrative Region of the PRC and Taiwan
"PRC Report"	a technical report prepared by CNPC and BGP dated August 2007 in relation to the estimate resource potential in the Concessions
"PRC Technical Adviser"	CNPC and BGP
"Previous Announcements"	the announcements of the Company dated 25 October 2007, 1 November 2007, 14 November 2007, 15 November 2007, 1 April 2008, 2 May 2008, 13 August 2008, 1 September 2008, 19 October 2008 and 1 December 2008 in relation to, among others, the Acquisition
"PRMS"	the 2007 Petroleum Resources Management System approved by the Society of Petroleum Engineers
"Promissory Notes"	the promissory notes in the principal amount of HK$123,000,000 to be issued by the Company to the Vendors or their respective Nominee(s) on Completion
"Sale Interests"	2,700 shares of US$1 each in, and representing the entire issued share capital of, the Target
"SFC"	the Securities and Futures Commission of Hong Kong
"SFO"	the Securities and Future Ordinance (Chapter 571 to the Laws of Hong Kong)
"SGM"	the special general meeting of the Company to be convened to approve, among other things, (i) the Acquisition Agreements and the transactions contemplated thereunder (including but not limited to (a) the purchase of the Sale Interests; (b) the issue and allotment of the Consideration Shares to Vendor 1 and Vendor 2 and/or their respective Nominees; (c) the issue of the Convertible Notes to Vendor 1 and Vendor 2 and/or their respective Nominees; (d) the issue and allotment of new Shares upon the exercise of the conversion rights under the Convertible Notes; and (e) the terms and conditions of the Contingent Consideration (including the payment in cash, in whole or in part, of the Contingent Consideration)); and (ii) the re-election of Mr. Fung as independent non-executive Director

"Second Supplemental Agreement"	the second supplemental agreement dated 26 March 2008 supplementing the Intended Contract and Framework Agreement
"Second Tranche Consideration Shares"	the 93,750,000 new Shares to be allotted and issued on the date falling on three months after Completion at the price of HK$0.32 per Share to the Vendors or their respective Nominee(s)
"Sixth Supplemental Agreement"	the sixth supplemental agreement dated 6 January 2009 supplementing the Intended Contract and the Framework Agreement
"Share(s)"	ordinary share(s) of HK$0.10 each in the share capital of the Company
"Shareholder(s)"	holder(s) of the Share(s)
"Stock Exchange"	The Stock Exchange of Hong Kong Limited
"Supplemental Agreements"	collectively the Fifth Supplemental Agreement and the Sixth Supplemental Agreement
"Takeovers Code"	the Hong Kong Code on Takeovers and Mergers
"Target"	Jade Honest Limited, a company incorporated in the BVI with limited liability on 9 March 2007, which holds 100% interests in High Luck
"Target Group"	the Target and its subsidiaries
"Tartagal Concession"	the exploration and potential exploitation concessions granted by the Government of Argentina located in the province of Salta in northern Argentina covering a surface area of approximately 7,065 square kilometres
"Technical Adviser" or "NSAI"	Netherland, Sewell & Associates, Inc., a technical adviser with appropriate qualification appointed by the Company to perform technical review regarding the exploitation of resources of the Concessions
"Technical Report"	the technical report prepared by the Technical Adviser dated 11 September 2008 (for the purpose of incorporation into this circular, NSAI has updated the technical report and a technical report dated 9 February 2009 is set out in appendix V to this circular)

"Third Supplemental Agreement"	the third supplemental agreement dated 30 August 2008 supplementing the Intended Contract and the Framework Agreement
"Third Tranche Consideration Shares"	the 93,750,000 new Shares to be allotted and issued on the date falling six months after Completion at the price of HK$0.32 per Share to the Vendors or their respective Nominee(s)
"Valuation"	the valuation of the Concessions in the amount of US$1.5 billion (approximately HK$11.7 billion) as at 11 September 2008 by BMI based on the findings of the Technical Report (for the purpose of incorporation into this circular, BMI has updated the valuation of the Concessions and the valuation of the Concessions remained at US$1.5 billion as at 31 December 2008, details of which are set out in appendix IV to this circular)
"Valuation Condition"	the condition precedent of the Company having obtained an official valuation report acceptable to the Company prepared and issued by a firm of independent valuers nominated by the Company showing the value of the Concessions being not less than US$15 billion under the Acquisition Agreements
"Vendor 1"	Mr. Chan Koon Wa who owns 33.3% of the Target and is a third party independent of the Company and its connected persons
"Vendor 2"	Mr. Wong Cheung Yiu who owns 66.7% of the Target and is a third party independent of the Company and its connected persons
"Vendors"	Vendor 1 and Vendor 2
"HK$"	Hong Kong dollar(s), the lawful currency of Hong Kong
"US$"	United States dollar(s), the lawful currency of the United States of America
"BCF"	billion cubic feet
"%"	per cent.

This circular contains translation between US$ and HK$ at US$1.0 = HK$7.8. The translation rate is for indication purposes only and should not be taken as a representation that the relevant currency could actually be converted into HK$ at that rate or at all.

NEW TIMES GROUP HOLDINGS LIMITED
新時代集團控股有限公司*

(incorporated in Bermuda with limited liability)
(Stock Code: 166)

Executive Directors:
Mr. Tse On Kin *(Chairman)*
Mr. Cheng Kam Chiu, Stewart
Mr. Cheng Chi Him
Mr. Li Guoping

Non-executive Directors:
Mr. Wong Man Kong, Peter
Mr. Pei Cheng Ming, Michael
Mr. Chan Chi Yuen

Independent non-executive Directors:
Mr. Fung Chi Kin
Mr. Fung Siu To, Clement
Mr. Chiu Wai On

Registered Office:
Clarendon House
2 Church Street
Hamilton HM 11
Bermuda

Head office and principal place of business:
Unit 2003–06, Shui On Centre
6–8 Harbour Road
Wanchai
Hong Kong

20 February 2009

To the Shareholders

Dear Sir or Madam,

VERY SUBSTANTIAL ACQUISITION IN RELATION TO THE PROPOSED ACQUISITION OF THE ENTIRE ISSUED SHARE CAPITAL OF JADE HONEST LIMITED AND PROPOSED RE-ELECTION OF DIRECTOR

INTRODUCTION

On 10 October 2007, the Board announced that the Company had entered into the conditional Framework Agreement with the Vendors and the Target. Under the Framework Agreement, the Company agreed to acquire from the Vendors the entire issued share capital of the Target at the consideration of HK$10 billion. It was also announced that the Company will sign the Intended Contract with the Vendors on or before 31 October 2007. As at the date of the Framework Agreement, the Target was interested in 51% of the entire issued share capital of High Luck which in turn, at completion, will be the beneficial and registered owner of 60% interest in each of the Tartagal Concession and the Morillo Concession. As a result, the Group's effective interests in the Concessions will be 30.6% pursuant to the Framework Agreement.

* *for identification purpose only*

The consideration to be satisfied under the Framework Agreement at completion comprises (i) a total of HK$408,229,138 by way of the issue and allotment of 272,152,758 new Shares at an issue price of HK$1.50 per Share to the Vendors or their nominees; (ii) a total of HK$9,361,770,862 by the issue of convertible notes by the Company to the Vendors or their nominees; and (iii) a total of HK$230,000,000 by the issue of promissory notes by the Company to the Vendors or their nominees.

On 1 November 2007, the Board announced that the Company had entered into the Intended Contract with the Vendors and the Target. The deadline for the fulfillment of the conditions to the Acquisition is 31 March 2008 pursuant to the Intended Contract.

Subsequent to the entering into the Intended Contract, the Board further announced on 14 November 2007 that the Company had entered into the First Supplemental Agreement with the Vendors and the Target. Under the First Supplemental Agreement, the Company agreed to vary the consideration for the acquisition from the Vendors of the entire issued share capital of the Target to the sum of HK$10,312 million. As at the date of the First Supplemental Agreement, the Target interested in 100% of the entire issued share capital of High Luck which in turn, at Completion, will be the beneficial and registered owner of 60% interest in each of the Tartagal Concession and the Morillo Concession. Accordingly, the effective interests in the Concessions to be acquired by the Group will increase from 30.6% to 60%.

The additional consideration of HK$312 million to be satisfied under the First Supplemental Agreement at completion comprises (i) a total of HK$234 million by the issue of additional convertible notes by the Company to the Vendors or their nominees; and (ii) a total of HK$78 million by way of cash paid to the Vendors by the Company upon signing of the First Supplemental Agreement.

On 26 March 2008, the Company entered into the Second Supplemental Agreement with the Vendors and the Target. Under the Second Supplemental Agreement, the Company and the Vendors have agreed to extend the deadline for the fulfillment of the conditions to the Acquisition from 31 March 2008 to 31 August 2008 (or such later date as the Company and the Vendors may agree). The Company has also agreed to bear the costs of approximately US$784,000 (equivalent to approximately HK$6,000,000) for obtaining the Guarantee for an amount equal to the Investment Commitment for the benefit of the government of Salta Province of Argentina. On 23 April 2008, the Company was informed by the Vendors that due to 21% value added tax imposed by the Government of Argentina in respect of the application for the Guarantee as set out in the Second Supplemental Agreement, the costs for obtaining the Guarantee will be revised to an amount up to US$953,344 (equivalent to approximately HK$7.4 million). On 28 April 2008, the Company agreed with the Vendors that the Company will bear the additional costs incurred for the Guarantee. Hence, the Second Supplemental Agreement has been amended to the effect that the Company will agree to bear the costs for an amount up to US$953,344 (equivalent to approximately HK$7.4 million) for obtaining the Guarantee upon receiving satisfactory documentation from the Vendors.

On 30 August 2008, the Company, the Vendors and the Target entered into the Third Supplemental Agreement pursuant to which the Company and the Vendors have agreed to extend the deadline for the fulfillment of the conditions to the Acquisition from 31 August 2008 to 28 November 2008 (or such later date as the Company and the Vendors may agree).

On 19 October 2008, the Company announced that it had received from an independent valuer a draft valuation of the Concessions in the amount of approximately US$1.5 billion (equivalent to approximately HK$11.7 billion). In light of the aforesaid draft valuation, the Valuation Condition could not be duly fulfilled and the Company and the Vendors have re-negotiated the terms of the Acquisition with a view to entering into a supplemental agreement with the effect of amending the old terms for the Acquisition and reaching new terms and conditions for the Acquisition. On 28 November 2008, the Company, the Vendors and the Target entered into the Fourth Supplemental Agreement pursuant to which the Company and the Vendors have agreed to extend the Long Stop Date from 28 November 2008 to 12 December 2008 (or such later date as the Company and the Vendors may agree) to allow more time for the aforesaid re-negotiation.

On 12 December 2008, the Company entered into the Fifth Supplemental Agreement with the Vendors and the Target pursuant to which the Company agreed to acquire and the Vendors agreed to sell the entire issued share capital of the Target at a Consideration of HK$2,100 million, and to revise certain other related terms and conditions for the Acquisition. On 6 January 2009, the Company, the Vendors and the Target entered into the Sixth Supplemental Agreement to amend the payment mechanism of the Contingent Consideration.

The Consideration payable by the Company to the Vendors of HK$2,100 million comprises (i) HK$54.6 million in cash; (ii) HK$90 million to be satisfied by way of issue and allotment of a total of 281,250,000 Consideration Shares at an issue price of HK$0.32 per Share; (iii) HK$123 million to be satisfied by way of issue of the Promissory Notes; and (iv) HK$1,832.4 million to be satisfied by way of issue of the Convertible Notes. The Consideration represents a discount of approximately 70.1% to the amount of the Valuation of the Concessions attributable to the 60% effective interest of the Concessions to be acquired by the Group. The Valuation for the entire Concessions was US$1.5 billion (equivalent to approximately HK$11.7 billion).

The Acquisition constitutes a very substantial acquisition of the Company under the Listing Rules. Accordingly, the Acquisition is conditional upon, among other things, the approval by the Shareholders at the SGM. As no Shareholder has any material interest in the Acquisition, no Shareholders are required to abstain from voting in the SGM in respect of the resolution to approve the Acquisition. The SGM will be convened to approve (i) the Acquisition Agreements and the transactions contemplated thereunder (including but not limited to (a) the purchase of the Sale Interests; (b) the issue and allotment of the Consideration Shares to Vendor 1 and Vendor 2 and/or their respective Nominees; (c) the issue of the Convertible Notes to Vendor 1 and Vendor 2 and/or their respective Nominees; (d) the issue and allotment of new Shares upon the exercise of the conversion rights under the Convertible Notes; and (e) the terms and conditions of the Contingent Consideration (including the payment in cash, in whole or in part, of the Contingent Consideration)); and (ii) the re-election of Mr. Fung as independent non-executive Director.

This circular provides you with, among other things, (i) details of the Acquisition; (ii) financial information of the Group and the Target Group; (iii) unaudited pro forma financial information on the Enlarged Group; (iv) the valuation report; (v) the Technical Report; (vi) details of the independent non-executive Director proposed to be re-elected; and (vii) a notice of the SGM.

THE ACQUISITION AGREEMENTS

Date of the Framework Agreement

10 October 2007

Date of the Intended Contract

31 October 2007

Date of the First Supplemental Agreement

12 November 2007

Date of the Second Supplemental Agreement

26 March 2008

Date of the Third Supplemental Agreement

30 August 2008

Date of the Fourth Supplemental Agreement

28 November 2008

Date of the Fifth Supplemental Agreement

12 December 2008

Date of the Sixth Supplemental Agreement

6 January 2009

Parties:

(i)	Vendor 1	:	Mr. Chan Koon Wa
(ii)	Vendor 2	:	Mr. Wong Cheung Yiu
(iii)	Purchaser	:	the Company
(iv)	Target	:	Jade Honest Limited

Information of the Vendors

Vendor 1 is a Hong Kong merchant who has extensive experience in international trading and investment activities; and Vendor 2 is a Hong Kong merchant who has extensive experience in international trading, corporate and project management, and investment activities. To the best of the Directors' knowledge, information and belief having made all reasonable enquires, the Vendors are third parties independent of the Company and its connected persons, and neither of the Vendors holds any directorship in any Hong Kong listed companies. Save for the entering into the Acquisition Agreements, there is no prior transaction and relationship between the Vendors and the Company.

Assets to be acquired

Under the Acquisition Agreements, the Company agreed to acquire from the Vendors 2,700 shares of the Target (representing the entire issued share capital of the Target) at the Consideration of HK$2,100 million. The Target is interested in 100% of the entire issued share capital of High Luck which in turn, at Completion, will be the beneficial and registered owner of 60% interest in each of the Tartagal Concession and the Morillo Concession.

According to the valuation report prepared by BMI, the valuation of the Concessions is US$1.5 billion (equivalent to approximately HK$11.7 billion). The relevant valuation report is set out in Appendix IV to this circular.

Further information on the Target and the Concessions are set out in the paragraph headed "Information on the Target Group" below.

Consideration

Pursuant to the Fifth Supplemental Agreement, the consideration for the Acquisition will be reduced from HK$10,312 million to HK$2,100 million, of which HK$699,300,000 and HK$1,400,700,000 will be payable to Vendor 1 and Vendor 2 respectively. The Consideration is to be satisfied in the following manner:

To Vendor 1:

(i) as to HK$12,987,000 already paid upon signing of the First Supplemental Agreement on 12 November 2007 as a non-refundable payment;

(ii) as to HK$5,194,800 already paid upon signing of the First Supplemental Agreement on 12 November 2007, being a payment refundable within 7 days upon termination of the Acquisition Agreements;

(iii) as to HK$29,970,000 payable to Vendor 1 and/or its Nominee(s) to be satisfied by the Company by way of the issue and allotment of 93,656,250 Consideration Shares at the issue price of HK$0.32 per share in three equal tranches (each tranche comprising 31,218,750 Shares) as follows:

(a) the First Tranche Consideration Shares to be issued at Completion;

(b) the Second Tranche Consideration Shares to be issued on the date falling three months after Completion, and if such date is not a Business Day, the first Business Day thereafter; and

(c) the Third Tranche Consideration Shares to be issued on the date falling 6 months after Completion, and if such date is not a Business Day, the first Business Day thereafter.

(iv) as to HK$40,959,000 payable to Vendor 1 and/or its Nominee(s) upon Completion and to be satisfied by the Company by the issue of the Promissory Notes; and

(v) as to HK$610,189,200 payable to Vendor 1 and/or its Nominee(s) upon Completion and to be satisfied by the Company by the issue of the Convertible Notes.

To Vendor 2:

(i) as to HK$26,013,000 already paid upon signing of the First Supplemental Agreement on 12 November 2007 as a non-refundable payment;

(ii) as to HK$10,405,200 already paid upon signing of the First Supplemental Agreement on 12 November 2007, being a payment refundable within 7 days upon termination of the Acquisition Agreements;

(iii) as to HK$60,030,000 payable to Vendor 2 and/or its Nominee(s) to be satisfied by the Company by way of the issue and allotment of 187,593,750 Consideration Shares at the issue price of HK$0.32 per share in three equal tranches (each tranche comprising 62,531,250 Shares) as follows:

(a) the First Tranche Consideration Shares to be issued at Completion;

(b) the Second Tranche Consideration Shares to be issued on the date falling three months after Completion, and if such date is not a Business Day, the first Business Day thereafter; and

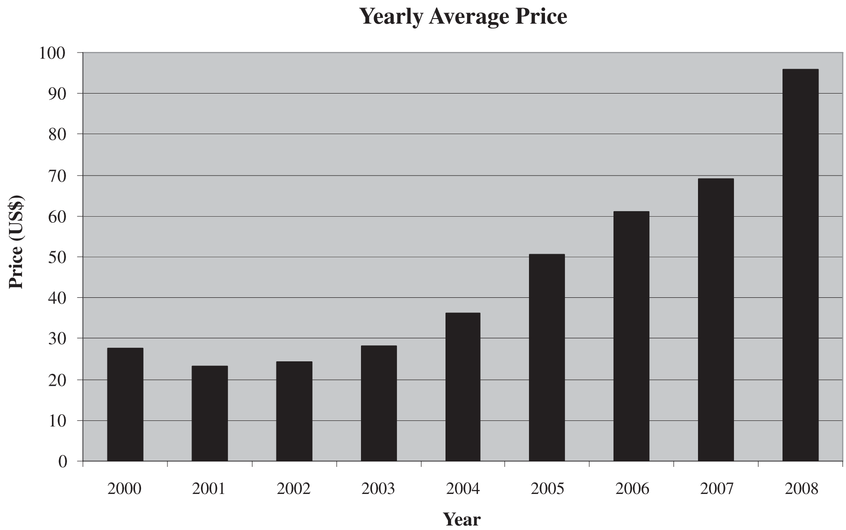
(c) the Third Tranche Consideration Shares to be issued on the date falling 6 months after Completion, and if such date is not a Business Day, the first Business Day thereafter.

(iv) as to HK$82,041,000 payable to Vendor 2 and/or its Nominee(s) upon Completion and to be satisfied by the Company by the issue of the Promissory Notes; and

(v) as to HK$1,222,210,800 payable to Vendor 2 and/or its Nominee upon Completion and to be satisfied by the Company by the issue of the Convertible Notes.

The Consideration payable by the Company to the Vendors of HK$2,100 million comprises (i) HK$54.6 million in cash; (ii) HK$90 million to be satisfied by way of issue and allotment of a total of 281,250,000 Consideration Shares at an issue price of HK$0.32 per Share; (iii) HK$123 million to be satisfied by way of issue of the Promissory Notes; and (iv) HK$1,832.4 million to be satisfied by way of issue of the Convertible Notes. The Consideration represents a discount of approximately 70.1% to the amount of the Valuation of the Concessions attributable to the 60% effective interest of the Concessions to be acquired by the Group. The Valuation for the entire Concessions was US$1.5 billion (equivalent to approximately HK$11.7 billion).

The Consideration of HK$2,100 million was determined after arm's length negotiations between the Company and the Vendors with reference to (i) the Valuation of the Concessions of US$1.5 billion (equivalent to approximately HK$11.7 billion) by BMI, which was arrived at on the basis of the findings in the Technical Report issued by the Technical Advisor, NSAI; (ii) 60% of the effective interest in the Concessions proposed to be acquired by the Company pursuant to the Acquisition Agreements; (iii) the estimated unrisked gross (100%) prospective resources of approximately 76.2 million tons of oil equivalent based on the findings of the Technical Report (equivalent to approximately 558.4 million barrels of oil equivalent, calculated based on the conversion ratio of one ton of oil to 7.33 barrels of oil as quoted from the website of the Society of Petroleum Engineers); (iv) approximately US$40 per barrel (with reference to the prevailing market prices of oil per barrel in December 2008); and (v) the average oil price of US$99.1 per barrel for the eleven months from 1 January 2008 to 30 November 2008 as quoted on the website of the Organization of the Petroleum Exporting Countries, with highest average price of US$131.2 per barrel in July 2008 and lowest average price of US$39.7 per barrel in December 2008 (up to 11 December 2008). The Directors note that there has been a decrease in the market price of oil per barrel since August 2008 and consider that such decrease is mainly attributable to the market uncertainties and chaos surrounding the global economy since the second half of 2008 as brought by the sub-prime credit problems in the United States' financial market. Taking into account the limited energy resources available in the world and the increasing consumption of petroleum and natural gas all over the world as a result of industrialisation and urbanisation, the Directors are optimistic about the market price of oil and gas over the long time spectrum with reference to the trend of oil price in the past years. Set out below are the statistics of petroleum prices:



Source: Data extracted form the website of Organization of the Petroleum Exporting Countries (OPEC) as of 22 December 2008

NSAI is a firm of international independent reserves consultants and has conducted reserve certifications, technical studies and economic evaluations, and advisory work for various listed companies all over the world. The experts that have been directly involved in the Technical Report are experienced engineers and geoscientists with appropriate professional qualifications. The Technical Report has been prepared in accordance with the definitions and guidelines set forth in the PRMS, which are globally recognised definitions for petroleum industry. The PRMS standards were approved by the Society of Petroleum Engineers in March 2007 and jointly sponsored by the World Petroleum Council, the American Association of Petroleum Geologists and the Society of Petroleum Evaluation Engineers. In view of the above, the Directors consider that the result of the Technical Report is reliable and the Technical Report has been prepared in accordance with generally accepted and recognised standards in the petroleum industry. BMI has arrived at the Valuation based on the findings of the Technical Report. The experts involved in the valuation have extensive experience in valuing similar assets or companies engaged in petroleum industry. As more particularly described in the section headed "Methodology adopted by the Technical Adviser" below, taking into account the fact that no extensive test drilling has been conducted in the Concessions, the petroleum resources in the Concessions were classified as prospective resources in the Technical Report. The results concluded in the Technical Report were therefore far more conservative in comparison to those in the PRC report. The unrisked gross (100%) prospective resources of approximately 76.2 million tons of oil equivalent or 558.4 million barrels of oil equivalent for the Concessions have been arrived at after due care of the Technical Advisor and in accordance with internationally recognised standards. The Board has taken into consideration that the risks and uncertainties associated with the findings of the Technical Report and the Valuation in coming to terms with the Vendors of the Consideration of HK$2,100 million which represents a significant discount of approximately 70.1% to the amount of the Valuation of the Concessions attributable to the Sale Interests. Further details of the Valuation and the Technical Report are set out in the section headed "Background to the Supplemental Agreements" below.

Taking into account the above factors, the Directors consider that the Consideration is fair and reasonable. Further details of the risk factors associated with the Acquisition and the investments in the Concessions are set out in the section headed "Risk factors" below.

Contingent Consideration after Completion

Pursuant to the Fifth Supplemental Agreement, if within 3 years subsequent to Completion, the Company having obtained a technical report (the "Contingent Technical Report") in a form and substance reasonably acceptable to the Company having been prepared and issued by a firm of independent technical consultants to be appointed by the Company and agreed by the Vendors showing, and the Company being satisfied, that the aggregate proved reserves (as defined in the PRMS) in the Concessions are not less than 100 million tons of oil, the Company shall forthwith arrange to issue the Contingent Announcement and within 90 days after the publication of the Contingent Announcement on the website of the Stock Exchange, at the choice of the Company after consultation with the Vendors, either

(i) pay to the Vendors by cheque a sum of HK$780,000,000 as to HK$259,740,000 to Vendor 1 and as to HK$520,260,000 to Vendor 2; or

(ii) in the event of the Company having obtained the necessary legal and regulatory approvals, pay to the Vendors in aggregate HK$780 million by allotment and issue of new Shares at the price equivalent to the average closing price of the Shares as stated in the Stock Exchange daily quotations sheet for the 10 Business Days immediately preceding the date of the Contingent Announcement in the same proportion as stated in (i) above; or

(iii) in the event of the Company having obtained the necessary legal and regulatory approvals, pay to the Vendors in aggregate HK$780 million in the same proportion as stated in (i) above by a combination of cheque and allotment and issue of new Shares at the price equivalent to the average closing price of the Shares as stated in the Stock Exchange daily quotations sheet for the 10 Business Days immediately preceding the date of the Contingent Announcement in any proportion in the absolution discretion of the Company.

Pursuant to the Sixth Supplemental Agreement, in the event that the obligation of the Company for the Contingent Consideration materialises, no new Shares shall be issued to the Vendors or parties acting in concert with any of them to the extent that such issue will result in a change in control (as defined in the Takeovers Code) of the Company. For the avoidance of doubt, in the case that the Company does not elect to issue new Shares to settle part of or all of the Contingent Consideration, any outstanding amount of the Contingent Consideration will be settled by way of cash.

If new Shares are to be issued by the Company to the Vendors to settle part of or all of the Contingent Consideration and such issue of new Shares will trigger the obligation of the Vendors and parties acting in concert with any of them to make a general offer for all the issued share capital of the Company (other than those already owned or agreed to be acquired by the Vendors and parties acting in concert with any of them), the Vendors and parties acting in concert with any of them will ensure strict compliance with the relevant provisions of the Takeovers Code. Pursuant to the Supplemental Agreements, the Company has the absolute discretion to choose the settlement method of the Contingent Consideration. The terms and conditions of the Contingent Consideration (including the payment in cash, in whole or in part, of the Contingent Consideration) will be subject to Shareholders' approval at the SGM. In the event that the Company elects to issue new Shares to settle part or all of the Contingent Consideration, the Company will also comply with the relevant reporting and/or Shareholders' approval requirements of the Listing Rules including but not limited to provisions under Chapter 14A of the Listing Rules where applicable.

However, if before the expiration of the Payment Date, there occurs any of the following event(s), the obligation of the Company for the Contingent Consideration shall cease:

(i) any force majeure event which in the reasonable opinion of the Company may have a material adverse effect on the Company's interest, whether direct or indirect, in the Concessions; or

(ii) any event including civil unrest or governmental or other third party action or inaction which in the reasonable opinion of the Company may result in its rights and interest in the exploration or exploitation of the Concessions being substantially impaired or infeasible.

For the avoidance of doubt, the obligation of the Company for the Contingent Consideration shall cease after the Contingent Technical Report has been produced showing that the aggregate proved reserves (as defined in the PRMS) in the Concessions are less than 100 million tons of oil.

On the basis of an assumed proved reserves of 100 million tons of oil, BMI has indicated that the valuation of the Concessions would have been US$10 billion (equivalent to approximately HK$78 billion) as at 11 September 2008 (the "Contingent Valuation"). The Contingent Valuation is estimated based on US$13.52 per barrel of proved reserve of oil, which is determined by using the weighted average of the acquisition prices for each barrel of proved reserve in the comparable transactions. The sum of the Consideration and the Contingent Consideration of HK$2,880 million represents a discount of approximately 93.8% of the amount of the Contingent Valuation attributable to the Sale Interests. Pursuant to the PRMS, proved reserves are those quantities of petroleum, which by analysis of geoscience and engineering data, can be estimated with reasonable certainty to be commercially recoverable, from a given date forward, from known reservoirs and under defined economic conditions, operating methods and government regulators. Taking into account (i) the Contingent Consideration is conditional on the Company having received the Contingent Technical Report showing proved reserves of not less than

100 million tons of oil; (ii) the Contingent Valuation of US$10 billion; and (iii) the term "proved reserves" is the category with the highest chance of commercial recovery and with the highest certainty of the estimated volumes being recovered under the PRMS, the Directors consider that the Contingent Consideration is fair and reasonable.

For discussion purpose, assuming the Company shall have elected to settle the Contingent Consideration solely by way of issue of new Shares and at an issue price of HK$0.32 per Share (being the closing price of the Shares on 12 December 2008 on which trading of Shares were suspended from 2:30 p.m. pending the release of the Announcement), 2,437,500,000 new Shares will be issued to the Vendors, representing approximately 311.7% of the existing issued share capital of the Company and 26.4% of the issued share capital of the Company as enlarged by the Consideration Shares, the Conversion Shares and the issue of the aforesaid 2,437,500,000 new Shares for the settlement of the Contingent Consideration.

Principal terms of the Promissory Notes

Aggregate amount	:	HK$123,000,000
Maturity date	:	Third anniversary date of the Promissory Notes
Interest	:	2% per annum payable on the maturity date
Repayment	:	To be repaid upon maturity
Transferability	:	Freely transferable

Principal terms of the Convertible Notes

Total principal amount	:	HK$1,832,400,000
Denomination	:	In the denomination of HK$1,000,000 each (for the avoidance of doubt, a Convertible Note of HK$400,000 will be issued to sum up the total principal amount)
Maturity date	:	30th anniversary date of the Convertible Note(s)
Conversion price	:	HK$0.32 per Share
Interests	:	Interest free
Conversion period	:	Any time before maturity
Repayment	:	The Company has no obligation to repay any outstanding amount of the Convertible Notes

Transferability	:	The Convertible Notes may be assigned or transferred with the prior consent of the Company and (if required) that of Stock Exchange, to any party, and the Company shall use all reasonable endeavors to facilitate any such assignment or transfer of the Convertible Notes, including making any necessary applications to the Stock Exchange for approval (if required).
Adjustments of the conversion price	:	Subject to usual adjustment provisions customary for convertibles notes of similar kind. The adjustment events will arise as a result of certain change in the share capital of the Company including consolidation or sub-division of shares, capitalisation of profits or reserves or subsequent issue of securities in the Company.
Conversion period	:	The Noteholders will have the right to convert the whole or part (in an amount of HK$1,000,000, or if the entire outstanding principal amount at the relevant time is less than HK$1,000,000, the entire outstanding principal amount) of the principal amount of the Convertible Notes into Shares at any time before maturity.
Conversion restriction	:	The Noteholder(s) shall not have the right to convert the whole or part of the principal amount of the Convertibles Note into Shares to the extent that immediately after such conversion: (i) the Noteholder(s) together with parties acting in concert with it or deemed to be so with it, taken together will, directly and indirectly, control or be interested in 20% or more of the voting rights of the Company or such other percentage as may from time to time be specified in the Takeovers Code which the Noteholder(s) and/or parties acting in concert with it would be obliged to make a general offer or be deemed to be an associated company (as defined under the Takeovers Code) or deemed to be acting in concert under the Takeovers Code in force from time to time whichever shall be the lowest; or

(ii) the Company will be in breach of any provision of the Listing Rules, including the requirement to maintain the prescribed minimum percentage of issued share capital of the Company held by the public (as defined in the Listing Rules), unless prior approval or waiver has been obtained from the Stock Exchange.

In the event that the Noteholder(s) exercise the conversion rights under the Convertible Notes, the Board will ensure that no Conversion Shares will be issued to the Noteholder(s) if such issue results in any of the circumstances (i) or (ii) as stated above.

Right of Redemption : The Company shall have the right without the prior agreement of any Noteholder(s) at any time after the issue of the Convertible Notes and up to and inclusive of the date falling on the 30th anniversary of the date of issue to redeem the whole or any part of the then outstanding principal amount of the Convertible Notes at an amount equal to 100% of the principal amount of the Convertible Notes being redeemed.

In the event that the Company decides to redeem any of the outstanding Convertible Notes, the Company will comply with the relevant reporting and/or Shareholders' approval requirements of the Listing Rules including but not limited to provisions under Chapter 14A of the Listing Rules where applicable.

In view of the potential future dilution of existing Shareholders upon the exercise of the conversion rights pursuant to the Convertible Notes, the Company will ensure strict compliance with Rule 13.25A(3) and Rule 13.25B of the Listing Rules in relation to disclosure requirements in respect of any changes in the issued share capital of the Company.

Save as disclosed above, other terms of the Promissory Notes and the Convertible Notes are usual terms customary for instruments of similar kind.

Issue price of Consideration Shares and conversion price of Conversion Shares

The issue price of the Consideration Shares and conversion price of the Convertible Notes are the same at HK$0.32 per Share and have been determined after arm's length negotiations between the Company and the Vendors taking into account of the prevailingmarket prices of the Shares. The issue price of HK$0.32 per Consideration Shares and conversion price of the Convertible Note of HK$0.32 per Consideration Share represent:

(i) equivalent to the closing price of the Shares of HK$0.32 per Shares as quoted on the Stock Exchange on 12 December 2008, being the half trading day of the Shares prior to suspension in trading of Shares and pending the release of the Announcement;

(ii) a premium of approximately 6.7% over the closing price of the Shares of HK$0.30 per Share as quoted on the Stock Exchange on the Last Full Trading Day;

(iii) a premium of approximately 6.7% over the closing price of the Shares of HK$0.30 per Share as quoted on the Stock Exchange for the five consecutive trading days up to and including the Last Full Trading Day;

(iv) a premium of approximately 10.3% over the closing price of the Shares of HK$0.29 per Share as quoted on the Stock Exchange for the ten consecutive trading days up to and including the Last Full Trading Day; and

(v) a discount of approximately 16.9% to the closing price of the Shares of HK$0.385 per Share as quoted on the Stock Exchange on the Latest Practicable Date.

The Directors consider that the proposed issue price and conversion price are fair and reasonable so far as the Company and the Shareholders are concerned.

The 281,250,000 Consideration Shares represent approximately 36.0% of the existing issued share capital of the Company and approximately 26.5% of the issued share capital of the Company as enlarged by the Consideration Shares. The 5,726,250,000 Conversion Shares represent approximately 732.3% of the existing issued share capital of the Company and approximately 88.0% of the issued share capital of the Company as enlarged by the Conversion Shares. The aggregation of the Consideration Shares and the Conversion Shares represent approximately 768.3% of the existing issued share capital of the Company and approximately 88.5% of the issued share capital as enlarged by the Consideration Shares and the Conversion Shares.

CONDITIONS PRECEDENT

Completion of the Acquisition is subject to the following conditions precedent under the Acquisition Agreements:

(i) having obtained the approval by the Shareholders of the Acquisition Agreements and the transactions contemplated thereunder (including but not limited to (i) the purchase of the Sale Interests; (ii) the issue and allotment of the Consideration Shares to Vendor 1 and Vendor 2 and/or their respective Nominees; (iii) the issue of the Convertible Notes to Vendor 1 and Vendor 2 and/or their respective Nominees; and (iv) the issue and allotment of the Conversion Shares upon the exercise of the conversion rights under the Convertible Notes as required by the Listing Rules);

(ii) having complied to the satisfaction of the Stock Exchange and where applicable, the SFC with all requirements under the Listing Rules and, where applicable, the Takeovers Code in relation to the issue and allotment of the Consideration Shares, the issue of the Convertible Notes and the issue and allotment of the Conversion Shares upon the exercise of the conversion rights under the Convertible Notes and other transactions contemplated herein;

(iii) the Shares remaining listed and traded on the Main Board of the Stock Exchange at all times from the date of the Intended Contract up to (and including) the completion of the transactions contemplated herein, save for any temporary suspension not exceeding twelve consecutive Business Days, or such longer period as may be required by the SFC or the Stock Exchange in connection with the review and approval of the documents relating to the Intended Contract by the SFC or the Stock Exchange prior to their release or publication, and no indication being received prior to Completion from the SFC or the Stock Exchange to the effect that the listing of the Shares on the Main Board of the Stock Exchange shall or may be withdrawn or objected to;

(iv) having obtained any necessary waiver, consent, approval, licence, authorization, permission, order and exemption (if required) from the relevant governmental or regulatory authorities or other third parties which are necessary in connection with the execution and performance of the Acquisition Agreements and any of the transactions contemplated under the Acquisition Agreements, including but not limited to (where required) the Bermuda Monetary Authority granting its permission to the issue and allotment of the Consideration Shares, the issue of the Convertible Notes and the issue and allotment of the Conversion Shares upon the exercise of the conversion rights under the Convertible Notes;

(v) where required, the Listing Committee of the Stock Exchange having approved the issuance of the Convertible Notes;

(vi) the Listing Committee of the Stock Exchange having granted the listing of and permission to deal in the Consideration Shares and the Conversion Shares (in each case, either unconditionally or subject only to conditions which the Vendors have no reasonable objection);

(vii) Vendor 1 and Vendor 2 having delivered to the Company a legal opinion in a form and substance acceptable to the Company prepared by BVI lawyers acceptable to the Company confirming the shareholding structure of the Target;

(viii) the Company having obtained an official valuation report in a form and substance acceptable to the Company prepared and issued by a firm of independent valuers nominated by the Company showing the value of the Tartagal Concession and Morilla Concession being not less than US$15 billion;

(ix) the audited accounts of the Target Group showing as at the date of Completion, the Target Group having a positive net asset value and there being no liabilities, whether actual or contingent, except a total sum of HK$817,909,000.55 owed by the Target to the Vendors which shall on Completion be assigned to the Company or its nominee;

(x) Vendor 1 and Vendor 2 having delivered to the Company a legal opinion in a form and substance acceptable to the Company prepared by an Argentina legal adviser acceptable to the Company on the legality, validity and enforceability of under the Concessions and the rights thereunder including but not limited to ownership, including but not limited to High Luck being a beneficial owner of 60% interests in the Concessions and the related exploitation rights;

(xi) a technical report in a form and substance acceptable to the Company having been prepared and issued by a firm of independent technical consultants showing that the total crude oil and natural gas reserves in the Tartagal Concession and the Morillo Concession with no material deviation to the valuation report;

(xii) all the Vendors' warranties being true and correct in all material respects as at Completion by reference to the facts and circumstances subsisting at that date; and

(xiii) the Company being satisfied with the results of its legal and financial due diligence in respect of the Target Group by notifying the Vendors in writing.

Conditions (vii), (viii), (ix), (xi), (xii) and (xiii) are waivable under the Acquisition Agreements. If any of the above conditions precedent is not fulfilled or waived (as the case may be) on or before 31 March 2009 or such later date as may be agreed in writing between the parties to the Acquisition Agreements, the Acquisition Agreements shall be terminated and all rights and obligations of the parties to the Acquisition Agreements shall cease immediately upon termination. As at the Latest Practicable Date, none of the above conditions precedent has been fulfilled. As condition (viii) above is waivable under the Acquisition Agreements and BMI has confirmed the Valuation of US$1.5 billion before the entering into the Fifth Supplemental Agreement, no amendment on condition (viii) above was considered to be necessary at the time of entering into the Fifth Supplemental Agreement. It is the intention of the Company to waive condition (viii) above as the Consideration has been determined with reference to, among others, the Valuation of US$1.5 billion.

Assignment of indebtedness of the Target

By the time of entering into the Framework Agreement, the Company did not intend to acquire the outstanding shareholders' loan from the Vendors. Accordingly, the condition precedent of "the audited accounts of the Target Group showing as at the date of Completion, the Target Group having a positive net asset value and there being no liabilities, whether actual or contingent" was included in the Framework Agreement and it is intended that the Vendors shall capitalise or waive all the shareholders' loan immediately before Completion. On 11 November 2007, the Target acquired additional 49% interest of High Luck at a consideration of US$30 million (or equivalent to approximately HK$234 million) which was financed by the Vendors by way of shareholders' loan and the Company, the Vendors and the Target entered into the First Supplemental which, among others, amended the original condition precedent as set out above as follows:

Amended terms under the First Supplemental Agreement:

"the audited accounts of the Target Group showing as at the date of Completion, the Target Group having a positive net asset value and there being no liabilities, whether actual or contingent, except a total sum of US$30 million owed by the Target to the Vendors which shall on Completion be assigned to the Company or its nomimee."

During the negotiations of the terms and conditions of the Fifth Supplemental Agreement, the Company decided to acquire the entire shareholders' loan of the Target Group as at Completion. The shareholders' loan as at 30 June 2008 amounted to HK$817,909,000.55, which comprised of (i) the above-mentioned US$30 million (equivalent to approximately HK$234 million) for the acquisition of 49% of High Luck; (ii) US$70 million (equivalent to approximately HK$546 million) contributed by the Vendors for the acquisition of 51% equity interest in High Luck before the entering into the Framework Agreement; and (iii) approximately US$4.86 million (equivalent to approximately HK$37.9 million) contributed by the Vendors as general working capital for payment of administrative expenses and professional fees.

In the circumstances, the amended condition of the Acquisition as set out above is further amended as follows:

Amended terms under the Fifth Supplemental Agreement:

"the audited accounts of the Target Group showing as at the date of Completion, the Target Group having a positive net asset value and there being no liabilities, whether actual or contingent, except a total sum of HK$817,909,000.55 owed by the Target to the Vendors which shall on Completion be assigned to the Company or its nominee"

The aggregate consideration paid by the Vendors to the original owner of High Luck (the "Original Owner") for the acquisition of 100% equity interest in High Luck was US$100 million (equivalent to approximately HK$780 million) (the "High Luck Consideration"). The Directors noted that the Consideration of HK$2,100 million represents a premium of approximately 1.7 times over the High Luck Consideration. The Directors consider that they are not in a position to ascertain the circumstances relating to the negotiation of the acquisition of the equity interest of High Luck by the Vendors and the connections and relationships of the Vendors with the Original Owner and the Consortium. Further, the Board is not in a position to ascertain the basis of the High Luck Consideration and whether there are any commercial considerations given by the Vendors to the Original Owner. On this premise, the Directors consider that the High Luck Consideration is of less relevance to the Company. As detailed in paragraph headed "Consideration" above, the Consideration of HK$2,100 million was determined after arm's length negotiations between the Company and the Vendors with reference to, among others, the Valuation of the Concessions of US$1.5 billion (equivalent to approximately HK$11.7 billion) by BMI, which was arrived at on the basis of the findings in the Technical Report issued by the Technical Advisor, NSAI. The Consideration represents a significant discount of approximately 70.1% to the effective interests of 60% to be held by the Group in the Valuation and therefore the Directors consider that the Consideration is fair and reasonable.

FUNDING REQUIREMENTS

According to the Legal Opinion, it is the obligation of the Consortium to fulfill the Investment Commitment for the exploration work in Tartagal Concession and Morillo Concession of an amount of US$35,990,000 and US$13,000,000 respectively within the initial 4-year period of the Concessions (from 29 December 2006 to 28 December 2010). Pursuant to the Legal Opinion, the aggregate Investment Commitment of US$48.99

million (equivalent to approximately HK$382.12 million) was calculated based on an aggregation of 9,798 work units for the Concessions and the value of US$5,000 per work unit. The amount not spent in the exploration work at the end of the initial 4-year period must be paid to the government of Salta Province of Argentina. The Consortium is obliged to obtain the Guarantee. The Guarantee is to be fulfilled by posting a performance bond for an amount equal to the Investment Commitment (subject to the amount spent relating to the exploration work in the Concessions sites) to the government of Salta Province of Argentina. The performance bond shall consist of, among others, a surety bond maintained in leading insurance companies in Argentina.

Pursuant to the Second Supplemental Agreement, the Company has agreed to bear the costs of approximately US$953,344 (equivalent to approximately HK$7.4 million) for obtaining the Guarantee, representing the total insurance premium to the insurance company for issuing an insurance policy to the government of Salta Province of Argentina for the initial 4-year period, to be incurred by the Vendors upon receiving satisfactory documentation from the Vendors evidencing such arrangement. The aforesaid amount of US$953,344 has been paid by the Company in late April 2008. Further insurance premium will be required after the end of the initial 4-year period as mentioned above but the amount will be subject to the Investment Commitment spent in the exploration work in Concessions sites. Further payment of any annual insurance premium is subject to further negotiation and may or may not be borne by the Company. Should the Completion not take place, the Company shall have no obligation to the Investment Commitment save for aforesaid costs borne by the Company. Should the Completion take place, the obligation of the Investment Commitment and the related costs would have be borne by the Company. In addition, upon Completion, the Enlarged Group will have the obligation to (i) pay an annual fee of approximately HK$2.1 million for the exploration permits of the Concessions to the government of Salta Province of Argentina for the initial 4-year period of the Concessions, calculated in accordance with the current values fixed by the competent authorities in Argentina, which are subject to change; (ii) indemnify the surface owners of the areas covered by the Concessions for any damages caused by the activities conducted by the Consortium; and (iii) contract an environmental liability insurance covering the government of Salta Province of Argentina and/or third persons from any damage that the works may cause in the Concessions.

Save as disclosed above, pursuant to the Legal Opinion, the Company does not aware any other material capital commitment in respect of the Acquisition.

On 28 August 2007, JHP and Maxipetrol entered into an agreement to identify the rights and obligations between both parties. As at the Latest Practicable Date, the outstanding obligations of JHP under such agreement (the "Obligations") were:

(i) to place in the Province of Salta two Work-Over equipments capable of operating at 3,000/4,000 meters deep;

(ii) to provide its own personnel for the exploration of the Tartagal and Morillo license areas;

(iii) to reach agreements with surface owners and finish the survey of the Tartagal and Morillo license;

(iv) to prepare a work plan for submission to UTE-Administration Committee;

(v) to produce a monthly report regarding the status of the works to be submitted to the Province of Salta; and

(vi) to reimburse Maxipetrol all justified costs incurred by the latter, if any.

On 20 September 2007, High Luck and the Consortium entered into an assignment agreement pursuant to which, the Consortium has agreed to assign 60% interests in the Concessions to High Luck. Under the terms of the assignment agreement, High Luck will also take up the above-mentioned Obligations of JHP. In the circumstances, upon Completion, the Enlarged Group will be responsible for the Obligations. The Directors consider that the nature of the Obligations are in accordance with the ordinary course of business of the oilfield project and taking into account the Investment Commitment for the exploration work in the Concessions, the Board considers that the fulfillment of the Obligations will not have any material effects to the funding requirements for the oilfield project for the two years following the date of this circular. Therefore, the Board considers that the taking up of the Obligations is fair and reasonable.

The estimated funds required of the Enlarged Group for the two years following the date of this circular (assuming Completion will take place) is approximately US$52 million (equivalent to approximately HK$405.6 million) (including the Investment Commitment of US$48.99 million) for the exploration of the Concessions and conducting test drillings for obtaining 3-D seismic lime location data. As it is expected to take more than two years to complete the exploration, the Target Group is not expected to generate any revenue to the Enlarged Group for the two years from the date of this circular. After the exploration work and test drillings of the Concessions, it is expected that the Target Group may generate cash inflow from the sales of petroleum and/or natural gas and incur cash outflow for sales, marketing and administrative activities.

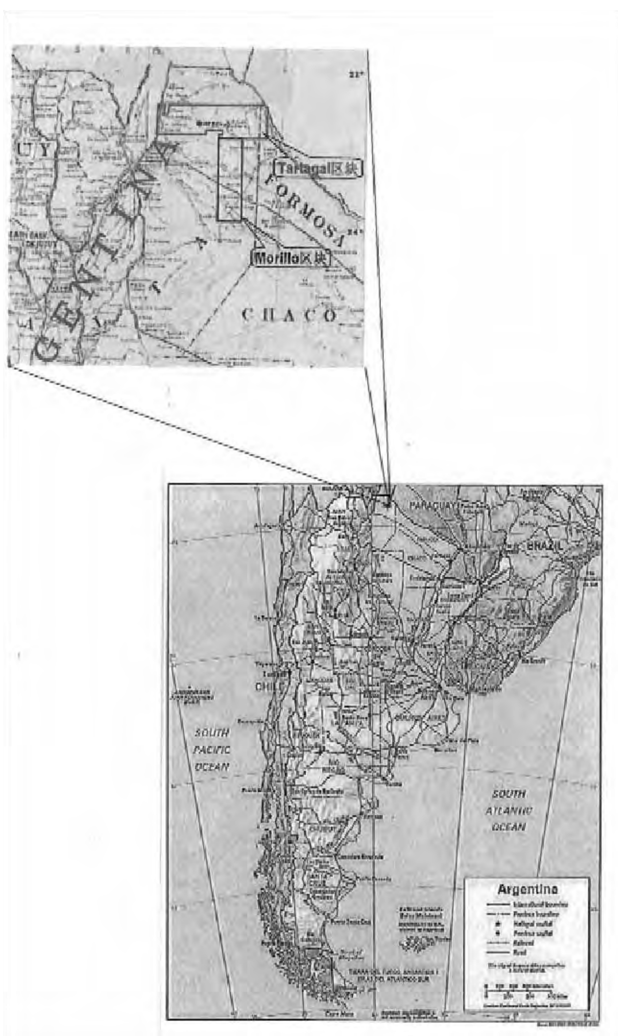
It is currently expected that for the two years following the date of this circular, the working capital for the daily operation of the Concessions will be financed by internal resources of the Group. Taking into account the existing financial resources (including the sales proceed of HK$39,880,000 to be received by the Company as part of the consideration for the sale of the entire equity interest in Elegant Pool Limited and the outstanding shareholders' loan of HK$54,286,676 owing by Elegant Pool Limited to the Company (details of which have been disclosed in the announcement and the circular of the Company dated 31 December 2008 and 19 January 2009 respectively)) and the existing credit facilities of the Enlarged Group, in the absence of unforeseeable circumstances, the Directors are of the opinion that the Enlarged Group would have sufficient working capital for at least twelve months from the date of this circular. In the event that additional funding is required, the Company will solicit other potential investors for debt or/and equity investment if it is necessary. The Company will also consider to seek additional funding from its Shareholders in proportion to their respective shareholding or bank borrowings as appropriate from time to time. However, as at the Latest Practicable Date, the Company has not entered into any legally-binding commitments with any potential investors as at the Latest Practicable Date.

INFORMATION ON THE TARGET GROUP

The Target is an investment holding company incorporated in the BVI and whose entire issued share capital is ultimately beneficially owned by the Vendors. The Target, which is interested in 100% of the issued share capital of High Luck which in turn, at Completion, will be the beneficial and registered owner of 60% interest in each of the Tartagal Concession and the Morillo Concession.

The Tartagal Concession and Morillo Concession cover a total area of approximately 7,065 and 3,518 square kilometers respectively and are situated in the province of Salta in northern Argentina, bordering with Chile in the west and Bolivia in the north. Some of Argentina's main oilfields and refineries lie in the province with an oil pipeline running to San Lorenzo on the River Parana. The Tartagal block and the Morillo block are located in Chaco-Saltena plate, in the south of Tonono and Jollin blocks, the north of Argentina which belong to Santa Cruz-Tariga petroleum province, Parandean belt. The Morillo block is contiguous to the Tartagal block which is located in the South of the Tartagal block. Based on the information provided by the Vendors, both the Tartagal Concession and Morillo Concession are accessible through with national highways.

Set out below is the location of the Concessions.



Based on the information provided by the Vendors and pursuant to the Legal Opinion, the Tartagal Concession and Morillo Concession are the concession of the exploration permits and potential exploitation permits for oil and developments of hydrocarbons in the province of Salta in northern Argentina covering a total surface area of approximately 7,065 and 3,518 square kilometers respectively. The Tartagal Concession was granted by the Provincial Government Decree N° 3391/2006 dated 29 December 2006; and the Morillo Concession was granted by the Provincial Government Decree N° 3388/2006 dated 29 December 2006 to the Consortium. Pursuant to the Legal Opinion, the aforesaid decrees are legal, valid and enforceable. The exploration permits granted are valid for an initial period of 4 years and an additional extension of aggregate 9 years maybe obtained for. The holder of an exploration permit has the right to obtain an exploitation permit. The granting of the exploitation permit is a pure administrative procedure. The exploitation permit has a term of 25 years, with a possibility of a 10-year extension. Based on the Legal Opinion and discussions with relevant personnel, the Board does not foresee any major difficulties in respect of the transfer of ownership by the Consortium to High Luck and the renewal of the Concessions in the future.

As advised by the Vendors and to the best of the Directors' knowledge, information and belief having made all reasonable enquiries, the Concessions were held by the Consortium as to 70% by JHP, and as to 30% by Oxipetrol as at the Latest Practicable Date. On 20 September 2007, High Luck and the Consortium entered into an assignment agreement pursuant to which, the Consortium has agreed to assign 60% interests in the Concessions to High Luck subject to the notification to the Argentina government requesting authorization of the assignment to High Luck. It is a condition precedent to Completion in the Acquisition Agreements that High Luck has to become the beneficial owner of 60% interest in each of the Tartagal Concession and Morillo Concession; therefore the Acquisition will not proceed if High Luck fails to become the beneficial owner of 60% interest in the Tartagal Concession and Morillo Concession.

As advised by the Vendors, JHP was incorporated in the PRC and is an integrated petroleum engineering services provider in China, focusing on petroleum engineering services including drilling, well logging, downhole operation and oilfield construction engineering. Maxipetrol was incorporated in Argentina, which is an investment holding company engaged in the business of exploration and exploitation of oil and gas. To the best of the Directors' knowledge, JHP, Maxipetrol and their respective ultimate beneficial owners are third parties independent of the Company and its connected persons.

The Tartagal and Morillo sites are currently not in operation of exploration or exploitation. However, exploration work had been carried out on or before the 1980s by Yacimientos Petroliferos Fiscales (translated as "Fiscal Petroleum Fields" in English which is only for identification purpose only) which was a formerly state-owned enterprise, of which, 23 wells had been drilled in the zone of Tartagal block and one of them was succeeded in finding out oil. Based on the PRC Report, the estimated reserve of oil resource is approximately 0.81 billion tons, dissolved gas resource reserve is approximately 277.2 BCF and gas reserve is approximately 317.5 BCF. Recoverable reserve of oil is approximately 0.24 billion tons (representing the estimate of percentage of quoted reserve of oil by specialist) and dissolved gas is 83.2 BCF on 30% recover ratio (representing the estimate of percentage of quoted reserve of dissolved gas by specialist) and recoverable reserve of gas is 222.3 BCF on 70% recovery ratio (representing the estimate of percentage of quoted reserve of gas by specialist).

CNPC is one of the largest state-owned petroleum corporations in the PRC and is a world-leading integrated energy corporation with businesses covering oil and gas upstream and downstream operations, oilfield services, engineering and construction, petroleum material and equipment manufacturing and supply. The report was conducted by a team of professionals who are certified technicians and are experienced in evaluating the potential reserve of natural resources.

Set out below is a summary of the unrisked gross (100%) prospective oil and gas resources for the Concessions as extracted from the Technical Report of NSAI as set out in Appendix V to this circular:

	Unrisked gross (100%) prospective resources					
	Low estimate		Best estimate		High estimate	
	Oil *(millions of barrels)*	Gas *(million of cubic feet)*	Oil *(millions of barrels)*	Gas *(million of cubic feet)*	Oil *(millions of barrels)*	Gas *(million of cubic feet)*
Probabilistic total	83.6	1,115,954	144.5	2,342,209	256.5	5,089,858

As advised by BMI, the Valuation of US$1.5 billion is estimated based on the best estimate as stated in the table above (i.e. 144.5 million barrels of oil and 2,342,209 million cubic feet of gas). The estimated unrisked gross (100%) prospective resources of approximately 558.4 million barrels of oil equivalent (equivalent to approximately 76.2 million tons of oil equivalent) were calculated based on the conversion ratio of one cubic feet of gas to 0.0001767 barrels of oil as quoted from the website of the Society of Petroleum Engineers.

The valuation report and the Technical Report of the Concessions are set out in Appendix IV and Appendix V to this circular.

In September 2007, the oilfield project at Tartagal and Morillo were introduced to the Company by Mr. Li in a business occasion and subsequently, Mr. Li referred a Hong Kong company which is specialized in Greater China investments to the Company with contacts of the Vendors. The Company then invited Mr. Li to be the representative of the Company to explore such business opportunities on the project. Prior to the entering into the Framework Agreement, two representatives of the Company (including Mr. Li) met with the relevant engineers of the projects and government officials in Argentina to discuss the feasibilities of the Company to pursue such opportunities. The Company has also considered the Legal Opinion regarding a preliminary review on the legality of the Concessions. As at the Latest Practicable Date, the Company finds the results of due diligence satisfactory.

The Company has identified a number of industry experts including geologists and engineers, who will be recruited by the Company as soon as practicable. The Company has recently recruited Dr. Jiang Chun Ming as the Senior Geologist of the Company monitoring the technical issues of the Acquisition. Dr. Jiang has more than 12 years of experience in the areas of exploration, valuation and research of oil fields in the PRC and had obtained a doctorate degree from the Faculty of Resources of the China University of Geosciences. Dr. Jiang had been the project leaders in various exploration and exploitation projects in different provinces in the PRC, specialising in 3-D seismic data assessments of oilfield and the design of exploitation plan. Upon Completion, the Company will appoint Dr. Jiang as the project manager of the Concessions who will be responsible for exploration, drillings, exploitation and management works of the Concessions.

Furthermore, the Group is identifying suitable petroleum companies to pursue the exploration. Based on the preliminary initial exploration plan with reference to the findings of the PRC Report, the exploration of the Tartagal and Morillo blocks will be implemented in three phases. The first phase will commence as soon as the Acquisition completes and will primarily focus on (i) the collection and analysis of seismic data; (ii) geology evaluation and exploration projection; and (iii) definition and confirmation of exploration target location. The second phase will focus on detailed seismic exploration which is expected to be completed by mid of 2011. The third phase will focus on well drilling which is expected to be completed by the end of 2013. Based on the above exploration plan, the total investment for the exploration is approximately US$140.5 million (equivalent to approximately HK$1,095.9 million). Subject to the progress and results of the exploration, the Company will design on the exploitation plan in later stage of the exploration.

The main responsibilities of High Luck in the oilfield project are to (i) obtain 100% funding for investments and expenses during the exploration stage; (ii) place certain drilling equipments in Salta; (iii) provide personnel for exploration of the Tartagal and Morillo blocks; and (iv) prepare work plan and progress reports of the exploration. The main responsibilities of Maxipetrol are to (i) obtain offices in Tartagal, and also in Salta if necessary, for High Luck; (ii) establish contact with the government authorities in Argentina; (iii) cooperate and assist in environmental and social matters; and (iv) provide funding in accordance with its 60% interests in exploitation stage. The main responsibilities of JHP are to (i) provide any necessary support in the restructuring of the Consortium; and (ii) to provide any technical assistance when necessary.

It is intended that any profit generated in the oilfield project will be first applied to repay the funding provided by High Luck during the exploration stage. The production profit sharing after the aforesaid repayment will be based on the equity interest of each of High Luck, JHP, and Maxipetrol in the Concessions. It is also intended that the funding requirement at the exploitation stage will be based on the equity interest ratio of each of High Luck, JHP, and Maxipetrol in the Concessions. Taking into account the responsibilities of the respective parties in the oilfield project, the Directors consider such arrangement is fair and reasonable.

Upon Completion, the Target will be a wholly-owned subsidiary of the Company and its accounts will be consolidated into the Company's financial statements. There is no agreement in respect of the Vendors' appointment of Directors to the Board pursuant to the Acquisition Agreements. Upon Completion, the rights of the Vendors regarding the nomination of Directors will be the same as other Shareholders pursuant to the Bye-Laws of the Company.

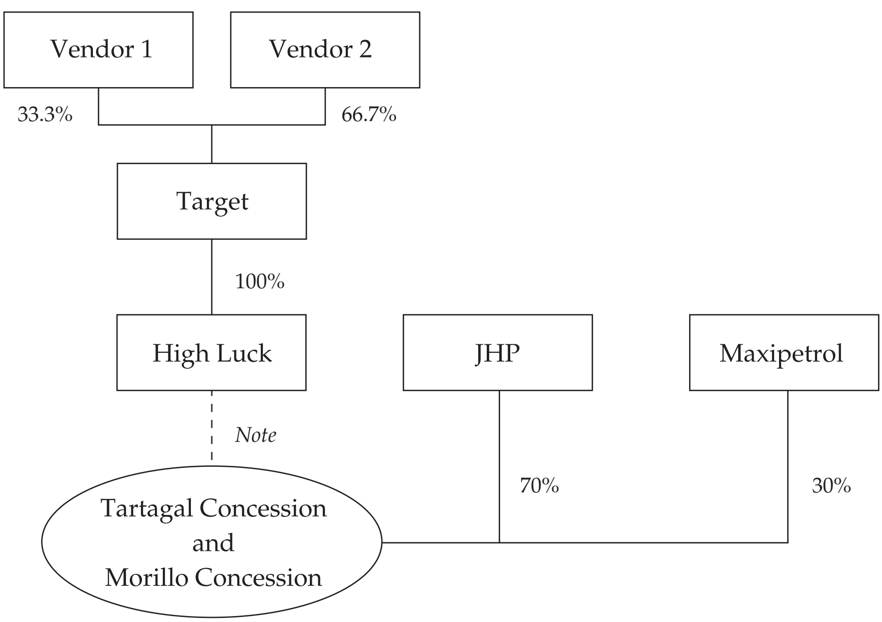
As far as the Company is aware, the principal assets of the Target are the exploration and potential exploitation permits of petroleum and natural gas in the areas of Tartagal and Morillo, in the province of Salta, Argentina.

High Luck is principally engaged in investment holding and its principal assets upon Completion will be the 60% beneficial interests in each of the Tartagal Concession and Morillo Concession. High Luck is currently 100% held by the Target.

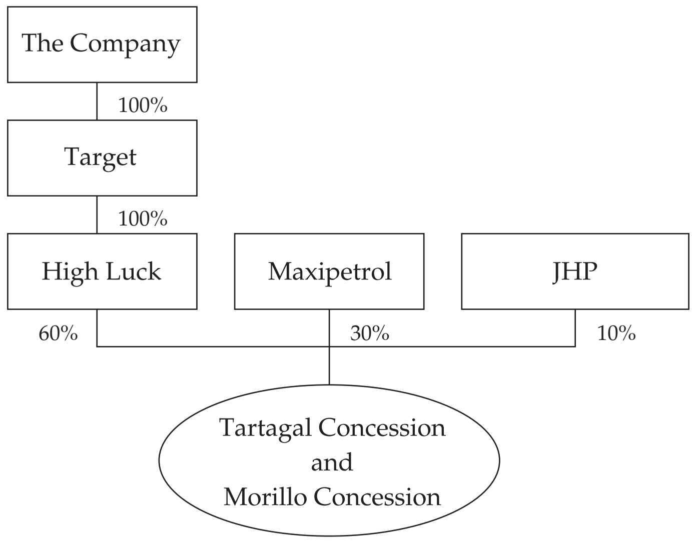
SHAREHOLDING STRUCTURE OF THE TARGET AND THE CONCESSIONS

Set out below is the shareholding structure of the Target and the Concessions as at the Latest Practicable Date and immediately after the Completion:

(i) as at the Latest Practicable Date:



(ii) immediately after Completion:



Note: On 20 September 2007, High Luck and the Consortium entered into an assignment agreement pursuant to which, the Consortium has agreed to assign 60% interests in the Concessions to High Luck subject to the notification to the Argentina government requesting authorisation of the assignment to High Luck.

FINANCIAL INFORMATION ON THE TARGET GROUP

The audited net profit attributable to the Target Group for the period from 9 March 2007 to 31 December 2008 (as extracted from the accountants' report on the Target Group as set out in Appendix II to this circular) are as follows:

	For the period from 9 March 2007 to 31 December 2008 *HK$ million*
Audited net loss before taxation and extraordinary items	6.5
Audited net loss after taxation and extraordinary items	6.5

As at 31 December 2008, the audited net liabilities of the Target Group was approximately HK$6.4 million.

INFORMATION ON THE GROUP

The principal activity of the Company is investment holding, and its subsidiaries are mainly engaged in zinc ore concentrate and zinc ingots trading business. The Group intends to continue its existing business in natural resources after the Completion.

EFFECT ON THE SHAREHOLDING STRUCTURE

The following chart depicts the effects of the issue of the Consideration Shares and the Conversion Shares on the shareholding structure of the Company based on the issued share capital and shareholding structure of the Company as at the Latest Practicable Date and without taking into account issue of new Shares, if any, after the Latest Practicable Date:

	As at the Latest Practicable Date		Upon Completion and the issue of the First Tranche Consideration Shares		After Completion and the issue of the First Tranche Consideration Shares and the Second Tranche Consideration Shares		After Completion and the issue in full of the Consideration Shares		After Completion and the issue in full of the Consideration Shares and the full conversion of the Convertible Notes at the conversion price of HK$0.32 (subject to 20% conversion restriction) *(note 1)*	
	Number of Shares	*%*	*Number of Shares*	*%*	*Number of Shares*	*%*	*Number of Shares*	*%*	*Number of Shares*	*%*
Max Sun Enterprises Limited *(note 2 and note 4)*	165,259,530	21.1	165,259,530	18.9	165,259,530	17.0	165,259,530	15.5	165,259,530	2.4
Chow Tai Fook Enterprises Limited *(note 3 and note 4)*	29,370,000	3.8	29,370,000	3.4	29,370,000	3.0	29,370,000	2.8	29,370,000	0.4
Subtotal	194,629,530	24.9	194,629,530	22.3	194,629,530	20.0	194,629,530	18.3	194,629,530	2.8
Vendor 1	–	–	31,218,750	3.6	62,437,500	6.4	93,656,250	8.8	452,178,771	6.7
Vendor 2	–	–	62,531,250	7.1	125,062,500	12.9	187,593,750	17.6	905,715,435	13.3
The Vendors and parties acting in concert with any of them	–	–	93,750,000	10.7	187,500,000	19.3	281,250,000	26.4	1,357,894,206	20.0
Public Shareholders	587,341,500	75.1	587,341,500	67.0	587,341,500	60.7	587,341,500	55.3	5,236,947,294	77.2
Total	781,971,030	100.0	875,721,030	100.0	969,471,030	100.0	1,063,221,030	100.0	6,789,471,030	100.0

Notes:

1. The figures under this column are for illustration purpose only. Notwithstanding the conversion rights attaching to the Convertible Notes, the Company will not issue any Shares to the Vendors and parties acting in concert with any of them if upon such issue (i) the Vendors and parties acting in concert with any of them control or be interested in 20% or more of the voting rights of the Company; or (ii) the Company will be in breach of any provision of the Listing Rules, including the requirement to maintain the prescribed minimum percentage of issued share capital of the Company held by the public (as defined in the Listing Rules), unless prior approval or waiver has been obtained from the Stock Exchange. Therefore, the figures under this column are calculated based on the assumption that the Vendors and parties acting in concert with any of them will maintain their shareholdings of 20% from time to time and the remaining Consideration Shares and/or the Conversion Shares will be disposed by the Vendors and/or parties acting in concert with any of them to the public. Details of the conversion restriction of the Convertible Notes are set out in section headed "Principal terms of the Convertible Notes" above.

2. Max Sun Enterprises Limited is a wholly-owned subsidiary of Chow Tai Fook Nominee Limited, which is in turn controlled by Dato' Dr. Cheng Yu-Tung.

3. Chow Tai Fook Enterprises Limited is controlled by Cheng Yu Tung Family (Holdings) Limited.

4. For information purpose only, in the event that (i) Chow Tai Fook Enterprises Limited and Max Sun Enterprises Limited control 20% or more of the voting rights of the Company; and (ii) the Vendors and parties acting in concert with any of them control 20% or more of the voting rights of the Company, Chow Tai Fook Enterprises Limited and Max Sun Enterprises Limited on the one hand, and the Vendors and parties acting in concert with any of them on the other hand will be presumed to be acting in concert under Class (1) of the definition of acting in concert under the Takeovers Code.

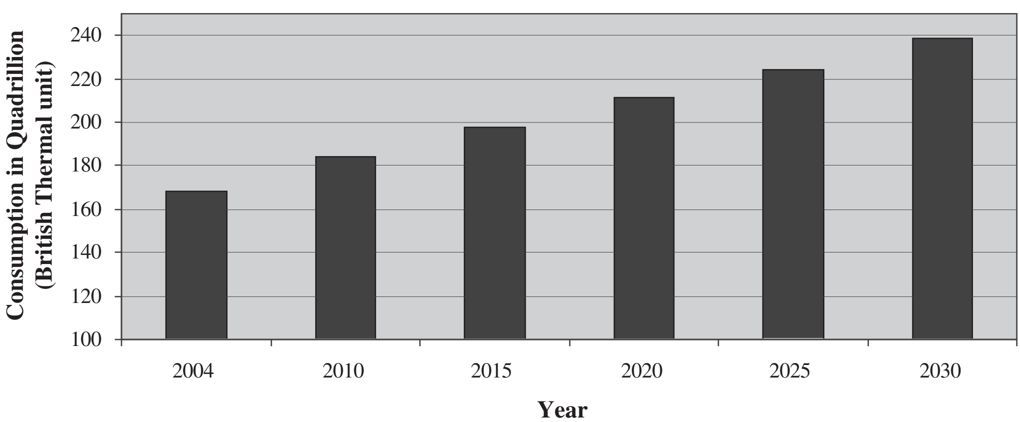
Application will be made by the Company to the Stock Exchange for the approval of the listing of and the permission to deal in the Consideration Shares and the Conversion Shares on the Stock Exchange.

Given the fund size required for the Acquisition, the Directors have considered a number of alternatives to raise funds for the Group, such as the placing of new Shares and bank borrowings. In view of the Group's financial performance and the higher gearing ratio that would result from bank borrowings, the Directors consider that it is more prudent to finance the Group's long term growth with long term funding, preferably in the form of equity. Therefore, the Directors consider that the financing method to raise capital from the equity market by way of the Consideration Shares and Convertible Notes is fair and reasonable and is in the interests of the Company.

REASONS FOR THE ACQUISITION

The Directors have been seeking investment opportunities from time to time to broaden the Group's source of income. The search for sources of energy and natural resources amongst nations and enterprises is a global phenomenon. Set out below is the projected world liquids consumption of petroleum and other liquid fuels consumption.

Projected World Liquids Consumption 2004–2030



Source: Data extracted from Energy Information Administration (EIA), a statistical agency of the U.S. Department of Energy, a government body of the U.S

With petroleum and natural gas, aside from the energy prospects, there is further opportunity to extract various other by-products as international commodities. The consumption of petroleum and natural gas has been a global trend and for which there is a shortage of this irreplaceable form of energy, hence, prices for petroleum and its related products have been rising over years. In view of the continued economic growth and accelerated industrialization and urbanization in certain parts of the world as well as the development of the global economy, petroleum and other natural resources will have its sustained demand.

According to Oil and Gas Journal, Argentina had 2.5 billion barrels of proven oil reserves as of January 2007, up from 2.3 billion barrels in 2006. The country produced an estimated 804,000 barrels per day of oil in 2006; of this amount, 663,000 barrels per day was crude oil, the rest consisting of lease condensates, natural gas liquids, and refinery gain. Argentina's oil production has declined from a peak of 916,000 barrels per day in 1998; however, the rate of the decline in production has eased in recent years. Argentina consumed an estimated 470,000 barrels per day of oil in 2006, leaving net oil exports of 334,000 barrels per day. The bulk of the country's oil exports go to Brazil's central-east coast. In addition, Argentina runs three major crude oil pipelines which start at Puerto Hernandez in the Neuquen basin. Two pipelines are domestic, transporting crude oil north to the Lujan de Cuyo refinery near Mendoza and east to Puerto Rosales on the Atlantic. The Transandino pipeline is Argentina's only international oil pipeline, climbing over the Andes to a refinery in Chile. The pipeline is 268 miles long and has a capacity of 115,000 barrels per day. Argentina also supplies Paraguay and Uruguay with crude oil via tanker. Based on the information provided by the Vendors, the areas of Tartagal oilfields is within approximately 15 kilometers away from the major pipelines and there is currently no major pipelines connected to the Morillo areas. Dependent on further exploration results of Morillo oilfields, the Company will consider installation of necessary infrastructure for the transportation of oil and gas.

The Directors consider that the Company's growth momentum will be maintained by diversifying into the natural resources area, including in acquiring petroleum resources and reserves. The Board is of the view that, upon Completion, the income stream of the Company will be broadened. In view of the prospects relating to natural resources, the Company believes that the Acquisition will be a successful strategy for the Company's business.

Background to the Supplemental Agreements

As set out in the First Announcement, at the time when the Company entered into the Framework Agreement, the Concessions were not in any operation of exploration or exploitation. The only exploration work carried out was in the 1980s by a formerly state-owned enterprise of Argentina. The consideration of HK$10 billion for the 30.6% effective interest in the Concessions was determined based on, among others, the First Indicative Valuation of US$15 billion (equivalent to approximately HK$117.0 billion), which was prepared by BMI on the basis of the findings of the PRC Report prepared by CNPC and BGP dated August 2007. The original consideration of HK$10 billion pursuant to the Framework Agreement represents a discount of approximately 72.1% to the First Indicative Valuation of the Concessions attributable to the 30.6% effective interest of the Concessions to be acquired by the Group.

At the time of entering into the Framework Agreement, only the PRC Report was available to the Company and, therefore, BMI had relied on the estimated resource reserve stated in the PRC Report to come to its First Indicative Valuation. In the circumstances, the Valuation Condition was included in the Framework Agreement to protect the interests of the Company and the Shareholders. As announced by the Company on 14 November 2007, the Company varied the consideration for the Sale Interests to the sum of HK$10,312 million and the effective interests in the Concessions to be acquired by the Company will increase from 30.6% to 60.0%.

The Company received from BMI a draft of the valuation of the Concessions dated 30 September 2008 in the amount of US$1.5 billion as of 11 September 2008 in late September 2008, which had been prepared based on the Technical Report prepared by the Technical Adviser on 11 September 2008. As the draft valuation was much lower than the First Indicative Valuation of US$15 billion given by BMI at the time when the Company entered into the Framework Agreement in October 2007, the Company has had in depth discussions with BMI to understand the methodology which they have adopted for the Valuation.

Methodology adopted by the PRC Technical Adviser

After in-depth discussions with BMI, the Company was given to understand that the methodology adopted in the PRC Report was fundamentally different from the Technical Report. As advised by BMI, the amount of reserve stated in the PRC Report was estimated based on 石油成因法 (the "Oil Formation Analysis"), which is a commonly used estimation technique in the PRC and the former Soviet Union. This technique is mainly adopted in the early exploration stage of oil and gas resources with minimal exploration wells required. The major advantage of performing an estimation using the Oil Formation Analysis is to provide a general picture on the potential resource at a relatively low cost such that the investors can obtain some preliminary information as the basis of their decision on further investment and exploration work.

The Oil Formation Analysis is very similar to the internationally accepted volumetric method (the "Volumetric Method") in principle. Under the Volumetric Method, seismic and drilling information are used to determine the structure, areal extent, and thickness of potential reservoir rocks. From this, a rough estimate of the bulk rock volume of the reservoir can then be made. Estimates are made of the average porosity and water saturation of the reservoir and of oil and gas volume factors related to the reservoir's pressure and temperature. Knowledge of the porosity, which is a measure of the amount of void or pore space in a rock, would enable the reservoir engineer to estimate the amount of fluids the reservoir is capable of holding. Knowledge of average water saturation within the pore spaces would allow engineer to determine how much of the pore space is not occupied by water and could contain oil and gas. Once estimates of bulk volume, average porosity, water saturation, as well as oil and gas volume factors have been obtained, a in-place resource is then estimated.

The major difference between Oil Formation Analysis and the Volumetric Method is that Oil Formation Analysis does not rely on the actual discovery of a significant quantity of potentially removable oil from the exploratory wells as an essential criterion. The input parameters for the calculation of the in-place resource are not solely derived from the results of the exploratory wells. Instead, the input parameters in the Oil Formation Analysis were estimated by considering factors such as (i) geologic setting and characteristics of the country; (ii) geologic setting of the basin where the block is located; (iii) geologic setting of the nearby basins; (iv) oil gathering and delivering mechanisms; (v) formation characteristics of the block; (vi) the generation, reserve and capping in the block; (vii) structural characteristics of the block; and (viii) historical statistics of the parameters for other similar blocks. To sum up, the parameters used by the Oil Formation Analysis rely more on experience and subjective projections rather than actual discovery.

Therefore, relatively large deviations between estimation results and actual outcomes are not uncommon. The Oil Formation Analysis is a commonly used practice for feasibility studies and preliminary assessment.

Methodology adopted by the Technical Adviser

On the other hand, the Technical Report was prepared in accordance with the PRMS approved by the Society of Petroleum Engineers which is a commonly used international standard for assessing oil and gas resources and reserves.

According to the PRMS, petroleum resources can be classified into three major categories, which are:

(i) reserves – those quantities of petroleum anticipated to be commercially recoverable by application of development projects to known accumulations from a given date forward under defined conditions. It must also be discovered, recoverable, commercial and remaining based on the development project applied;

(ii) contingent resources – those quantities of petroleum estimated to be potentially recoverable from known accumulations, but the applied project is not yet considered mature enough for commercial development due to one or more contingencies; and

(iii) prospective resources – those quantities of petroleum estimated to be potentially recoverable from undiscovered accumulations by application of future development projects.

The amount of resource in the Technical Report was estimated based on the Volumetric Method in general. As explained in the paragraph headed "Methodology adopted by the PRC Technical Adviser" above, the Volumetric Method does not consider factors such as geologic setting of the nearby basins and historical statistics of the parameters for other similar blocks as important estimation criteria. Instead, only the exploratory results directly obtained from the drilled wells are taken as essential criteria. As the exploration on the Concessions is only in its early stage and a discovered accumulation has not yet been established, there is only limited data available to the Technical Adviser in relation to the drilling work performed. The results concluded in the Technical Report were therefore far more conservative in comparison to those in the PRC report and the petroleum resources in the Concessions were classified as prospective resources in the Technical Report. As no extensive test drilling has been performed in the Concessions, the Technical Adviser has obtained various data in the preparation of the Technical Report for the assessment of the unrisked potential original hydrocarbons-in-place and gross (100 precent) prospective resources for the Concessions. As stated in the Technical Report, the Technical Adviser had based on (i) digital well logs images of geologic well reports for 22 exploration wells; (ii) 2-D seismic lime location data; (iii) seismic line images and digital seismic data for over 200 2-D seismic lines covering the Concessions; and (iv) the potential source rocks, migration pathways and traps provided by the PRC Technical Adviser in the preparation of the Technical Report.

The Technical Adviser also reviewed the PRC Report, its public-domain northwest Argentina database, and various publications to supplement its understanding of the regional geology, stratigraphy and hydrocarbon play types of the Concessions. In addition, the Technical Adviser had conducted an independent geologic risk assessment in the estimation of a numerical uncertainty for trap, reservoir, source and timing/migration. Further details of the basis and methodology adopted by the Technical Adviser are set out in the Technical Report in Appendix V to this circular.

Taking into account (i) the amount of unrisked gross (100%) prospective resource of approximately 76.2 million tons of oil equivalent or 558.4 million barrels of oil equivalent as stated in the Technical Report; (ii) the results concluded in the Technical Report were far more conservative in comparison to those in the PRC report as explained above; (iii) the Consideration represents a discount of approximately 70.1% to the effective interests of 60% to be held by the Group in the Valuation of approximately US$1.5 billion (equivalent to approximately HK$11.7 billion); (iv) the estimated amount of recoverable reserve of oil of 240 million tons, dissolved gas of 83.2 billions of cubic feet and gas reserve of approximately 317.5 billions of cubic feet as stated in the PRC Report; and (v) the business potentials in the Concessions and the prospects of the natural resources industry as described above, the Directors therefore believe that the Acquisition can bring a diversified portfolio and good future prospect to the Group. The Directors consider that the terms of the Acquisition Agreements are fair and reasonable and in the interests of the Company and the Shareholders as a whole.

FINANCIAL IMPACT OF THE ACQUISITION

Following Completion of the Acquisition, the Target will become a wholly-owned subsidiary of the Company and the financial results of the Target Group will be consolidated with those of the Group.

As illustrated in the unaudited pro forma financial information of the Enlarged Group as set out in Appendix III to this circular, the pro forma net assets of the Enlarged Group assuming Completion had taken place on 31 December 2008 is approximately HK$2,254.3 million, representing an significant increase of 561.5% compared to the net assets of the Group of HK$340.8 million as at 30 June 2008. Total assets of the Enlarged Group are approximately HK$2,387.9 million, representing an increase of 584.7% compared to that of the Group as at 30 June 2008. The increase was mainly attributable to the recognition of exploration and evaluation assets of approximately HK$2,095.8 million. Total liabilities of the Enlarged Group are approximately HK$133.5 million, representing an increase of 15.9 times compared to that of the Group as at 30 June 2008. The increase of total liabilities was mainly attributable to the issue of the Promissory Notes upon Completion. However, as it is currently expected that the exploration of the Concessions will take more than 2 years to complete, it is expected that the operation results will be affected as a result of the recognition of the administrative expenses of the Target Group.

Taken into account the net assets value of the Enlarged Group will be substantially improved upon the completion of the Acquisition, despite the effect that operating expenses will increase in relation to the exploration of the oilfield, the Directors are of the view that the Acquisition will diversify the Group's business profile and revenue source to capture the oil demand all over the world, which is in the interest of the Company and the Shareholders as a whole.

FINANCIAL AND TRADING PROSPECTS OF THE ENLARGED GROUP

The Group engages in trading of zinc ore concentrate and zinc ingots. According to the 2007 annual report of the Company, the Group recorded an audited net loss of HK$59.7 million and HK$26.1 million for the financial year ended 31 December 2007, and period from 1 April 2006 to 31 December 2006 respectively. It has been the business strategy of the Group to continue seeking other investment opportunities to broaden the source of income of the Group.

As described in the section headed "Reasons for the Acquisition" above, the search for sources of energy amongst nations and enterprises is a global phenomenon. With petroleum and natural gas, aside from the energy prospects, there is the further opportunity to extract various other by-products as international commodities. Since the Acquisition brings new business opportunities to the Group, the Group intends to enter into cooperation contracts with other sizeable petroleum companies and has begun the discussion with certain petroleum companies to pursue the exploration.

Aligned with the initiative to broaden the Group's business horizon and diversify its income stream, the Board will proactively seek new viable business opportunities. The Directors have confidence in the prospects of the energy and resources sector and believe that the Acquisition will allow the Group to capitalise on the expected growth in the demands of energy.

RISK FACTORS

Possible risk factors which may be faced by the Company are as follows:

Investments in new business

The Acquisition constitutes an investment in the new business sector, including petroleum and gas exploration and exploitation. The new business, coupled with the regulatory environment, may pose significant challenges to the Company's administrative, financial and operational resources. Since the Company does not have significant experience in the new business, it is not in a position to assure the timing and amount of any return or benefits that may be received from the new business. If any exploration or exploitation projects, in which the Company attempts to develop does not progress as planned, the Company may not recover the funds and resources it has spent, and this may affect the Company.

Fluctuations in petroleum and gas prices

The fluctuations in supply and demand of petroleum and gas are caused by numerous factors beyond the Company's control, which include, but not limited to:

(i) Global and domestic economic and political conditions and competition from other energy sources; and

(ii) The rate of growth and expansion in industries with high petroleum demand.

There is no assurance that the international demand for petroleum and petroleum-related products will continue to grow, or that the international demand for petroleum and petroleum-related products will not experience excess supply or that oil price would not decrease.

Significant and continuous capital investment

The petroleum and gas business requires significant and continuous capital investment; the major petroleum exploration and exploitation projects may not be completed as planned, may exceed the original budgets and may not achieve the intended economic results or commercial viability. Actual capital expenditures for the new business may significantly exceed the Company's budgets because of various factors beyond the Company's control, which in turn may affect the Company's financial condition.

Policies and regulations

The new business is subject to extensive governmental regulations, policies and controls. There can be no assurance that the relevant government will not change such laws and regulations or impose additional or more stringent laws or regulations. Failure to comply with the relevant laws and regulations in the energy development and petroleum exploitation projects may adversely affect the Company.

Country risk

The Company is entering a new business in Argentina, in which the Company does not have any business presence. There can be risks and uncertainty relating to (i) the likelihood that changes in the business environment will occur and (ii) enforcement of private contracts and the instigation or defence of legal actions in relation to agreements being governed by Argentine laws that may reduce the profitability of doing business in Argentina. The change of political and economic conditions in Argentina may also adversely affect the Company.

Risks and uncertainties associated with the findings of the Technical Report

As disclosed in the above section headed "Methodology adopted by the Technical Adviser" above, as the exploration on the Concessions is only in its early stage and no extensive test drilling has been conducted in the Concessions, there is only limited data available to the Technical Adviser in relation to the drilling work performed. Based on the PRMS, the potentially recoverable volumes located in the Concessions are classified as prospective resources. The range of unrisked resources as stated in the Technical Report can be considered as a reasonable range of volumes to be obtained if all identified exploration wells are successful in discovering productive hydrocarbons and full development is pursued. For each identified exploration well, there is a substantial risk that no economic discovery will be made.

LISTING RULES IMPLICATION ON THE ACQUISITION

The Acquisition constitutes a very substantial acquisition of the Company under the Listing Rules. Accordingly, the Acquisition is conditional upon, among other things, the approval by the Shareholders at the SGM. As no Shareholder has any material interest in the Acquisition, no Shareholders are required to abstain from voting in the SGM in respect of the resolution to approve the Acquisition and the voting will be conducted by way of poll at the SGM.

PROPOSED ELECTION OF DIRECTORS

In relation to resolution no. 1 as set out in the notice of the SGM, Mr. Fung, will retire from office as independent non-executive Director at the SGM pursuant to the Bye-law 86(2) of the Bye-laws of the Company. Mr. Fung, being eligible, will offer himself for re-election as independent non-executive Director at the SGM pursuant to the Bye-laws of the Company.

Details of Mr. Fung, which are required to be disclosed pursuant to the Listing Rules, are set out in Appendix VI to this circular.

SGM

The SGM will be held at Board Room, 7/F, Dynasty Club, South West Tower, Convention Plaza, One Harbour Road, Wanchai, Hong Kong on Wednesday, 18 March 2009 at 3:00 p.m.. The notice of the SGM is set out on pages 276 to 278 to this circular. The purpose of SGM is, to consider and, if thought fit, approve ordinary resolutions to approve, among other things, (i) the Acquisition Agreements and the transactions contemplated thereunder (including but not limited to (a) the purchase of the Sale Interests; (b) the issue and allotment of the Consideration Shares to Vendor 1 and Vendor 2 and/or their respective Nominees; (c) the issue of the Convertible Notes to Vendor 1 and Vendor 2 and/or their respective Nominees; (d) the issue and allotment of new Shares upon the exercise of the conversion rights under the Convertible Notes); and (e) the terms and conditions of the Contingent Consideration (including the payment in cash, in whole or in part, of the Contingent Consideration)); and (ii) the re-election of Mr. Fung as independent non-executive Director.

A form of proxy for use at the SGM accompanies this circular. Whether or not you will be able to attend the SGM, you are requested to complete the accompanying form of proxy in accordance with the instructions printed thereon and return it to the Hong Kong branch share registrar of the Company, Tricor Tengis Limited at 26th Floor, Tesbury Centre, 28 Queen's Road East, Wanchai, Hong Kong, as soon as possible and in any event not less than 48 hours before the time appointed for holding the SGM. Completion and return of the form of proxy will not preclude you from attending and voting in person at the SGM or any adjourned meeting thereof if you so wish.

RECOMMENDATION

The Directors are of the opinion that the terms of the Acquisition Agreements are fair and reasonable and in the interests of the Company and the Shareholders as a whole. The Directors recommend the Shareholders to vote in favour of the resolution as set out in the notice of the SGM to approve the Acquisition and the transactions contemplated thereunder. The Directors also recommend the Shareholders to vote in favour of the resolution as set out in the notice of the SGM to approve the re-election of Mr. Fung as an independent non-executive Director.

GENERAL

Your attention is drawn to the information set out in the appendices to this circular and the notice of the SGM.

By order of the Board
New Times Group Holdings Limited
Cheng Kam Chiu, Stewart
Executive Director

1. SUMMARY OF FINANCIAL RESULTS AND POSITION FOR THE SIX MONTHS ENDED 30 JUNE 2008, THE FINANCIAL YEAR ENDED 31 DECEMBER 2007, PERIOD FROM 1 APRIL 2006 TO 31 DECEMBER 2006 AND FINANCIAL YEAR ENDED 31 MARCH 2006

Set out below is a summary of financial results and position of the Group for the six months ended 30 June 2008, the financial year ended 31 December 2007, period from 1 April 2006 to 31 December 2006 and financial year ended 31 March 2006 respectively as extracted from the interim report/annual reports of the Company for the respective periods. There is no qualification opinion issued for the financial statements for the financial year ended 31 December 2007, period from 1 April 2006 to 31 December 2006 and financial year ended 31 March 2006.

Consolidated Income Statement

	1/1/2008-30/6/2008 (Unaudited) *HK$'000*	**1/1/2007-31/12/2007** (Audited) *HK$'000*	**1/4/2006-31/12/2006** (Audited) *HK$'000*	**1/4/2005-31/3/2006** (Audited) *HK$'000*
Continuing Operations:				
Turnover	20,592	155,453	90,181	5,400
Cost of sales	(19,552)	(156,325)	(81,387)	–
Gross profit	1,040	(872)	8,794	5,400
Other revenue	6,485	9,004	3,020	2,678
Gain on disposal of subsidiaries	4,800	–	–	–
Valuation loss on investment properties	(11,241)	(7,901)	(1,200)	(943)
Administrative expenses	(13,131)	(17,473)	(4,111)	(6,036)
Other operating expenses	(1,687)	(13,076)	(30,554)	(1,431)
Write down of inventories	–	(15,912)	–	–
Write-back of provision for legal and professional costs	–	–	–	–
Share-based payment expense	–	(12,838)	–	–
(Loss)/profit from operations	(13,734)	(59,068)	(24,051)	(332)
Finance costs	(785)	(430)	(804)	(967)
(Loss)/profit before income tax from continuing operations	(14,519)	(59,498)	(24,855)	(1,299)
Income tax	(242)	(239)	(1,262)	(454)
(Loss)/profit for the period/year from continuing operations	(14,761)	(59,737)	(26,117)	(1,753)

	1/1/2008-30/6/2008 (Unaudited) *HK$'000*	1/1/2007-31/12/2007 (Audited) *HK$'000*	1/4/2006-31/12/2006 (Audited) *HK$'000*	1/4/2005-31/3/2006 (Audited) *HK$'000*
Discontinued operation:				
Loss for the period/year from discontinued operation	–	–	–	(1,139)
Attributable to equity shareholders of the Company	–	(59,737)	(26,117)	(2,892)
Dividends	–	–	–	–
Loss per share (basic and diluted)				
– continuing operations	(1.90) cents	(9.32) cents	(5.66) cents	(0.41) cents
– discontinued operation	–	–	–	(0.26) cents
	(1.90) cents	(9.32) cents	(5.66) cents	(0.67) cents

Consolidated Balance Sheet

	30/6/2008 (Unaudited) HK$'000	31/12/2007 (Audited) HK$'000	31/12/2006 (Audited) HK$'000	31/3/2006 (Audited) HK$'000
NON-CURRENT ASSETS				
Property, plant and equipment	4,994	1,785	2	93
Investment properties	67,082	73,585	77,300	75,812
Goodwill	–	–	10,200	16,723
Leasehold land	–	–	–	–
Loan and receivables, unsecured	–	–	–	–
	72,076	75,370	87,502	92,628
CURRENT ASSETS				
Loan and receivables, unsecured	–	–	–	12,642
Inventories	–	162,598	61,823	54,536
Trade receivables	59,846	37,792	31,915	3,855
Short term investment	–	–	–	–
Financial assets at fair value through profit or loss	–	–	–	1,315
Prepayments, deposits and other receivables	–	35,996	24,693	17,720
Deposit paid for potential investment	54,600	54,600	–	–
Cash and cash equivalents	162,214	160,195	14,754	1,724
	276,660	451,181	133,185	91,792
CURRENT LIABILITIES				
Bank loan and other borrowing	–	10,700	9,965	11,159
Deposit received	–	76,814	35,769	22,497
Trade payables	5,089	61,061	10,723	–
Obligation under finance leases	11	13	–	92
Other payables and accrued liabilities	–	18,698	15,968	14,413
Tax payable	1,477	2,936	2,697	1,441
	(6,577)	170,222	75,122	49,602
NET CURRENT ASSETS	270,083	280,959	58,063	42,190
TOTAL ASSETS LESS CURRENT LIABILITIES	342,159	356,329	145,565	134,818
NON-CURRENT LIABILITIES				
Finance lease payables	31	35	–	107
Deferred tax	1,286	1,286	1,286	1,286
	(1,317)	1,321	1,286	1,393
NET ASSETS	340,842	355,008	144,279	133,425
CAPITAL AND RESERVES				
Share capital	78,197	77,764	55,631	43,330
Reserves	262,645	277,244	88,648	90,095
TOTAL EQUITY	340,842	355,008	144,279	133,425

2. UNAUDITED FINANCIAL STATEMENTS OF THE GROUP

Set out below is the latest published unaudited financial statements of the Group for the six months ended 30 June 2008.

CONSOLIDATED INCOME STATEMENT (Unaudited)
For the six months ended 30 June 2008
(Expressed in Hong Kong dollars)

		Six months ended 30 June	
		2008	**2007**
	Notes	*$'000*	*$'000*
Turnover	2	20,592	117,661
Cost of sales		(19,552)	(111,995)
Gross profit		1,040	5,666
Other revenue, net income and other operating income		6,485	511
Gain on disposal of subsidiaries		4,800	–
Valuation loss on investment properties		(11,241)	–
Equity settled share-based payment expenses		–	(12,838)
Administrative expenses		(13,131)	(3,747)
Other operating expenses		(1,687)	(2,531)
Loss from operations		(13,734)	(12,939)
Finance costs	3	(785)	(341)
Loss before taxation	4	(14,519)	(13,280)
Income tax	5	(242)	(804)
Loss for the period		(14,761)	(14,084)
Attributable to equity shareholders of the Company		(14,761)	(14,084)
Dividends	6	–	–
Loss per share attributable to the equity holders of the Company			
– Basic	7	(1.90 cents)	(2.42 cents)
– Diluted	7	N/A	N/A

CONSOLIDATED BALANCE SHEET (Unaudited)
As at 30 June 2008
(Expressed in Hong Kong dollars)

	Notes	As at 30 June 2008 (Unaudited) $'000	As at 31 December 2007 (Audited) $'000
NON-CURRENT ASSETS			
Fixed assets			
– Investment properties		67,082	73,585
– Other property, plant and equipment		4,994	1,785
Goodwill		–	–
Interest in a jointly controlled entity		–	–
		72,076	75,370
CURRENT ASSETS			
Inventories		–	162,598
Trade and other receivables	*8*	59,846	73,788
Loan receivables, unsecured		–	–
Deposit paid for potential investment		54,600	54,600
Cash and cash equivalents	*9*	162,214	160,195
		276,660	451,181
CURRENT LIABILITIES			
Trade and other payables	*10*	5,089	156,573
Other borrowing		–	10,700
Obligations under finance leases		11	13
Tax payable		1,477	2,936
		(6,577)	(170,222)
NET CURRENT ASSETS		270,083	280,959
TOTAL ASSETS LESS CURRENT LIABILITIES		342,159	356,329
NON-CURRENT LIABILITIES			
Obligations under finance leases		31	35
Deferred tax liabilities		1,286	1,286
		(1,317)	(1,321)
NET ASSETS		340,842	355,008
CAPITAL AND RESERVES			
Share capital		78,197	77,764
Reserves		262,645	277,244
TOTAL EQUITY		340,842	355,008

NOTES TO THE UNAUDITED INTERIM FINANCIAL REPORT

For the six months ended 30 June 2008

(Expressed in Hong Kong dollars)

1. BASIS OF PREPARATION

The interim financial report has been prepared in accordance with the applicable disclosure provisions of the Rules Governing the Listing of Securities ("Listing Rules") on The Stock Exchange of Hong Kong Limited ("Stock Exchange"), including compliance with Hong Kong Accounting Standard ("HKAS") 34 "Interim Financial Reporting" issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA"). It was authorized for issuance on 23 September 2008.

The preparation of an interim financial report in conformity with HKAS 34 requires management to make judgements, estimates and assumptions that affect the application of policies and the reported amounts of assets and liabilities, income and expenses on a year to date basis. Actual results may differ from these estimates.

This interim financial report contains condensed consolidated financial statements and selected explanatory notes. The notes include an explanation of events and transactions that are significant to an understanding of the changes in financial position and performance of the Group since the annual financial statements for the year ended 31 December 2007. This condensed consolidated interim financial statements and notes thereon do not include all of the information required for full set of financial statements prepared in accordance with Hong Kong Financial Reporting Standards ("HKFRSs"). HKFRSs include all applicable HKFRS, HKAS and related interpretations.

The interim financial report has been prepared in accordance with the same accounting policies adopted in the annual financial statements for the year ended 31 December 2007.

The HKICPA has issued a number of new and revised HKFRSs that are effective or available for early adoption for accounting periods beginning on or after 1 January 2008. The board of directors believes that the adoption of these new and revised HKFRSs will not have a material impact on the Group's financial position or result of operations.

The HKFRSs that will be effective or are available for voluntary early adoption in the annual financial statements for the year ending 31 December 2008 may be affected by the issue of additional interpretation(s) or other changes announced by the HKICPA subsequent to the date of issuance of this interim financial report. Therefore the policies that will be applied in the Group's annual financial statements for that period cannot be determined with certainty at the date of issuance of this interim financial report.

The interim financial report is unaudited, but has been reviewed by CCIF CPA Limited in accordance with Hong Kong Standard on Review Engagements 2410 "Review of interim financial information performed by the independent auditor of the entity" issued by the HKICPA.

The financial information relating to the financial year ended 31 December 2007 that is included in the interim financial report as being previously reported information does not constitute the Company's statutory financial statements for that financial year but is derived from those financial statements. The statutory financial statements for the year ended 31 December 2007 are available from the Company's registered office. The auditors have expressed an unqualified opinion on those financial statements in their report dated 25 April 2008.

2. SEGMENT REPORTING

Segment information is presented in respect of the Group's business and geographical segments. Business segment information is chosen as the primary reporting format because this is more relevant to the Group's internal financial reporting.

Business segments

For management purposes, the Group is organised into three operating divisions, namely trading of non-ferrous metal, property investment and development and provision of financial services.

An analysis of the Group's turnover and operating loss by business segments for the period is as follow:

	Trading of non-ferrous metal		Property investment and development		Financial services		Total	
	2008	**2007**	**2008**	**2007**	**2008**	**2007**	**2008**	**2007**
	$'000	*$'000*	*$'000*	*$'000*	*$'000*	*$'000*	*$'000*	*$'000*
For the six months ended 30 June								
Revenue								
External sales	20,397	116,467	–	1,194	195	–	20,592	117,661
Segment result	(869)	2,376	(6,506)	(2,172)	711	(144)	(6,664)	60
Unallocated corporate expenses							(8,166)	(13,432)
Interest income							1,096	433
Loss from operations							(13,734)	(12,939)
Finance costs							(785)	(341)
Loss before taxation							(14,519)	(13,280)
Income tax							(242)	(804)
Loss for the period							(14,761)	(14,084)

Geographical segments

In presenting information on the basis of geographical segments, segment revenue is based on the geographical location of customers. Segment assets and capital expenditure are based on the geographical location of the assets.

	Hong Kong		Mainland China		Total	
	2008	2007	2008	2007	2008	2007
	$'000	*$'000*	*$'000*	*$'000*	*$'000*	*$'000*
For the six months ended 30 June						
Revenue						
External sales	20,592	116,468	–	1,193	20,592	117,661

	As at 30 June 2008	As at 31 December 2007	As at 30 June 2008	As at 31 December 2007	As at 30 June 2008	As at 31 December 2007
	$'000	*$'000*	*$'000*	*$'000*	*$'000*	*$'000*
Segment assets	281,654	277,501	67,082	249,050	348,736	526,551
Capital expenditure	3,794	1,811	–	46	3,794	1,857

3. FINANCE COSTS

	Six months ended 30 June	
	2008	2007
	$'000	*$'000*
Interest on bank borrowing wholly repayable within five years	–	255
Interest on other borrowing wholly repayable within five years	700	–
Interest on amount due to a securities dealer	84	86
Finance charge on obligations under finance lease	1	–
	785	341

4. LOSS BEFORE TAXATION

Loss before taxation is arrived at after charging/(crediting):

	Six months ended 30 June	
	2008	2007
	$'000	*$'000*
Cost of inventories	19,540	111,995
Depreciation	539	4
Staff cost (including directors' emoluments)		
– Wages, salaries and other benefits	4,159	1,005
– Contribution to defined contribution retirement scheme	52	20
– Share-based payment expenses	–	12,838
Operating lease charges for the leasing of property	2,465	543
Impairment loss on trade receivables	–	720
Rental income from investment properties less direct outgoings of HK$Nil (For the six months ended 30 June 2007: HK$208,000)	–	(985)
Interest income	(1,096)	(433)
Exchange gains, net	(4,706)	(73)

5. INCOME TAX

	Six months ended 30 June	
	2008	**2007**
	$'000	*$'000*
Hong Kong		
Provision for the period	141	466
PRC Enterprise Income Tax		
Provision for the period	101	338
	242	804

The provision for Hong Kong Profits Tax for 2008 is calculated at 16.5% (2007: 17.5%) on the estimated assessable profits for the period. Taxation for subsidiaries outside Hong Kong is charged at the appropriate current rates of taxation ruling in the relevant countries.

6. DIVIDENDS

The directors do not recommend any payment of interim dividend for the six months ended 30 June 2008 (For the six months ended 30 June 2007: Nil).

7. LOSS PER SHARE

The calculation of basic loss per share was based on the unaudited consolidated loss attributable to shareholders of HK$14,761,000 (For the six months ended 30 June 2007: HK$14,084,000) and the weighted average number of 778,233,222 (30 June 2007: 582,161,384) ordinary shares in issue during the period.

	Number of shares	
	Six months ended 30 June	
	2008	**2007**
Issued ordinary shares at 1 January	777,638,030	556,305,030
Effect of shares issued under placement	–	25,856,354
Effect of share options exercised	595,192	–
Weighted average number of ordinary shares at 30 June	778,233,222	582,161,384

Diluted loss per share for the six months ended 30 June 2008 and 2007 have not been disclosed as the potential ordinary shares outstanding during the period had an anti-dilutive effect on the basic loss per share for the current and prior period.

8. TRADE AND OTHER RECEIVABLES

Trade and other receivables comprise:

	As at 30 June 2008 $'000	As at 31 December 2007 $'000
Trade receivables	4,651	42,443
Other receivables	30,354	36,348
Less: allowance for doubtful debts	(8,722)	(8,722)
	26,283	70,069
Prepayment and deposits	33,563	3,719
	59,846	73,788

All of the trade and other receivables other than those for which an impairment allowance has been made are expected to be recovered within one year.

Included in trade and other receivables are trade receivables net of allowance for doubtful debts of HK$4,651,000 (As at 31 December 2007: HK$4,651,000) with the following age analysis as of the balance sheet date:

	As at 30 June 2008 $'000	As at 31 December 2007 $'000
Less than 90 days	–	37,792

Trade debtors are due within 90 days from the date of billing.

9. CASH AND CASH EQUIVALENTS

	As at 30 June 2008 $'000	As at 31 December 2007 $'000
Deposits with banks	146,400	–
Cash at bank and on hand	15,814	160,195
Cash and cash equivalents in the consolidated balance sheet and the consolidated cash flow statement	162,214	160,195

10. TRADE AND OTHER PAYABLES

Trade and other payables comprise:

	As at 30 June 2008 $'000	As at 31 December 2007 $'000
Trade payables *(note a)*	–	61,061
Other payables and accruals	4,859	18,248
Deposits received *(note b)*	–	76,814
Due to directors	230	450
Financial liabilities measured at amortised cost	5,089	156,573

All of the trade and other payables (including amounts due to directors) are expected to be settled or recognized as income within one year or are repayable on demand.

Notes:

(a) The following is an ageing analysis of trade payables as at the balance sheet date:

	As at 30 June 2008 $'000	As at 31 December 2007 $'000
Less than 90 days	–	61,061

(b) The balance represented deposits received on properties sold prior to the date of revenue recognition and formed part of the assets being disposed of upon the disposal of Smart Wave Limited on 30 June 2008.

11. OTHER BORROWING

The other borrowing of HK$10,700,000 as at 31 December 2007, which was due for repayment on that date, was obtained by Smart Wave from an independent third party and bore interest at 5.85% per annum. Up to 30 June 2008, the balance remained outstanding and compound interest was charged at 7.61% to 8.78% per annum on the outstanding balance. Upon the disposal of Smart Wave on 30 June 2008 as set out in note 14, the Group had no other borrowing as at 30 June 2008.

12. SHARE CAPITAL

	As at 30 June 2008		As at 31 December 2007	
	Number of shares '000	Amount $'000	Number of shares '000	Amount $'000
Authorised				
Ordinary shares of HK$0.10 each	20,000,000	2,000,000	20,000,000	2,000,000
Ordinary shares issued and fully paid:				
At 1 January	777,638	77,764	556,305	55,631
Shares issued under placement	–	–	217,000	21,700
Shares issued under share option scheme	4,333	433	4,333	433
At 30 June 2008/31 December 2007	781,971	78,197	777,638	77,764

13. RESERVES

The Company

	Share capital $'000	Share premium $'000	Employee share-based compensation reserve $'000	Contributed surplus $'000	Accumulated losses $'000	Total reserves $'000	Total equity $'000
At 1 January 2008	77,764	353,001	11,554	122,864	(200,771)	286,648	364,412
Shares issued under share option scheme	433	3,450	(1,284)	–	–	2,166	2,599
Loss for the period	–	–	–	–	(9,513)	(9,513)	(9,513)
At 30 June 2008	78,197	356,451	10,270	122,864	(210,284)	279,301	357,498
At 1 January 2007	55,631	119,078	–	122,864	(228,944)	12,998	68,629
Equity settled share-based transactions	–	–	12,838	–	–	12,838	12,838
Shares issued under placement, net of issuance costs	11,000	75,883	–	–	–	75,883	86,883
Loss for the period	–	–	–	–	(13,800)	(13,800)	(13,800)
At 30 June 2007	66,631	194,961	12,838	122,864	(242,744)	87,919	154,550

On 8 May 2007, 43,330,000 share options were granted for a nominal consideration to certain directors, employees and persons or entity that provides support or advisory, consultancy, professional or other services to the Group under the Company's share option scheme. The options give the holder the right to subscribe for ordinary shares of HK$0.1 each of the Company. The options vest from the date of grant and are exercisable within a period of 5 years. The exercise price is HK$0.60. 4,330,000 options were exercised during the six months ended 30 June 2008.

14. DISPOSAL OF SUBSIDIARIES

On 21 April 2008, the Company entered into a conditional sale and purchase agreement with an independent third party, Rich Fast Holdings Limited ("Rich Fast"), for the disposal of the entire issued share capital together with shareholders' loan of Smart Wave for an aggregate consideration of HK$12,250,000 (the "Smart Wave Disposal"). Smart Wave holds through a wholly owned subsidiary, Weiqiu Industrial (Shenzhen) Company Limited, the completed property held for sale located in Shenzhen, PRC.

Upon signing of the agreement, the Company received a deposit of HK$2,000,000 from Rich Fast. The balance of the consideration were received on 30 June 2008.

The Smart Wave Disposal constituted, under the Listing Rules, a major disposal, the details of which were set out in the circular issued by the Company on 29 May 2008. The Smart Wave Disposal had been approved in the special general meeting of the shareholders held on 16 June 2008 and became effective on 30 June 2008.

Details of the net assets/(liabilities) disposed of in respect of the Smart Wave Disposal are summarised below:

	'000
Property, plant and equipment	42
Inventories	152,512
Other receivables	33,669
Cash and cash equivalents	44
Trade and other payables	(198,343)
Other borrowing	(11,389)
	(23,465)
Assignment of amounts due from the subsidiaries	33,764
Exchange fluctuation reserve realised	(2,849)
Gain on disposal of subsidiaries	4,800
Total consideration – satisfied by cash	12,250
Cash consideration received	12,250
Cash and cash equivalents disposed of	(44)
Net cash inflow arising from Smart Wave Disposal	12,206

15. COMMITMENTS

(a) Capital commitments

Capital commitments not provided for in the financial statement are as follows:

	As at 30 June 2008 *$'000*	**As at 31 December 2007** *$'000*
Contracted for		
– Acquisition of property, plant and equipment	294	2,885
– Further cost for potential investment	10,257,400	10,257,400
	10,257,694	10,260,285

Pursuant to the conditional framework agreement on 10 October 2007, the intended contract on 31 October 2007, the supplemental agreement on 11 November 2007, the second supplemental agreement on 26 March 2008 and the third supplemental agreement on 30 August 2008 entered into with two independent third parties (the "Vendors"), the Company agreed to acquire from the Vendors the entire issued share capital of High Luck Group Limited which in turn at completion of acquisition, will be the beneficial and registered owner of 60% interest in each of the Tartagal Concession and the Morillo Concession of the exploration permits and potential exploitation permits for oil and developments of hydrocarbons granted by the Government of Argentina in the province of Salta in northern Argentina for a total consideration of HK$10,312 million. The Company expects that the acquisition will be completed on or before 28 November 2008.

(b) Commitments under operating leases

The Group had commitments for future minimum lease payments under non-cancellable operating leases payable as follows:

	As at 30 June 2008 $'000	As at 31 December 2007 $'000
Within one year	4,939	4,674
In the second to fifth year, inclusive	6,294	8,328
	11,233	13,002

The Group leases its office under an operating lease arrangement. The lease for properties is negotiated for a term of three years.

16. MATERIAL RELATED PARTY TRANSACTIONS

(a) The Group has not entered into any material related party transactions during the current and prior period.

(b) Key management personnel remuneration

Remuneration for key management personnel, including amount paid to the Company's director, is as follows:

	Six months ended 30 June	
	2008 $'000	2007 $'000
Short-term employee benefits	2,347	1,005
Post-employment benefits	24	20
Equity compensation benefits	–	6,419
	2,371	7,444

17. FINANCIAL GUARANTEE

During the year 2007, the Group had given a joint corporate guarantee to a bank in connection with bank facilities granted by the bank to Wandi Estate Development Company Limited ("Wandi"), an independent third party. At 31 December 2007, such facilities were drawn down by Wandi, to the extent of RMB35,000,000 (equivalent to HK$37,450,000). The maximum liability of the Group under the guarantee issued represents the amount drawn down by Wandi of RMB35,000,000 (equivalent to HK$37,450,000). No recognition was made because the fair value of guarantee was insignificant and that the directors did not consider it is probable that a claim would be made against the Group under the guarantee.

On 6 March 2008, the Group's completed property held for sale was foreclosed by Beijing First Intermediate Peoples Court (北京市第一中級人民法院) as a result of the default in progress repayment of a bank loan by Wandi. According to the management of the Group, Wandi is now negotiating with the creditor bank for the settlement of the default payment.

Upon the disposal of Smart Wave on 30 June 2008 as set out in note 14, the Group had no financial guarantee given as at 30 June 2008.

18. EVENTS AFTER THE BALANCE SHEET DATE

On 17 July 2008, Smart Win International Limited ("Smart Win"), a jointly controlled entity of the Group, entered into a legally binding memorandum of understanding ("Memorandum of Understanding") with Empire Energy International Corporation ("Empire Energy"), Great South Land Minerals Ltd ("GSLM") and Mr. Malcolm Bendall, a major shareholder and president of Empire Energy, in respect of the formation of a proposed joint venture to be principally engaged in oil and gas exploration business.

The Memorandum of Understanding sets out the terms under which, in consideration of Smart Win granting Empire Energy a loan of up to AUD5,000,000 (equivalent to approximately HK$38,000,000) (the "Loan"), Empire Energy will grant to Smart Win an option to enter into a joint venture agreement (the "JV Agreement") with GSLM for the exploration and development of any oil and gas resources within special exploration licence 13/98 ("SEL 13/98") located in Tasmania, Australia (the "Project"). GSLM holds SEL 13/98 until September 2009 and will proceed with an application for a further extension of the licence period. If entered into, GSLM will contribute the exploration and development rights in relation to SEL 13/98 as its investment in the Joint Venture.

Smart Win holds the irrevocable options and may (i) enter into a JV agreement with a funding commitment of AUD$40,000,000 (equivalent to approximately HK$304,000,000) and the Loan will be converted as part of the issued share capital of the JV or (ii) opt out the JV agreement and request Empire Energy, Mr. Malcolm Bendall and GSLM jointly and severally repay the Loan.

Empire Energy's obligation to repay the Loan is secured by (i) a deposit of the pledge (the "Pledge") under a pledge and security agreement into a collateral account for the benefit of Smart Win; and (ii) a guarantee from Mr. Malcolm Bendall. The Pledge represents the 32,000,000 issued and outstanding shares of Class A common stock with a par value of US$0.01 per share, of Empire Energy to be held by the trustees for the benefit of Smart Win in accordance with the pledge and the security agreement.

The pledge and security agreement was entered into on 7 August 2008 between Smart Win and Empire Energy with Mr. Malcolm Bendall and Zions First National Bank. Zions First National Bank appointed as the trustees.

3. AUDITED FINANCIAL STATEMENTS

Set out below are the latest published audited consolidated financial statements of the Group for the financial year ended 31 December 2007 and the comparative figures for the period from 1 April 2006 to 31 December 2006, together with the accompanying notes relating thereto as extracted from the annual reports of the Company for the financial year ended 31 December 2007.

Condensed Consolidated Income Statement
For the year ended 31 December 2007

	Note	1/1/2007 to 31/12/2007 HK$'000	1/4/2006 to 31/12/2006 HK$'000
Turnover	4 & 12	155,453	90,181
Cost of sales		(156,325)	(81,387)
Gross (loss)/profit		(872)	8,794
Other revenue	5	1,536	63
Other net income	5	4,077	2,957
Other operating income	5	3,391	–
Valuation loss on investment properties	13(a)	(7,901)	(1,200)
Write down of inventories	16(c)	(15,912)	–
Equity settled share-based payment expenses	25	(12,838)	–
Impairment loss on goodwill	14	(10,200)	(6,523)
Administrative expenses		(17,473)	(4,111)
Other operating expenses		(2,876)	(24,031)
Loss from operations		(59,068)	(24,051)
Finance costs	6(a)	(430)	(804)
Loss before taxation	6	(59,498)	(24,855)
Income tax	7(a)	(239)	(1,262)
Loss for the year/period		(59,737)	(26,117)
Attributable to equity shareholders of the Company	10 & 26(b)	(59,737)	(26,117)
Dividends		–	–
Loss per share attributable to the equity holders of the Company	11		
– Basic		(9.32 cents)	(5.66 cents)
– Diluted		N/A	N/A

Consolidated Balance Sheet
As at 31 December 2007

	Note	2007 HK$'000	2006 HK$'000
NON-CURRENT ASSETS			
Fixed assets	13(a)		
– Investment properties		73,585	77,300
– Other property, plant and equipment		1,785	2
Goodwill	14	–	10,200
		75,370	87,502
CURRENT ASSETS			
Inventories	16	162,598	61,823
Trade and other receivables	17	73,788	56,608
Loan receivables, unsecured	18	–	–
Deposit paid for potential investment	19	54,600	–
Cash and cash equivalents	20	160,195	14,754
		451,181	133,185
CURRENT LIABILITIES			
Trade and other payables	21	156,573	62,460
Bank and other borrowings	22	10,700	9,965
Obligations under finance leases	23	13	–
Tax payable	24(a)	2,936	2,697
		(170,222)	(75,122)
NET CURRENT ASSETS		280,959	58,063
TOTAL ASSETS LESS CURRENT LIABILITIES		356,329	145,565
NON-CURRENT LIABILITIES			
Obligations under finance leases	23	35	–
Deferred tax liabilities	24(b)	1,286	1,286
		(1,321)	(1,286)
NET ASSETS		355,008	144,279
CAPITAL AND RESERVES	26(a)		
Share capital		77,764	55,631
Reserves		277,244	88,648
TOTAL EQUITY		355,008	144,279

Balance Sheet

As at 31 December 2007

	Note	2007 HK$'000	2006 HK$'000
NON-CURRENT ASSETS			
Property, plant and equipment	13(b)	17	–
Investment in subsidiaries	15	–	21,254
Amounts due from subsidiaries	15	–	69,053
		17	90,307
CURRENT ASSETS			
Other receivables	17	3,294	245
Deposit paid for potential investment	19	54,600	–
Amounts due from subsidiaries	15	251,554	–
Cash and cash equivalents	20	82,949	5,310
		392,397	5,555
CURRENT LIABILITIES			
Other payables	21	2,049	1,282
Amount due to a subsidiary	15	25,953	–
		(28,002)	(1,282)
NET CURRENT ASSETS		364,395	4,273
TOTAL ASSETS LESS CURRENT LIABILITIES		364,412	94,580
NON-CURRENT LIABILITIES			
Amounts due to subsidiaries	15	–	(25,951)
NET ASSETS		364,412	68,629
CAPITAL AND RESERVES	26(b)		
Share capital		77,764	55,631
Reserves		286,648	12,998
TOTAL EQUITY		364,412	68,629

Consolidated Statement of Changes in Equity

For the year ended 31 December 2007

	Share capital	Share premium	Employee share-based compensation reserve	Capital reserve	Convertible notes equity reserve	Exchange fluctuation reserve	Accumulated losses	Total reserves	Total
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
At 1 April 2006	43,330	94,471	–	9,585	–	840	(14,801)	90,095	133,425
Equity component of convertible notes	–	–	–	–	1,201	–	–	1,201	1,201
Shares issued under convertible notes *(note 26(c)(iii))*	3,031	1,969	–	–	(1,201)	–	–	768	3,799
Shares issued under placement, net of issuance costs *(note 26(c)(iv))*	9,270	22,638	–	–	–	–	–	22,638	31,908
Exchange difference on translation of financial statements of a subsidiary	–	–	–	–	–	63	–	63	63
Loss for the period	–	–	–	–	–	–	(26,117)	(26,117)	(26,117)
At 31 December 2006	55,631	119,078	–	9,585	–	903	(40,918)	88,648	144,279
At 1 January 2007	55,631	119,078	–	9,585	–	903	(40,918)	88,648	144,279
Equity settled share-based transactions	–	–	12,838	–	–	–	–	12,838	12,838
Shares issued under share option scheme *(note 26(c)(v))*	433	3,451	(1,284)	–	–	–	–	2,167	2,600
Shares issued under placement, net of issuance costs *(note 26(c)(iv))*	21,700	230,472	–	–	–	–	–	230,472	252,172
Exchange difference on translation of financial statements of a subsidiary	–	–	–	–	–	2,856	–	2,856	2,856
Loss for the year	–	–	–	–	–	–	(59,737)	(59,737)	(59,737)
At 31 December 2007	77,764	353,001	11,554	9,585	–	3,759	(100,655)	277,244	355,008

Consolidated Cash Flow Statement

For the year ended 31 December 2007

	Note	1/1/2007 to 31/12/2007 HK$'000	1/4/2006 to 31/12/2006 HK$'000
OPERATING ACTIVITIES			
Loss before taxation		(59,498)	(24,855)
Adjustments for:			
Depreciation		76	37
Valuation loss on investment properties		7,901	1,200
Write down of inventories		15,912	–
Finance costs		430	804
Interest income		(1,531)	(60)
Equity settled share-based payment expenses		12,838	–
Net gain on sales of fixed assets		–	(142)
Net realised gain on trading securities		–	(335)
Impairment on goodwill		10,200	6,523
Impairment loss on			
– loan receivables, unsecured		–	12,642
– trade and other receivables		1,000	9,620
Recovery of debts on loan receivables		(400)	–
Reversal of impairment loss on trade and other receivables		(2,991)	–
Foreign exchange gain		(4,188)	(2,381)
OPERATING PROFIT BEFORE WORKING CAPITAL CHANGES		(20,251)	3,053
Increase in inventories		(116,687)	(7,287)
Increase in trade and other receivables		(15,189)	(44,653)
Increase in loan receivables, unsecured		400	–
Increase in trade and other payables		94,113	25,550
CASH USED IN OPERATIONS		(57,614)	(23,337)
Interest paid		(430)	(804)
Interest received		1,531	60
Hong Kong profits tax paid		–	(6)
NET CASH USED IN OPERATING ACTIVITIES		(56,513)	(24,087)

	Note	1/1/2007 to 31/12/2007 HK$'000	1/4/2006 to 31/12/2006 HK$'000
INVESTING ACTIVITIES			
Payment for the purchase of property, plant and equipment		(1,799)	–
Payment for the deposit of potential investment		(54,600)	–
Proceeds from disposal of property, plant and equipment		–	196
Proceeds from disposal of financial assets at fair value through profit or loss		–	1,650
NET CASH (USED IN)/GENERATED FROM INVESTING ACTIVITIES		(56,399)	1,846
FINANCING ACTIVITIES			
Loans borrowed		10,700	–
Repayment of bank and other borrowings		(9,965)	(1,501)
Capital element of finance lease rental payments		(10)	(199)
Proceeds from shares issued under share option scheme		2,600	–
Issue of new shares		255,250	37,445
Payment for the expenses of issuing new shares		(3,078)	(537)
NET CASH GENERATED FROM FINANCING ACTIVITIES		255,497	35,208
INCREASE IN CASH AND CASH EQUIVALENTS		142,585	12,967
CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE YEAR/PERIOD		14,754	1,724
EFFECT OF FOREIGN EXCHANGE RATE CHANGES		2,856	63
CASH AND CASH EQUIVALENTS AT THE END OF THE YEAR/PERIOD	*20*	160,195	14,754

Notes to the Financial Statements

For the year ended 31 December 2007

1. BACKGROUND INFORMATION

The Company is a limited liability company incorporated in Bermuda and its registered office is Clarendon House, 2 Church Street, Hamilton HM11, Bermuda. The Company is listed on the Main Board of The Stock Exchange of Hong Kong Limited (the "Stock Exchange").

2. SIGNIFICANT ACCOUNTING POLICIES

(a) Statement of Compliance

These financial statements have been prepared in accordance with all applicable Hong Kong Financial Reporting Standards ("HKFRSs"), which collective term includes all applicable individual Hong Kong Financial Reporting Standards, Hong Kong Accounting Standards ("HKASs") and Interpretations issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA") and accounting principles generally accepted in Hong Kong. They were also prepared in accordance with the disclosure requirements of the Hong Kong Companies Ordinance and the Rules Governing the Listing of Securities on the Stock Exchange. A summary of the significant policies adopted by the Group is set out below.

The HKICPA has issued certain new and revised HKFRSs that are first effective or available for early adoption for the current accounting period of the Group and the Company. Note 3 provides information on the changes in accounting policies resulting from initial application of these developments to the extent that they are relevant to the Group for the current and prior accounting periods reflected in these financial statements.

(b) Basis of Preparation of the Financial Statements

The consolidated financial statements for the year ended 31 December 2007 comprise the Company and its subsidiaries.

The measurement basis used in the preparation of the financial statements is the historical cost basis except for the revaluation of certain assets as explained in the accounting policies below. The functional currencies of the Company and its subsidiary in The People's Republic of China (the "PRC") are Hong Kong dollars and Renminbi respectively. For the purposes of presenting the consolidated financial statements, the Group adopted Hong Kong dollars as its presentation currency.

The preparation of financial statements in conformity with HKFRSs requires management to make judgements, estimates and assumptions that affect the application of policies and reported amounts of assets, liabilities, income and expenses. The estimates and associated assumptions are based on historical experience and various other factors believed to be reasonable under the circumstances, the results of which form the basis of making the judgements about carrying values of assets and liabilities not readily apparent from other sources. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

Judgements made by management in the application of HKFRSs that have significant effect on the financial statements and estimates with a significant risk of material adjustment in the next year are discussed in note 34.

(c) Subsidiaries

Subsidiaries are entities controlled by the Group. Control exists when the Group has the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities. In assessing control, potential voting rights that presently are exercisable are taken into account.

An investment in a subsidiary is consolidated into the consolidated financial statements from the date that control commences until the date that control ceases.

Intra-group balances and transactions and any unrealized profits arising from intra-group transactions are eliminated in full in preparing the consolidated financial statements. Unrealized losses resulting from intra-group transactions are eliminated in the same way as unrealized gains but only to the extent that there is no evidence of impairment.

In the Company's balance sheet, investment in subsidiaries are stated at cost less any impairment losses (see note 2(h)), unless the investment is classified as held for sale.

(d) Goodwill

Goodwill represents the excess of the cost of a business combination over the Group's interest in the net fair value of the acquiree's identifiable assets, liabilities and contingent liabilities.

Goodwill is stated at cost less accumulated impairment losses. Goodwill is allocated to cash-generating units and is tested annually for impairment (see note 2(h)).

Any excess of the Group's interest in the net fair value of the acquiree's identifiable assets, liabilities and contingent liabilities over the cost of a business combination is recognised immediately in profit or loss.

On disposal of a cash generating unit during the year, any attributable amount of purchased goodwill is included in the calculation of the profit or loss on disposal.

(e) Investment Property

Investment property is property (land or a building – or part of a building – or both) held (by the owner or by the lessee under a finance lease) to earn rentals or for capital appreciation or both, rather than for:

(a) use in the production or supply of goods or services or for administrative purposes; or

(b) sale in the ordinary course of business.

Land held under an operating lease is classified and accounted for as an investment property when the rest of the definition of an investment property is met. The operating lease is accounted for as if it were a finance lease.

Investment property is measured initially at its cost, including related transaction costs.

After initial recognition, investment property is carried at fair value. Fair value is based on active market prices, adjusted, if necessary, for any difference in the nature, location or condition of the specific asset. If this information is not available, the Group uses alternative valuation methods such as recent prices on less active markets or discounted cash flow projections. These valuations are reviewed annually by external valuers. Investment property that is being redeveloped for continuing use as investment property, or for which the market has become less active, continues to be measured at fair value.

The fair value of investment property reflects, among other things, rental income from current leases and assumptions about rental income from future leases in light of current market conditions.

The fair value also reflects, on a similar basis, any cash outflows that could be expected in respect of the property. Some of those outflows are recognized as a liability, including finance lease liabilities in respect of land classified as investment property; others, including contingent rent payments, are not recognised in the financial statements.

Subsequent expenditure is charged to the asset's carrying amount only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. All other repairs and maintenance costs are expensed in the income statement during the financial period in which they are incurred. Changes in fair values are recognised in the income statement.

If an investment property becomes owner-occupied, it is reclassified as property, plant and equipment, and its fair value at the date of reclassification becomes its cost for accounting purposes. Property that is being constructed or developed for future use as investment property is classified as property, plant and equipment and stated at cost until construction or development is complete, at which time it is reclassified and accounted for as investment property.

If an item of property, plant and equipment becomes an investment property because its use has changed, any difference between the carrying amount and the fair value of this item at the date of transfer is recognised in equity as a revaluation of property, plant and equipment under IAS 16. However, if a fair value gain reverses a previous impairment loss, the gain is recognised in the income statement.

Investment property held for sale without redevelopment is classified within non-current assets held for sale, under HKFRS 5.

(f) Property, Plant and Equipment

Property, plant and equipment are stated in the balance sheet at cost less accumulated depreciation and impairment losses (see note 2(h)).

Gains or losses arising from the retirement or disposal of an item of property, plant and equipment are determined as the difference between the net proceeds on disposal and the carrying amount of the item and are recognised in profit or loss on the date of retirement or disposal.

Depreciation is calculated to write off the cost of items of property, plant and equipment, less their estimated residual value, if any, using the straight-line method over their estimated useful lives as follows:

Furniture and office equipment	20%
Motor vehicles	33%

Where parts of an item of property, plant and equipment have different useful lives, the cost of the item is allocated on a reasonable basis between the parts and each part is depreciated separately. Both the useful life of an asset and its residual value, if any, are reviewed annually.

(g) Leased Assets

An arrangement, comprising a transaction or a series of transactions, is or contains a lease if the Group determines that the arrangement conveys a right to use a specific asset or assets for an agreed period of time in return for a payment or a series of payments. Such a determination is made based on an evaluation of the substance of the arrangement and is regardless of whether the arrangement takes the legal form of a lease.

(i) Classification of assets leased to the Group

Assets held by Group under leases which transfer to the Group substantially all the risks and rewards of ownership are classified as being held under finance leases. Leases which do not transfer substantially all the risks and rewards of ownership to the Group are classified as operating leases, with the following exceptions:

– property held under operating leases that would otherwise meet the definition of an investment property is classified as an investment property on a property-by-property basis and, if classified as investment property, is accounted for as if held under a finance lease (see note 2(e)); and

– land held for own use under an operating lease, the fair value of which cannot be measured separately from the fair value of a building situated thereon at the inception of the lease, is accounted for as being held under a finance lease, unless the building is also clearly held under an operating lease. For these purposes, the inception of the lease is the time that the lease was first entered into by the Group or taken over from the previous lessee or at the date of construction of those buildings, if later.

(ii) Assets acquired under finance leases

Where the Group acquires the use of assets under finance leases, the amounts representing the fair value of the leased asset, or, if lower, the present value of the minimum lease payments, of such assets are included in fixed assets and the corresponding liabilities, net of finance charges, are recorded as obligations under finance lease. Deprecation is provided at rates which will write off the cost or valuation of the assets over the term of the relevant lease or, where it is likely the Company or Group will obtain ownership of the asset, the life of the asset, as set out in note 2(f). Impairment losses are accounted for in accordance with the accounting policy as set out in note 2(h). Finance charges implicit in the lease payments are charged to profit or loss over the period of the leases so as to produce an approximately constant periodic rate of charge on the remaining balance of the obligations for each accounting period.

(iii) Operating lease charges

Where the Group has the use of assets under operating leases, payments made under the leases are charged to profit or loss in equal instalments over the accounting periods covered by the lease term, except where an alternative basis is more representative of the pattern of benefits to be derived from the leased asset. Lease incentives received are recognised in profit or loss as an integral part of the aggregate net lease payments made. Contingent rentals are written off as an expense of the accounting period in which they are incurred.

The cost of acquiring land held under an operating lease is amortised on a straight-line basis over the period of the lease term except where the property is classified as an investment property.

(h) Impairment of Assets

(i) Impairment of investments in equity securities and other receivables

Investments in equity securities (other than investments in subsidiaries) and other current and non-current receivables that are stated at cost or amortised cost or are classified as available-for-sale securities are reviewed at each balance sheet date to determine whether there is objective evidence of impairment. Objective evidence of impairment includes observable data that comes to the attention of the Group about one or more of the following loss events:

– significant financial difficulty of the debtor;

– a breach of contract, such as a default or delinquency in interest or principal payments;

– it becoming probable that the debtor will enter bankruptcy or other financial reorganisation;

– significant changes in the technological, market, economic or legal environment that have an adverse effect on the debtor; and

– a significant or prolonged decline in the fair value of an investment in an equity instrument below its cost.

If any such evidence exists, any impairment loss is determined and recognised as follows:

– For unlisted equity securities carried at cost, impairment loss is measured as the difference between the carrying amount of the financial asset and the estimated future cash flows, discounted at the current market rate of return for a similar financial asset where the effect of discounting is material. Impairment losses for equity securities are not reversed.

– For trade and other current receivables and other financial assets carried at amortised cost, the impairment loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the financial asset's original effective interest rate (i.e., the effective interest rate computed at initial recognition of these assets), where the effect of discounting is material. This assessment is made collectively where financial assets carried at amortised cost share similar risk characteristics, such as similar past due status, and have not been individually assessed as impaired. Future cash flows for financial assets which are assessed for impairment collectively are based on historical loss experience for assets with credit risk characteristics similar to the collective group.

– If in a subsequent period the amount of an impairment loss decreases and the decrease can be linked objectively to an event occurring after the impairment loss was recognised, the impairment loss is reversed through profit or loss. A reversal of an impairment loss shall not result in the asset's carrying amount exceeding that which would have been determined had no impairment loss been recognised in prior years.

– For available-for-sale securities, when a decline in the fair value has been recognised directly in equity and there is objective evidence that the asset is impaired, the cumulative loss that had been recognised directly in equity shall be removed from equity and recognised in profit or loss even though the financial asset has not been derecognised. The amount of the cumulative loss that is recognised in profit or loss is the difference between the acquisition cost (net of any principal repayment and amortisation) and current fair value, less any impairment loss on that asset previously recognised in profit or loss.

Impairment losses recognised in profit or loss in respect of available-for-sale equity securities are not reversed through profit or loss. Any subsequent increase in the fair value of such assets is recognised directly in equity.

Impairment losses are written off against the corresponding assets directly, except for impairment losses recognised in respect of trade debtors included within trade and other receivables, whose recovery is considered doubtful but not remote. In this case, the impairment losses for doubtful debts are recorded using an allowance account. When the Group is satisfied that recovery is remote, the amount considered irrecoverable is written off against trade debtors directly and any amounts held in the allowance account relating to that debt are reversed. Subsequent recoveries of amounts previously charged to the allowance account are reversed against the allowance account. Other changes in the allowance account and subsequent recoveries of amounts previously written off directly are recognised in profit or loss.

(ii) Impairment of other assets

Internal and external sources of information are reviewed at each balance sheet date to identify indications that the following assets may be impaired or, except in the case of goodwill, an impairment loss previously recognised no longer exists or may have decreased:

– property, plant and equipment (other than properties carried at revalued amounts);

– intangible assets;

– investments in subsidiaries (except for those classified as held for group sale); and

– goodwill.

If any such indication exists, the asset's recoverable amount is estimated. In addition, for goodwill, the recoverable amount is estimated annually whether or not there is any indication of impairment.

– Calculation of recoverable amount

The recoverable amount of an asset is greater of its net selling price and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of time value of money and the risks specific to the asset. Where an asset does not generate cash inflows largely independent of those from other assets, the recoverable amount is determined for the smallest group of assets that generates cash inflows independently (i.e., a cash-generating unit).

– Recognition of impairment losses

An impairment loss is recognised in profit or loss whenever the carrying amount of an asset, or the cash-generating unit to which it belongs, exceeds its recoverable amount. Impairment losses recognised in respect of cash-generating units are allocated first to reduce the carrying amount of any goodwill allocated to the cash-generating unit (or group of units) and then, to reduce the carrying amount of the other assets in the unit (or group of units) on a pro rata basis, except that the carrying value of an asset will not be reduced below its individual fair value less costs to sell, or value in use, if determinable.

– Reversal of impairment losses

In respect of assets other than goodwill, an impairment loss is reversed if there has been a favourable change in the estimates used to determine the recoverable amount. An impairment loss in respect of goodwill is not reversed.

A reversal of an impairment loss is limited to the asset's carrying amount that would have been determined had no impairment loss been recognised in prior year. Reversals of impairment losses are credited to profits or loss in the year in which the reversals are recognised.

(iii) Interim financial reporting and impairment

Under the Rules Governing the Listing of Securities on the Stock Exchange of Hong Kong Limited, the Group is required to prepare an interim financial report in compliance with HKAS 34, Interim financial reporting, in respect of the first six months of the financial year. At the end of the interim period, the Group applies the same impairment testing, recognition, and reversal criteria as it would at the end of the financial year (see note 2(h)).

Impairment losses recognised in an interim period in respect of goodwill and available-for-sale equity securities carried at cost are not reversed in a subsequent period. This is the case even if no loss, or a smaller loss, would have been recognised had the impairment been assessed only at the end of the financial year to which the interim period relates.

(i) Inventories

(i) Trading of non-ferrous metal

Inventories are carried at the lower of cost and net realisable value.

Costs is calculated using the weighted average cost formula and comprises all costs of purchase, costs of conversion and other costs incurred in bringing the inventories to their present location and condition.

Net realisable value is the estimated selling price in the ordinary course of business less the estimated costs of completion and the estimated costs necessary to make the sale.

When inventories are sold, the carrying amount of those inventories is recognised as an expense in the period in which the related revenue is recognised. The amount of any write-down of inventories to net realisable value and all losses of inventories are recognised as an expense in the period the write-down or loss occurs. The amount of any reversal of any write-down of inventories is recognised as a reduction in the amount of inventories recognised as an expense in the period in which the reversal occurs.

(ii) Property development

Inventories in respect of property development activities are carried at the lower of cost and net realisable value. Cost and net realisable values are determined as follows:

– Property under development for sale

The cost of properties under development for sale comprises specifically identified costs, including the acquisition cost of land, aggregate cost of development, materials and supplies, wages and other direct expenses, an appropriate proportion of overheads and borrowing costs capitalized (see note 2(t)). Net realisable value represents the estimated selling price less estimated costs of completion and costs to be incurred in selling the property.

– Completed property held for sale

In the case of completed properties developed by the Group, cost is determined by an apportionment of the total development costs for that development project attributable to the unsold properties. Net realisable value represents the estimated selling price less costs to be incurred in selling the property.

The cost of completed properties held for sale comprises all costs of purchase, costs of conversion and other costs incurred in bringing the inventories to their present location and condition.

(j) Debtors, Other Receivables, Deposits and Prepayments

Debtors, other receivables, deposits and prepayments are initially recognised at fair value and thereafter stated at amortised cost less allowance for impairment losses for bad and doubtful debts, except where the receivables are interest-free loans made to related parties without any fixed repayment terms or the effect of discounting would be immaterial. In such cases, the receivables are stated at cost less allowance for impairment losses for bad and doubtful debts (see note 2(h)).

(k) Convertible Notes

Convertible notes that can be converted to equity share capital at the option of the holder, where the number of shares that would be issued on conversion and the value of the consideration that would be received at that time do not vary, are accounted for as compound financial instruments which contain both a liability component and an equity component.

At initial recognition, the liability component of the convertible notes is measured as the present value of the future interest and principle payments, discounted at the market rate of interest applicable at the time of initial recognition to similar liabilities that do not have a conversion option. Any excess of proceeds over the amount initially recognised as the liability component is recognised as the equity component. Transaction costs that relate to the issue of a compound financial instrument are allocated to the liability and equity components in proportion to the allocation of proceeds.

The liability component is subsequently carried at amortised cost. The interest expense recognised in profit or loss on the liability component is calculated using the effective interest method. The equity component is recognised in the convertible notes equity reserve until either the note is converted or redeemed.

If the note is converted, the convertible notes equity reserve, together with the carrying amount of the liability component at the time of conversion, are transferred to share capital and share premium as consideration for the shares issued. If the note is redeemed, the convertible notes equity reserve is released directly to retained profits.

(l) Interest-bearing Borrowings

Interest-bearing borrowings are recognised initially at fair value less attributable transaction costs. Subsequent to initial recognition, interest-bearing borrowings are stated at amortised cost with any difference between cost and redemption value being recognised in profit or loss over the period of the borrowings using the effective interest method.

(m) Creditors

Creditors, other payables and accrued expenses are initially recognised at fair value and thereafter stated at amortised cost unless the effect of discounting would be immaterial, in which case they are stated at cost.

(n) Cash and Cash Equivalents

Cash and cash equivalents comprise cash at bank and on hand, demand deposits with banks and other financial institutions, and short-term, highly liquid investments readily convertible into known amounts of cash and which are subject to an insignificant risk of changes in value, having been within three months of maturity at acquisition. Bank overdrafts that are repayable on demand and form an integral part of the Group's cash management are also included as a component of cash and cash equivalents for the purpose of the consolidated cash flow statement.

(o) Employee Benefits

(i) Short-term employee benefits and contributions to defined contribution plans

Salaries, annual bonuses, paid annual leave, contributions to defined contribution plans and the cost of non-monetary benefits are accrued in the year in which the associated services are rendered by employees. Where payment or settlement is deferred and the effect would be material, these amounts are stated at their present values.

(ii) Share-based payments

The fair value of share options granted to employees is recognised as an employee cost with a corresponding increase in a employee share-based compensation reserve within equity. The fair value is measured at grant date using the Black-Scholes – Metron Option Pricing Model, taking into account the terms and conditions upon which the options were granted. Where the employees have to meet vesting conditions before becoming unconditionally entitled to the share options, the total estimated fair value of the share options is spread over the vesting period, taking into account the probability that the options will vest.

During the vesting period, the number of share options expected to vest is reviewed. Any adjustment to the cumulative fair value recognised in prior years is charged/credited to the profit or loss for the year under review, unless the original employee expenses qualify for recognition as an asset, with a corresponding adjustment to the employee share-based compensation reserve. On vesting date, the amount recognised as an expense is adjusted to reflect the actual number of share options that vest (with a corresponding adjustment to the employee share-based compensation reserve) except where forfeiture is only due to not achieving vesting conditions that relate to the market price of the Company's shares. The equity amount is recognised in the employee share-based compensation reserve until either the option is exercised (when it is transferred to the share premium account) or the option expires (when it is released directly to retained profits).

(p) Income Tax

Income tax for the year comprises current tax and movements in deferred tax assets and liabilities. Current tax and movements in deferred tax assets and liabilities are recognised in profit or loss except to the extent that they relate to items recognised directly in equity, in which case they are recognised in equity.

Current tax is the expected tax payable on the taxable income for the year, using tax rates enacted or substantively enacted at the balance sheet date, and any adjustment to tax payable in respect of previous years.

Deferred tax assets and liabilities arise from deductible and taxable temporary differences respectively being the differences between the carrying amounts of assets and liabilities for financial reporting purposes and their tax bases. Deferred tax assets also arise from unused tax losses and unused tax credits.

Apart from certain limited exceptions, all deferred tax liabilities, and all deferred tax assets to the extent that it is probable that future taxable profits will be available against which the asset can be utilised, are recognised. Future taxable profits that may support the recognition of deferred tax assets arising from deductible temporary differences include those that will arise from the reversal of existing taxable temporary differences, provide that those differences relate to the same taxation authority and the same taxable entity, and are expected to reverse either in the same period as the expected reversal of the deductible temporary differences or in periods into which a tax loss arising from the deferred tax asset can be carried back or forward. The same criteria are adopted when determining whether existing taxable temporary differences support the recognition of deferred tax assets arising from unused tax losses and credits, that is, those differences are taken into account if they relate to the same taxation authority and the same taxable entity, and are expected to reverse in a period, or periods, in which the tax loss or credit can be utilized.

The limited exceptions to recognition of deferred tax assets and liabilities are those temporary differences arising from goodwill not deductible for tax purposes, the initial recognition of assets or liabilities that affect neither accounting nor taxable profit (provided they are not part of a business combination), and temporary differences relating to investments in subsidiaries to the extent that, in the case of taxable differences, the Group controls the timing of the reversal and it is probable that the differences will not reverse in the foreseeable future, or in the case of deductible differences, unless it is probable that they will reverse in the future.

The amount of deferred tax recognised is measured based on the expected manner of realisation or settlement of the carrying amount of the assets and liabilities, using tax rates enacted or substantively enacted at the balance sheet date. Deferred tax assets and liabilities are not discounted.

The carrying amount of a deferred tax asset is reviewed at each balance sheet date and is reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow the related tax benefit to be utilised. Any such reduction is reversed to the extent that it becomes probable that sufficient taxable profits will be available.

Additional income taxes that arise from the distribution of dividends are recognised when the liability to pay the related dividends is recognised.

Current tax balances and deferred tax balances, and movements therein, are presented separately from each other and are not offset. Current tax assets are offset against current tax liabilities, and deferred tax assets against deferred tax liabilities, if the Company or the Group has the legally enforceable right to set off current tax assets against current tax liabilities and the following additional conditions are met:

– in the case of current tax assets and liabilities, the Company or the Group intends either to settle on a net basis, or to realise the asset and settle the liability simultaneously; or

– in the case of deferred tax assets and liabilities, if they relate to income taxes levied by the same taxation authority on either:

  – the same taxable entity; or

  – different taxable entities, which, in each future period in which significant amounts of deferred tax liabilities or assets are expected to be settled or recovered, intend to realize the current tax assets and settle the current tax liabilities on a net basis or realize and settle simultaneously.

(q) Financial Guarantees Issued, Provisions and Contingent Liabilities

(i) Financial guarantees issued

Financial guarantees are contracts that require the issuer (i.e., the guarantor) to make specified payments to reimburse the beneficiary of the guarantee ("the holder") for a loss the holder incurs because a specified debtor fails to make payment when due in accordance with the terms of a debt instrument.

Where the Group issues a financial guarantee, the fair value of the guarantee (being the transaction price, unless the fair value can otherwise be reliably estimated) is initially recognised as deferred income within trade and other payables. Where consideration is received or receivable for the issuance of the guarantee, the consideration is recognised in accordance with the Group's policies applicable to that category of asset. Where no such consideration is received or receivable, an immediate expense is recognised in profit or loss on initial recognition of any deferred income.

The amount of the guarantee initially recognised as deferred income is amortised in profit or loss over the term of the guarantee as income from financial guarantees issued. In addition, provisions are recognised in accordance with note 2(q)(ii) if and when (i) it becomes probable that the holder of the guarantee will call upon the Group under the guarantee, and (ii) the amount of that claim on the Group is expected to exceed the amount currently carried in trade and other payables in respect of that guarantee i.e., the amount initially recognised, less accumulated amortisation.

(ii) Provisions and contingent liabilities

Provisions are recognised for other liabilities of uncertain timing or amount when the Group or the Company has a legal or constructive obligation arising as a result of a past event, it is probable that an outflow of economic benefits will be required to settle the obligation and a reliable estimate can be made. Where the time value of money is material, provisions are stated at the present value of the expenditure expected to settle the obligation.

Where it is not probable that an outflow of economic benefits will be required, or the amount cannot be estimated reliably, the obligation is disclosed as a contingent liability, unless the probability of outflow of economic benefits is remote. Possible obligations, whose existence will only be confirmed by the occurrence or non-occurrence of one or more future events are also disclosed as contingent liabilities unless the probability of outflow of economic benefits is remote.

(r) Revenue Recognition

Provided it is probable that the economic benefits will flow to the Group and the revenue and costs, if applicable, can be measured reliably, revenue is recognised in profit or loss as follows:

(i) Sale of goods

Revenue is recognised when goods are delivered which is taken to be the point in time when the customer has accepted the goods and the related risks and rewards of ownership. Revenue excludes value added tax or other sales taxes and is after deduction of any trade discounts.

(ii) Sale of properties

Revenue arising from the sale of properties held for sale is recognised upon the signing of the sale and purchase agreement or the issue of an occupation permit by the relevant government authorities, whichever is the later. Deposits and instalments received on properties sold prior to the date of revenue recognition are included in the balance sheet under deposits received.

(iii) Rental Income from operating lease

Rental income receivable under operating lease is recognised in profit or loss in equal instalments over the periods covered by the lease term, except where an alternative basis is more representative of the pattern of benefits to be derived from the use of the leased asset. Lease incentives granted are recognised in profit or loss as an integral part of the aggregate net lease payments receivable. Contingent rentals are recognised as income in the accounting period in which they are earned.

(iv) Interest income

Interest income is recognised as it accrues using the effective interest method.

(v) Service income

Service income is recognised when services are provided.

(s) Translation of Foreign Currencies

Foreign currency transactions during the year are translated at the foreign exchange rates ruling at the transaction dates. Monetary assets and liabilities denominated in foreign currencies are translated at the foreign exchange rates ruling at the balance sheet date. Exchange gains and losses are recognised in profit or loss, except those arising from foreign currency borrowings used to hedge a net investment in a foreign operation which are recognised directly in equity.

Non-monetary assets and liabilities measured in terms of historical cost in a foreign currency are translated using the foreign exchange rates ruling at the transaction dates. Non-monetary assets and liabilities denominated in foreign currencies that are stated at fair value are translated using the foreign exchange rates ruling at the dates the fair value was determined.

The results of foreign operations are translated into Hong Kong dollars at the exchange rates approximating the foreign exchange rates ruling at the dates of the transactions. Balance sheet items, including goodwill on consolidation of foreign operations acquired on or after 1 January 2005, are translated into Hong Kong dollars at the foreign exchange rates ruling at the balance sheet date. The resulting exchange differences are recognised directly in a separate component of equity. Goodwill on consolidation of a foreign operation acquired before 1 January 2005 is translated at the foreign exchange rate that applied at the date of acquisition of the foreign operation.

On disposal of a foreign operation, the cumulative amount of the exchange differences recognised in equity which relate to that foreign operation is included in the calculation of the profit or loss on disposal.

(t) Borrowing Costs

Borrowing costs are expensed in profit or loss in the period in which they are incurred, except to the extent that they are capitalized as being directly attributable to the acquisition, construction or production of an asset which necessarily takes a substantial period of time to get ready for its intended use or sale.

The capitalization of borrowing costs as part of the cost of a qualifying asset commences when expenditure for the asset is being incurred, borrowing costs are being incurred and activities that are necessary to prepare the asset for its intended use or sale are in progress. Capitalization of borrowing costs is suspended or ceases when substantially all the activities necessary to prepare the qualifying asset for its intended use or sale are interrupted or complete.

(u) Related Parties

For the purposes of these financial statements, parties are considered to be related to the Group if:

(i) the party has the ability, directly or indirectly through one or more intermediaries, to control the Group or exercised significant influence over the Group in making financial and operating policy decisions, or has joint control over the Group;

(ii) the Group and the party are subject to common control;

(iii) the party is an associate of the Group or a joint venture in which the Group is a venturer;

(iv) the party is a member of key management personnel of the Group or the Group's parent, or a close family member of such an individual, or is an entity under the control, joint control or significant influence of such individuals;

(v) the party is a close family member of a party referred to in (i) or is an entity under the control, joint control or significant influence of such individuals; or

(vi) the party is a post-employment benefit plan which is for the benefit of employees of the Group or of any entity that is a related party of the Group.

Close family members of an individual are those family members who may be expected to influence, or be influenced by, that individual in their dealings with the entity.

(v) Segment Reporting

A segment is a distinguishable component of the Group that is engaged either in providing products or services (business segment), or in providing products or services within a particular economic environment (geographical segment), which is subject to risks and rewards that are different from those of other segments.

In accordance with the Group's internal financial reporting system, the Group has chosen business segment information as the primary reporting format and geographical segment information as the secondary reporting format for the purpose of these financial statements.

Segment revenue, expenses, results, assets and liabilities include items directly attributable to a segment as well as those that can be allocated on a reasonable basis to that segment. For example, segment assets may include trade receivables and property, plant and equipment. Segment revenue, expenses, assets and liabilities are determined before intra-group balances and intra-group transactions are eliminated as part of the consolidation process, except to the extent that such intra-group balances and transactions are between group entities within a single segment. Inter-segment pricing is based on similar terms as those available to other external parties.

Segment capital expenditure is the total cost incurred during the period to acquire segment assets (both tangible and intangible) that are expected to be used for more than one period.

Unallocated items mainly comprise financial and corporate assets, interest-bearing loans, borrowings, tax balances, corporate and financing expenses.

3. CHANGES IN ACCOUNTING POLICIES

The HKICPA has issued a number of new and revised HKFRSs and interpretations that are first effective or available for early adoption for the current accounting period of the Group and the Company.

There have been no significant changes to the accounting policies applied in these financial statements for the years presented as a result of these developments. However, as a result of the adoption of HKFRS 7, Financial instruments: Disclosures and the amendment to HKAS 1, Presentation of financial statements: Capital disclosures, there have been some additional disclosures provided as follows:

As a result of the adoption of HKFRS 7, the financial statements include expanded disclosure about the significance of the Group's financial instruments and the nature and extent of risks arising from those instruments, compared with the information previously required to be disclosed by HKAS 32, Financial instruments: Disclosure and presentation. These disclosures are provided throughout these financial statements, in particular in note 27.

The amendment to HKAS 1 introduces additional disclosure requirements to provide information about the level of capital and the Group's and the Company's objectives, policies and processes for managing capital. These new disclosures are set out in note 26(f).

Both HKFRS 7 and the amendment to HKAS 1 do not have any material impact on the classification, recognition and measurement of the amounts recognised in the financial instruments.

The Group has not applied any new standard or interpretation that is not yet effective for the current accounting period (see note 35).

4. TURNOVER

The principal activities of the Group are the trading of non-ferrous metals and property investment and development and provision of financial services.

Turnover represents the sales value of goods supplied to customers and rental income. The amount of each significant category of revenue recognised in turnover during the year is as follows:

	1/1/2007 to 31/12/2007	**1/4/2006 to 31/12/2006**
	HK$'000	*HK$'000*
Trading of non-ferrous metals	154,259	85,937
Gross rentals from investment properties	1,194	3,487
Provision of financial services	–	757
	155,453	90,181

5. OTHER REVENUE, NET INCOME AND OPERATING INCOME

	1/1/2007 to 31/12/2007	**1/4/2006 to 31/12/2006**
	HK$'000	*HK$'000*
Other revenue		
Bank interest income	1,343	9
Other interest income	188	51
Total interest income on financial assets not at fair value through profit or loss	1,531	60
Sundry income	5	3
	1,536	63
Other net income		
Net gain on sales of fixed assets	–	142
Net realised gain on trading securities	–	335
Net exchange gain	4,077	2,480
	4,077	2,957
Other operating income		
Reversal of impairment loss on trade and other receivables	2,991	–
Recovery of debts on loan receivables	400	–
	3,391	–

6. LOSS BEFORE TAXATION

Loss before taxation is arrived at after charging/(crediting) the followings:

	1/1/2007 to 31/12/2007 HK$'000	1/4/2006 to 31/12/2006 HK$'000
(a) Finance Costs		
Interest on bank borrowings wholly repayable within five years	251	585
Interest on other borrowings wholly repayable within five years	–	11
Interest on amount due to a securities dealer	178	208
Finance charges on obligations under finance lease	1	–
Total interest expense on financial liabilities not at fair value through profit or loss	430	804
(b) Staff Costs (Including Directors' Emoluments)		
Salaries, wages and other benefits	3,624	1,058
Contributions to defined contribution retirement plan	62	30
Equity settled share-based payment expenses *(note 25)*	12,838	–
	16,524	1,088
(c) Other Items		
Cost of inventories	156,325	80,918
Depreciation	76	37
Impairment loss on		
– trade and other receivables	1,000	9,620
– loan receivables, unsecured	–	12,642
Minimum lease payments under operating leases on leasehold land and buildings	1,155	801
Auditor's remuneration	500	350
Rental income from investment properties less direct outgoings of HK$208,000 (for the nine months ended 31 December 2006: HK$610,000)	(986)	(2,877)

7. INCOME TAX IN THE CONSOLIDATED INCOME STATEMENT

(a) Income tax in the consolidated income statement represents:

	1/1/2007 to 31/12/2007	**1/4/2006 to 31/12/2006**
	HK$'000	*HK$'000*
Hong Kong		
Provision for the year/period	–	673
Under-provision in respect of prior years	–	6
PRC Enterprise Income Tax		
Provision for the year/period	239	583
Deferred income tax	–	–
	239	1,262

No provision for Hong Kong profits tax has been made as the Group did not generate any assessable profit arising in Hong Kong during the current year (For the nine months ended 31 December 2006: Hong Kong profits tax is calculated at 17.5% of the estimated assessable profit for the period).

Taxes on profits assessable elsewhere have been calculated at the rates of tax prevailing in the jurisdictions in which the Group operates, based on existing legislation, practices and interpretations in respect thereof.

(b) Reconciliation between tax expense and accounting loss at the applicable tax rates:

	1/1/2007 to 31/12/2007	**1/4/2006 to 31/12/2006**
	HK$'000	*HK$'000*
Loss before taxation	(59,498)	(24,855)
Notional tax on loss before taxation, calculated at the rates applicable to loss in the tax jurisdictions concerned	(9,860)	(3,767)
Tax effect of non-taxable income	(461)	(685)
Tax effect of non-deductible expenses	5,462	5,493
Tax effect of unused tax losses not recognised	5,101	215
Unrecognised timing difference	(3)	–
Underprovision in prior years	–	6
Actual tax expense	239	1,262

(c) New tax law of the PRC

On 16 March 2007, the Fifth Plenary Session of the Tenth National People's Congress promulgated the Corporate Income Tax Law of the PRC ("the New Tax Law"), which would become effective on 1 January 2008. Further, on 6 December 2007, the State Council released the Implementation Rules to the Corporate Income Tax Law ("the Implementation Rules").

According to the New Tax Law, from 1 January 2008, the standard corporate income tax rates for enterprises in the PRC will be reduced from 33% to 25%. However, an "encouraged hi-tech enterprise" will continue to be entitled to a reduced corporate income tax rate of 15%. The detailed application of the newly introduced preferential tax policies have yet to be made public.

Under the New Tax Law which became effective from 1 January 2008 and in accordance with "Notification of the State Council on Carrying out the Transitional Preferential Policies concerning Enterprise Income Tax" (Guo Fa [2007] No.39) promulgated by the State Council on 26 December 2007, an entity established before 16 March 2007 that was entitled to preferential tax treatment prior to the New Tax Law will be subject to a transitional tax rate beginning in the year 2008 ("Transitional Tax Rate") before the new corporate income tax rate of 25% applies. For companies currently enjoying a reduced tax rate of 15%, the Transitional Tax Rate is 18%, 20%, 22%, 24% and 25% for 2008, 2009, 2010, 2011 and 2012 onwards respectively.

Any unutilized tax holidays can continue until expiry while tax holidays will be deemed to start from 1 January 2008, even if the company is not yet turning to a profit. The PRC subsidiary of the Group. Weiqiu Industrial (Shenzhen) Company Limited is currently under loss status and is forcibly to commence the tax holiday on 1 January 2008.

The enactment of the New Tax Law is not expected to have any financial effect on the amounts accrued in the balance sheet in respect of current tax payable. The deferred tax assets/liabilities of the subsidiary in the PRC are measured using enacted tax rates expected to apply to taxable income, based on the Transitional Tax Rate, in the years in which those temporary differences are expected to be recovered or settled.

In addition, under the New Tax Law, a withholding tax may be applied on the gross amount of dividends received by the Company from its PRC subsidiary after 1 January 2008. The Implementation Rules provided for the withholding tax rate to be at 10% unless reduced by treaty.

8. DIRECTORS' EMOLUMENTS

Directors' emoluments disclosed pursuant to section 161 of the Hong Kong Companies Ordinance is as follows:

		Year ended 31 December 2007				
		Directors' fees	Salaries, wages and other benefits in kind	Contributions to defined contribution retirement plan	Equity settled share-based payment expenses	Total
	Note	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
Chairman						
Mr. Tse On Kin	*(ii)*	–	937	8	1,284	2,229
Executive directors						
Mr. Wu Jian Feng	*(i) & (iii)*	60	–	–	1,284	1,344
Mr. Zhang Cheng Jie	*(i) & (iii)*	60	–	–	1,284	1,344
Mr. Li Guoping	*(ii)*	–	348	3	–	351
Non-executive directors						
Mr. Chan Chi Yuen	*(i)*	100	–	–	–	100
Mr. Chan Chung Yin, Victor	*(i) & (iii)*	100	–	–	–	100
Mr. Tsang Kwong Fook, Andrew	*(ii)*	15	–	–	–	15
Independent non-executive directors						
Mr. Fung Chi Kin	*(i)*	100	–	–	–	100
Mr. Qian Zhi Hui	*(i)*	60	–	–	–	60
Mr. Chiu Wai On	*(i)*	100	–	–	–	100
		595	1,285	11	3,852	5,743

		For the nine months ended 31 December 2006				
	Note	Directors' fees *HK$'000*	Salaries, wages and other benefits in kind *HK$'000*	Contributions to defined contribution retirement plan *HK$'000*	Equity settled share-based payment expenses *HK$'000*	Total *HK$'000*
Chairman						
Mr. Wu Jian Feng	*(i) & (iii)*	15	–	–	–	15
Executive directors						
Mr. Zhang Cheng Jie	*(i) & (iii)*	15	–	–	–	15
Non-executive directors						
Mr. Chan Chi Yuen	*(i)*	25	–	–	–	25
Mr. Chan Chung Yin, Victor	*(i) & (iii)*	25	–	–	–	25
Independent non-executive directors						
Mr. Fung Chi Kin	*(i)*	25	–	–	–	25
Mr. Qian Zhi Hui	*(i)*	15	–	–	–	15
Mr. Chiu Wai On	*(i)*	17	–	–	–	17
		137	–	–	–	137

Note:

(i) Appointed during the period ended 31 December 2006.

(ii) Appointed during the year ended 31 December 2007.

(iii) Resigned on 5 February 2008.

The above emoluments include the fair value of share options granted to certain directors under the Company's share option scheme as estimated at the date of grant. Details of these benefits in kind are disclosed in note 25.

During the year, no emoluments or incentive payments were paid to the directors as an inducement to join or upon joining the Group or as compensation for loss of office during the year.

9. INDIVIDUALS WITH HIGHEST EMOLUMENTS

Of the five individuals with the highest emoluments in the Group, three (2006: none) were directors of the Company whose emoluments are included in the disclosures in note 8 above. The emoluments of the remaining two (2006: five) individuals were as follows:

	1/1/2007 to 31/12/2007	**1/4/2006 to 31/12/2006**
	HK$'000	*HK$'000*
Salaries, wages and other benefits	720	596
Contributions to defined contribution retirement plan	18	35
Equity settled share-based payment expenses	2,568	–
	3,306	631

Analysis of the emoluments of the remaining two (2006: five) individuals with the highest emoluments by the number of individuals and remuneration range is as follows:

	Number of individuals	
	2007	**2006**
Nil – HK$1,000,000	–	5
HK$1,000,001 – HK$1,500,000	1	–
HK$1,500,001 – HK$2,000,000	1	–

During the year, no emoluments or incentive payments were paid to the five highest paid individuals as an inducement to join or upon joining the Group or as compensation for loss of office during the year.

10. PROFTT/(LOSS) ATTRIBUTABLE TO EQUITY SHAREHOLDERS OF THE COMPANY

The consolidated loss attributable to equity shareholders of the Company includes a profit of HK$28,173,000 (For the nine months ended 31 December 2006: a loss of HK$121,228,000) which has been dealt with in the financial statements of the Company (note 26(b)).

11. LOSS PER SHARE

(a) Basic loss per share

The calculation of basic loss per share is based on loss attributable to ordinary equity shareholders of the Company of HK$59,737,000 (For the nine months ended 31 December 2006: HK$26,117,000) and the weighted average number of 641,144,646 ordinary shares (For the nine months ended 31 December 2006: weighted average number of 461,597,019 ordinary shares) in issue during the year/period calculated as follows:

	Number of shares	
	2007	**2006**
Issued ordinary shares at 1 January/1 April	556,305,030	433,302,000
Effect of shares issued under placement *(note 26(c)(iv))*	84,104,109	1,011,273
Effect of share options exercised *(note 26(c)(v))*	735,507	–
Effect of conversion of convertible notes *(note 26(c)(iii))*	–	27,283,746
Weighted average number of ordinary shares at 31 December	641,144,646	461,597,019

(b) Diluted loss per share

Diluted loss per share for the year ended 31 December 2007 has not been disclosed as the potential ordinary shares outstanding during the year had an anti-dilutive effect on the basic loss per share for the year. Diluted loss per share was not presented for the nine months ended 31 December 2006 as there were no dilutive potential shares in issue during the prior year.

12. SEGMENT REPORTING

Segment information is presented in respect of the Group's business and geographical segments. Business segment is chosen as the primary reporting format because this is more relevant to the Group's internal financial reporting.

Business segments

The Group comprises the following main business segments:

Property investment and development :	the leasing of properties to generate rental income and to gain from the appreciation in the properties' values in the long term; the development and sale of office premises.
Financial services:	provision of financial services.
Trading of non-ferrous metal:	the sale of zinc ore concentrate and zinc ingots.

	Year ended 31 December 2007			
	Property investment and development *HK$'000*	**Financial services** *HK$'000*	**Trading of non-ferrous metal** *HK$'000*	**Total** *HK$'000*
Revenue				
External sales	1,194	–	154,259	155,453
Segment result	(28,447)	342	(8,610)	(36,715)
Unallocated corporate expenses				(23,884)
Interest income				1,531
Loss from operations				(59,068)
Interest expenses				(430)
Loss before taxation				(59,498)
Income tax				(239)
Loss for the year				(59,737)

	Year ended 31 December 2007			
	Property investment and development	**Financial services**	**Trading of non-ferrous metal**	**Total**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
Other information:				
Capital expenditure				
– segment	46	–	1,794	1,840
– unallocated				17
Depreciation				
– segment	3	–	72	75
– unallocated				1
Impairment loss on trade and other receivables				
– segment	–	–	1,000	1,000
Reversals of impairment loss on trade and other receivables				
– segment	(2,991)	–	–	(2,991)
Recovery of debts on loan receivables				
– segment	–	(400)	–	(400)
Impairment on goodwill				
– segment	10,200	–	–	10,200
Valuation loss on investment properties				
– segment	7,901	–	–	7,901
Write down of inventories				
– segment	15,912	–	–	15,912
Equity settled share-based payment expenses				
– unallocated				12,838
Segment assets	249,050	297	136,339	385,686
Unallocated assets				140,865
Total assets				526,551
Segment liabilities	(164,649)	(1,530)	(1,101)	(167,280)
Unallocated liabilities				(4,263)
Total liabilities				(171,543)

	For the nine months ended 31 December 2006			
	Property investment and development	**Financial services**	**Trading of non-ferrous metal**	**Total**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
Revenue				
External sales	3,487	757	85,937	90,181
Segment result	(12,218)	(13,533)	3,857	(21,894)
Unallocated corporate expenses				(2,217)
Interest income				60
Loss from operations				(24,051)
Interest expenses				(804)
Loss before taxation				(24,855)
Income tax				(1,262)
Loss for the period				(26,117)

	For the nine months ended 31 December 2006			
	Property investment and development	**Financial services**	**Trading of non-ferrous metal**	**Total**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
Other information:				
Depreciation				
– unallocated				37
Impairment loss on trade and other receivables				
– segment	7,642	1,978	–	9,620
Impairment loss on loan receivables				
– segment	–	12,642	–	12,642
Net gain on sales of fixed assets				
– unallocated				(142)
Net realised gain on trading securities				
– segment	–	(335)	–	(335)
Valuation loss on investment properties				
– segment	1,200	–	–	1,200
Impairment on goodwill				
– segment	6,523	–	–	6,523
Segment assets	171,624	300	40,458	212,382
Unallocated assets				8,305
Total assets				220,687
Segment liabilities	(61,156)	(1,349)	(10,548)	(73,053)
Unallocated liabilities				(3,355)
Total liabilities				(76,408)

Geographical segment

In presenting information on the basis of geographical segments, segment revenue is based on the geographical location of customers. Segment assets and capital expenditure are based on the geographical location of the assets.

	2007			**2006**		
	Hong Kong	**Mainland China**	**Total**	**Hong Kong**	**Mainland China**	**Total**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
Revenue						
External sales	154,259	1,194	155,453	86,694	3,487	90,181
Segment assets	277,501	249,050	526,551	49,063	171,624	220,687
Capital expenditure	1,811	46	1,857	–	–	–

13. FIXED ASSETS

(a) The Group

	Furniture and office equipment HK$'000	Motor vehicles HK$'000	Sub-total HK$'000	Investment properties HK$'000	Total fixed assets HK$'000
Cost or valuation					
At 1 April 2006	8,186	497	8,683	75,812	84,495
Exchange adjustments	–	–	–	2,688	2,688
Disposal	(8,140)	(497)	(8,637)	–	(8,637)
Fair value adjustment	–	–	–	(1,200)	(1,200)
At 31 December 2006	46	–	46	77,300	77,346
Representing					
Cost	46	–	46	–	46
Valuation	–	–	–	77,300	77,300
	46	–	46	77,300	77,346
At 1 January 2007	46	–	46	77,300	77,346
Exchange adjustments	2	–	2	4,186	4,188
Additions	277	1,580	1,857	–	1,857
Fair value adjustment	–	–	–	(7,901)	(7,901)
At 31 December 2007	325	1,580	1,905	73,585	75,490
Representing					
Cost	325	1,580	1,905	–	1,905
Valuation	–	–	–	73,585	73,585
	325	1,580	1,905	73,585	75,490
Accumulated depreciation					
At 1 April 2006	8,173	417	8,590	–	8,590
Charge for the period	11	26	37	–	37
Written back on disposal	(8,140)	(443)	(8,583)	–	(8,583)
At 31 December 2006	44	–	44	–	44
At 1 January 2007	44	–	44	–	44
Charge for the year	23	53	76	–	76
At 31 December 2007	67	53	120	–	120
Net book value					
At 31 December 2007	258	1,527	1,785	73,585	75,370
At 31 December 2006	2	–	2	77,300	77,302

(b) The Company

	Furniture and office equipment
	HK$'000
Cost	
At 1 April 2006, 31 December 2006 and 1 January 2007	–
Additions	18
At 31 December 2007	18
Accumulated depreciation	
At 1 April 2006, 31 December 2006 and 1 January 2007	–
Charge for the year	1
At 31 December 2007	1
Net book value	
At 31 December 2007	17
At 31 December 2006	–

(c) The fair value of the Group's investment properties at 31 December 2007 have been arrived at on the basis of a valuation carried out on that date by Chung, Chan & Associates, an independent qualified professional firm of valuers not connected with the Group. Chung, Chan & Associates has among its staff members of Hong Kong Institute of Surveyors and has appropriate qualifications and recent experiences in the location and category of property being valued. The valuation, which conforms to The Valuation Standards on Properties of Hong Kong Institute of Surveyors, was arrived at by reference to recent market transactions in comparable properties.

(d) At 31 December 2007, investment properties with a total of carrying amount of HK$73,585,000 (2006: HK$77,300,000) are situated outside Hong Kong under medium-term leases.

(e) The Group leases certain furniture and office equipment under finance lease expiring in 5 years. At the end of the lease term, the Group has the option to purchase the leased equipment at a price deemed to be a bargain purchase option. None of the leases includes contingent rental.

During the year, additions to furniture and office equipment of the Group financed by new finance leases were approximately HK$59,000 (For the nine months ended 31 December 2006: HK$Nil). At the balance sheet date, the net book value of the furniture and office equipment held under finance leases of the Group was approximately HK$50,000 (2006: HK$Nil).

(f) The Group leased out investment properties under operating leases. The lease terms are generally within the range of three to five years with an option to renew the lease after the expiry date at which time all terms will be renegotiated. None of the leases includes contingent rentals.

All properties interests held under operating leases that would otherwise meet the definition of investment property are classified as investment property.

The Group's total future minimum lease payments under non-cancellable operating leases were receivable as follows:

	The Group	
	2007	**2006**
	HK$'000	*HK$'000*
Not later than one year	–	4,368
Later than one year but not later than five years	–	1,227
	–	5,595

14. GOODWILL

	The Group	
	2007	**2006**
	HK$'000	*HK$'000*
At 1 January/1 April	10,200	16,723
Impairment loss	(10,200)	(6,523)
At 31 December	–	10,200

Goodwill was acquired through acquisition of subsidiaries in prior years.

Impairment test for cash-generating unit ("CGU") containing goodwill

Goodwill is allocated to the Group's cash-generating unit (the "CGU") in the property investment and development segment.

The recoverable amount of the CGU is determined based on value-in-use calculations. These calculations use cash flow projections based on financial budgets approved by management covering a one-year period. A discount rate of 12.21% has been used for the value-in-use calculations.

Management determined the budgeted gross margin based on past performance and its expectation for market development. The discount rate used is a pre-tax rate and reflects specific risks relating to the relevant CGU.

The impairment loss recognised during the year relates to the Group's property development activities in PRC. As the recoverable amount of the CGU based on value-in-use calculations is less than its carrying amount, the carrying amount of the CGU has been reduced to its recoverable amount. Any adverse change in the assumptions used in the calculation of recoverable amount would cause the carrying value to be less than the recoverable amount.

15. INTEREST IN SUBSIDIARIES

	The Company	
	2007	**2006**
	HK$'000	*HK$'000*
Unlisted shares, at cost	153,153	153,153
Less: Impairment loss	(153,153)	(131,899)
	–	21,254
Due from subsidiaries	299,700	189,154
Less: allowance for doubtful debts *(note (a))*	(48,146)	(120,101)
	251,554	69,053
Due to a subsidiary	(25,953)	(25,951)
	225,601	64,356

Notes:

(a) Movement in the allowance for doubtful debts

	Company	
	2007	**2006**
	HK$'000	*HK$'000*
At 1 January/1 April	120,101	101
Impairment losses recognised	22,045	120,000
Amounts reversed during the year	(94,000)	–
At 31 December	48,146	120,101

(b) The directors consider that in light of recurring operating loss of certain subsidiaries, the recoverable amount of these subsidiaries has been reduced to the estimated net realisable value of their identifiable net assets. Accordingly, impairment loss of approximately HK$153,153,000 (2006: HK$131,899,000) and HK$48,146,000 (2006: HK$120,101,000) in respect of the Company's interest in subsidiaries and amounts due from subsidiaries were recognised.

(c) The balances are unsecured, interest-free and expected to be repaid within one year. In the last year, such amount were not expected to be repaid within one year from the balance sheet date.

(d) The following list contains only the particulars of subsidiaries which principally affect the results, assets or liabilities of the Group. The class of shares held is ordinary unless otherwise stated.

Name of company	Place of incorporation and operation	Particulars of issued and paid up capital	Proportion of ownership interest			Principal activities
			Group's effective interest	Held by the Company	Held by a subsidiary	
New Times Holdings Limited	British Virgin Islands/ Hong Kong	1,000 shares of HK$1 each	100%	100%	–	Investment holding
Elegant Pool Limited	British Virgin Islands/ Mainland China	100 shares of US$1 each	100%	–	100%	Property investment
Jefta Holdings Limited	British Virgin Islands/ Hong Kong	100 shares of US$1 each	100%	–	100%	Investment holding/ provision of financial services
New Times Finance Limited	Hong Kong	2 shares of HK$10 each	100%	–	100%	Provision of financial services
Smart Wave Limited	British Virgin Islands/ Hong Kong	100 shares of US$1 each	100%	100%	–	Investment holding
Weiqiu Industrial (Shenzhen) Company Limited#	PRC	RMB10,000,000	100%	–	100%	Property development
Jumbo Hope Group Limited	Hong Kong	1 share of HK$1 each	100%	–	100%	Trading of non-ferrous metal

Registered under the laws of the PRC as foreign investment enterprise.

16. INVENTORIES

(a) Inventories in the balance sheet comprise:

	Group 2007	Group 2006
	HK$'000	*HK$'000*
Trading of non-ferrous metals		
Finished goods	19,540	–
Property investment and development		
Land held for development for sale	–	37,692
Property under development for sale	–	24,131
Completed property held for sale	143,058	–
	162,598	61,823

(b) The analysis of carrying value of land and properties held by the Group is as follows:

	Group	
	2007	**2006**
	HK$'000	*HK$'000*
Outside Hong Kong		
– medium-term lease	143,058	61,823

	Group	
	2007	**2006**
	HK$'000	*HK$'000*
Representing:		
Land held for development for sale	–	37,692
Property under development for sale	–	24,131
Completed property held for sale	143,058	–
	143,058	61,823

(c) The analysis of the amount of inventories recognised as an expense is as follows:

	1/1/2007 to 31/12/2007	**1/4/2006 to 31/12/2006**
	HK$'000	*HK$'000*
Carrying amount of inventories sold	156,325	80,918
Write down of inventories	15,912	–

The write down of inventories made during the year arose due to a decrease in the estimated net realisable value of the completed property held for sale based on the latest market transaction made in similar location.

All inventories are expected to be recovered within one year.

17. TRADE AND OTHER RECEIVABLES

	Group		Company	
	2007	**2006**	**2007**	**2006**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
Trade receivables *(note a)*	42,443	39,557	–	–
Other receivables *(note d)*	36,348	28,197	9	12
Less: allowance for doubtful debts *(note b)*	(8,722)	(11,751)	–	–
	70,069	56,003	9	12
Prepayment and deposits	3,719	605	3,285	233
	73,788	56,608	3,294	245

All of the trade and other receivables are expected to be recovered within one year.

Notes:

(a) Ageing analysis

Included in trade and other receivables are trade receivables net of allowance for doubtful debts of HK$4,651,000 (2006: HK$7,642,000) with the following age analysis as of the balance sheet date:

	Group	
	2007	**2006**
	HK$'000	*HK$'000*
Less than 90 days	37,792	31,915

Trade debtors are due within 90 days from the date of billing. Further details on the Group's credit policy are set out in note 27(a).

(b) Impairment of trade and other receivables

Impairment losses in respect of trade and other receivables are recorded using an allowance account unless the Group is satisfied that the recovery of the amount is remote, in which case the impairment loss is written off against trade debtors directly (see note 2(j)).

Movement in the allowance for doubtful debts

	Group	
	2007	**2006**
	HK$'000	*HK$'000*
At 1 January/1 April	11,751	2,131
Impairment losses recognised	1,000	9,620
Uncollectible amounts written off	(1,038)	–
Amounts reversed during the year	(2,991)	–
At 31 December	8,722	11,751

As at 31 December 2007, the trade debtors of HK$8,722,000 (2006: HK$11,751,000) were individually determined to be impaired and full provision had been made. These individually impaired receivables related to customers that were in financial difficulties and management assessed that only a portion of the receivables could be recovered. Consequently, specific allowances for doubtful debts of HK$1,000,000 (2006: HK$9,620,000) were recognised. The Group does not hold any collateral over these balances.

(c) Trade receivables that are not impaired

No ageing analysis of trade debtors is disclosed as none of the balances is past due nor is considered to be impaired as at the balance sheet date. Receivables that were neither past due nor impaired relate to a wide range of customers for whom there was no recent history of default.

(d) The balance mainly includes the advances to 萬地房地產開發有限公司 ("萬地房地產"), 深圳市萬地物業管理有限公司 ("萬地物業管理") and 深圳市偉健達投資發展有限公司 ("偉健達") totalling HK$31,746,000 (2006: HK$20,884,000). All these companies are long-term business partners with the PRC subsidiary of the Group and they are all principally engaged in property development and investment in PRC. The advances represent amounts paid for the purpose of introduction of property projects and business opportunities to the Group. 萬地房地產, 萬地物業管理 and 偉健達 are companies related to each other and the terms of such advances are unsecured, interest-free and have no fixed terms of repayment.

(e) Included in trade and other receivables in the balance sheet are mainly the following amounts denominated in a currency other than the functional currency of the Group to which they related:

	Group		Company	
	2007	**2006**	**2007**	**2006**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
Renminbi	37,712	60,978	1,011	–

18. LOAN RECEIVABLES, UNSECURED

	Group	
	2007	**2006**
	HK$'000	*HK$'000*
Loan receivables, unsecured	6,750	12,642
Less: allowance for doubtful debts *(Note (a))*	(6,750)	(12,642)
	–	–

Note:

(a) Movement in the allowance for doubtful debts

	Group	
	2007	**2006**
	HK$'000	*HK$'000*
At 1 January/1 April	12,642	–
Impairment losses recognised	–	12,642
Uncollectible amounts written off	(5,492)	–
Amounts recovered during the year	(400)	–
At 31 December	6,750	12,642

At 31 December 2007, the loan receivables of HK$6,750,000 (2006: HK$12,642,000) were individually determined to be impaired and full provision had been made. These individually impaired receivables related to debtors that were in financial difficulties and management assessed that the amounts are unlikely to be recovered. Special allowances of HK$6,750,000 for the doubtful debts which have been brought forward from 2006 had been made in the previous year. The Group does not hold any collateral over these balances.

On 5 September 2007, the Group filed a writ of summons against a debtor in the High Court of Hong Kong Special Administrative Region in relation to the loan advanced by the Group in 2004, together with interest accrued of HK$5,892,000.

Further on 14 December 2007, the Group has entered into a deed of settlement with this debtor in full and final settlement of the amount claimed by the Group. According to the deed, the debtor paid HK$400,000 to the Group in December 2007 as full settlement and discharge of the outstanding debt.

(b) The balances were unsecured, interest bearing at Hong Kong Dollar Prime Rate and repayable within one year from the dates on which the loans were granted. As at the balance sheet date, the loan receivables were already past due and default interest is calculated at 2% over Hong Kong Dollar Prime Rate per month.

(c) Loan receivables that are not impaired

No ageing analysis of loan receivables is disclosed as none of the balances is past due nor is considered to be impaired as at the balance sheet date.

19. DEPOSIT PAID FOR POTENTIAL INVESTMENT

Pursuant to legal opinion obtained, the directors define the Tartagal Concession and Morillo Concession (collectively the "Concessions") are the concessions of the exploration permits and potential exploitation permits for oil and developments of hydrocarbons in the province of Salta in northern Argentina covering a total surface area of approximately 7,065 and 3,518 square kilometers respectively. The Tartagal Concession was granted under the Provincial Government Decree No3391/2006 dated 29 December 2006; and the Morillo Concession was granted under the Provincial Government Decree No3388/2006 dated 29 December 2006 to JHP International Petroleum Engineering Limited ("JHP") and Oxipetrol – Petroleros de Occidente S.A. ("Oxipetrol") respectively (collectively the "Consortium"). Pursuant to legal opinion obtained, the directors consider that the aforesaid decrees are legal, valid and enforceable. The exploration permits granted are valid for an initial period of four years and an additional extension of aggregate nine years may be obtained. The holder for an exploration permit has the right to obtain an exploitation permit. The granting of the exploitation permit is a pure administrative procedure. The exploitation permit has a term of 25 years, with a possibility of a 10-year extension.

On 28 August 2007, an additional agreement was executed by the Consortium specially related to the Concessions. Based on legal opinion obtained, the directors confirm that the Consortium has agreed to distribute the interest in the Concessions as to 70% by JHP and as to 30% by Oxipetrol. A joint venture company ("UTE") is to be created to take up the interest distributed and will finally be the title owner of the concession of exploration permits to the Concessions. The UTE was submitted to the authority, but has not yet been filed for registration before the Public Register of Commerce.

On 30 September 2007, High Luck Group Limited ("High Luck") and the Consortium entered into an assignment agreement pursuant to which, the Consortium has agreed to assign 60% interests in the Concessions to High Luck subject to the notification to the Argentina government requesting authorization of the assignment to High Luck. Pursuant to legal opinion obtained, the directors does not foresee any major difficulties in respect of the transfer of ownership the Consortium to High Luck and the renewal of the Concessions in the future.

On 10 October 2007, the Company entered into a conditional framework agreement with two independent third parties (the "Vendors"), under which the Company agreed to acquire from the Vendors the entire issued share capital of Jade Honest Limited (the "Target") for a consideration of HK$10 billion. The Target beneficially owned 51% of the entire issued share capital of High Luck which in turn, at completion of the acquisition by the Company, will become the beneficial and registered owner of 60% interest in each of the Tartagal Concession and the Morillo Concession. The effective interest in the Concessions to be acquired by the Group will be 30.6%.

Under this conditional framework agreement, the consideration of HK$10 billion is to be satisfied at completion by (i) as to a total of HK$408,229,000 by way of the issue and allotment of 272,152,758 of the Company's shares at an issue price of HK$1.50 per share to the Vendors or their nominees; (ii) as to a total of HK$9,361,771,000 by the issue of convertible notes by the Company to the Vendors or their nominees; and (iii) as to a total of HK$230,000,000 by the issue of a promissory note by the Company to the Vendors or their nominees.

On 11 November 2007, the Target entered into an unconditional sale and purchase agreement to acquire an additional 49% equity interest in High Luck. As a result of the Target becoming interested in 100% of equity interest in High Luck, the Company entered into the supplementary agreement with the Vendors on 12 November 2007. Under the supplementary agreement, the Company agreed to increase the consideration for the acquisition to HK$10,312 million. The Target's interest in the issued share capital of High Luck will be increased to 100%. The effective interest in the Concessions to be acquired by the Group will increase from 30.6% to 60%.

Under the supplementary agreement, the additional consideration of HK$312 million is to be satisfied by: (i) HK$54,600,000 payable to the Vendors by cheque upon signing of the supplemental agreement (of the balance, HK$39,000,000 being a non-refundable out right payment); (ii) HK$234,000,000 payable to the Vendors upon completion and to be satisfied by the Company issuing the additional convertible notes; and (iii) HK$23,400,000 payable to Vendors by cheque upon completion.

The balance of HK$54,600,000 (2006: HK$ Nil) as at the balance sheet date represents the deposit money paid by the Group in relation to the acquisition of the Concessions upon signing of the supplementary agreement.

According to the legal opinion issued by the Argentina legal advisers dated 18 October 2007, it is the obligation of the Consortium to fulfill the investment commitment for the exploration work in Tartagal and Morillo up to a total amount of US$35,990,000 and US$13,000,000 respectively (the "Investment Commitment") within the initial four-year period of the Concessions. The amount not spent in the exploration work at the end of the initial four-year period must be paid to the government of Salta Province of Argentina. The Consortium is obliged to obtain a guarantee for the benefit of the government of Salta Province of Argentina for an amount equal to the Investment Commitment (the "Guarantee"). The Guarantee is to be fulfilled by posting a performance bond which shall consist of, among others, a surety bond issued by leading insurance companies in Argentina for an amount equal to the Investment Commitment (subject to the amount spent relating to the exploration work in the Concession sites) to the government of Salta Province of Argentina.

Pursuant to the second supplementary agreement, the Company has agreed to bear the costs of approximately US$784,000 (equivalent to approximately HK$6,000,000), representing annual insurance premium payable to the insurance company for issuing an insurance policy to the government of Salta Province of Argentina, to be incurred by the Vendors. Further liability to any annual insurance premium is subject to further negotiation among the parties.

20. CASH AND CASH EQUIVALENTS

	Group		**Company**	
	2007	**2006**	**2007**	**2006**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
Cash and cash equivalents in the balance sheet and cash flow statement	160,195	14,754	82,949	5,310

Included in cash and cash equivalents in the balance sheets are the following amounts denominated in a currency other than the functional currency of the entity to which they relate:

	Group		Company	
	2007	**2006**	**2007**	**2006**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
European dollars	9	–	–	–
United States dollars	66	1,133	65	–
Renminbi	3,400	879	3,087	–

21. TRADE AND OTHER PAYABLES

	Group		Company	
	2007	**2006**	**2007**	**2006**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
Trade payables *(note a)*	61,061	10,723	–	–
Other payables and accruals	18,248	15,831	1,599	1,145
Deposit received *(note b)*	76,814	35,769	–	–
Due to directors	450	137	450	137
Financial liabilities measured at amortised cost	156,573	62,460	2,049	1,282

All of the trade and other payables (including amounts due to directors) are expected to be settled or recognised as income within one year or are repayable on demand.

Notes:

(a) The following is an ageing analysis of trade payables as at the balance sheet date:

	Group	
	2007	**2006**
	HK$'000	*HK$'000*
Less than 90 days	61,061	10,723

(b) The balance represents deposits received on properties sold prior to the date of revenue recognition.

(c) Included in trade and other payables in the balance sheet are the following amounts denominated in a currency other than the functional currency of the entity to which they relate:

	Group	
	2007	**2006**
	HK$'000	*HK$'000*
Renminbi	152,557	58,324
United State dollars	12	982

22. BANK AND OTHER BORROWINGS

		Group	
		2007	**2006**
	Note	*HK$'000*	*HK$'000*
Bank loan, secured	*(a)*	–	9,965
Other borrowing, unsecured	*(b)*	10,700	–
		10,700	9,965

As 31 December 2007, the bank and other borrowings were repayable as follows:

	Group	
	2007	**2006**
	HK$'000	*HK$'000*
Within one year	10,700	9,965

Notes:

(a) The bank loan bore interest at 7.56% to 7.956% (For the nine months ended 31 December 2006: 7.839%) per annum and was fully repaid on 1 April 2007. The balance was secured by the leasehold land of the property held for sale included in inventories of the Group (note 16) and a personal guarantee given by a director of one of the subsidiaries of the Company.

(b) The other borrowing was obtained from an independent third party and bears interest at 5.85% per annum and is repayable on 31 December 2007. Up to the date of this report, the balance remains outstanding and compound interest is charged at 7.61% to 8.78% per annum on the outstanding balance.

(c) **Convertible notes**

On 7 April 2006, the Company issued 5 convertible notes ("the Notes") with a fair value estimated to be HK$1,000,000 each in the aggregate principal amount of HK$5,000,000 and a maturity date on 6 April 2008. Holder of the Notes has the right at any time to convert all or some of the Notes into ordinary shares of the Company, at a conversion price of HK$0.165 per share, subject to adjustment. The Notes bear interest at 2% per annum and are unsecured.

The Notes had been fully converted into ordinary shares during the period ended 31 December 2006, details are disclosed in note 26(c)(iii) to the financial statements.

23. OBLIGATIONS UNDER FINANCE LEASES

At 31 December 2007, the Group had obligations under finance leases payable as follows:

	Group			
	2007		2006	
	Present value of the minimum lease payments	Total minimum lease payments	Present value of the minimum lease payments	Total minimum lease payments
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
Within 1 year	13	15	–	–
After 1 year but within 2 years	12	13	–	–
After 2 years but within 5 years	23	23	–	–
	35	36	–	–
	48	51	–	–
Less: Total future interest expenses		(3)		–
Present value of lease obligations		48		–

24. INCOME TAX IN THE CONSOLIDATED BALANCE SHEET

(a) Current taxation in the balance sheet represents:

	Group	
	2007	2006
	HK$'000	*HK$'000*
Provision for the year		
– Hong Kong Profits Tax	–	673
– PRC Enterprise Income Tax	239	583
Provision for prior years		
– Hong Kong Profits Tax	673	–
– PRC Enterprise Income Tax	2,024	1,441
	2,936	2,697

(b) Deferred tax liabilities recognised:

The component of deferred tax liability recognised in the consolidated balance sheet and the movements during the current year and prior period is as follows:

	Investment properties *HK$'000*
Group	
At 1 April 2006	1,286
Charged to income statement	–
At 31 December 2006	1,286
Charged to income statement	–
At 31 December 2007	1,286

At the balance sheet date, the Group has unused tax losses of HK$24,195,000 (2006: HK$28,142,000) available for offset against future profits that may be carried forward indefinitely. No deferred tax asset has been recognised in respect of the losses due to the unpredictability of future profit streams.

25. EQUITY SETTLED SHARE-BASED TRANSACTIONS

The Company has a share option scheme which was adopted on 30 August 2002 whereby the directors of the Company are authorised, at their discretion, to invite employees of the Group, including directors of any company in the Group, to take up options for a nominal consideration to subscribe for shares of the Company.

The total number of shares which may be issued upon exercise of all options to be granted under the scheme shall not in aggregate exceed 10% of the total number of shares of the Company in issue on the adoption date of the scheme (i.e., 433,302,000 shares). As at the date of this report, 777,638,030 shares of the Company were in issue.

Under the scheme, the total number of shares to be issued upon exercise of the options granted to each eligible person (including both exercised and outstanding options) in any 12-month period shall not exceed 1% of the total number of shares in issue. The exercise price (subscription price) shall be such price as determined by the Board of Directors in its absolute discretion at the time of the making of the offer but in any case the exercise price shall not be lower than the highest of (i) the closing price of the shares as stated in The Stock Exchange of Hong Kong Limited's (the "Exchange's") daily quotation sheets on the date of the offer of grant, which must be a trading day; (ii) the average closing price of the shares as stated in the Exchange's daily quotation sheets for the five trading days immediately preceding the date of the offer of grant; and (iii) the nominal value of a share.

The options vest from the date of grant and are exercisable within a period of five years.

(a) The terms and conditions of the options which are to be settled by physical delivery of shares are as follows:

	Number of shares issuable under options	Vesting conditions	Contractual life of options
Options granted to directors:			
– on 8 May 2007	12,999,000	From date of grant	5 years
Options granted to employees:			
– on 8 May 2007	12,999,000	From date of grant	5 years
Options granted to consultants:			
– on 8 May 2007	17,332,000	From date of grant	5 years
Total option shares	43,330,000		

(b) The number of outstanding share options and the weighted average exercise prices are as follows:

	2007		2006	
	Weighted average exercise price	Number of shares issuable under options	Weighted average exercise price	Number of shares issuable under options
Outstanding at the beginning of the year/period	–	–	–	–
Granted during the year/period	HK$0.6	43,330,000	–	–
Exercised during the year/period	HK$0.6	(4,333,000)	–	–
Outstanding at the end of the year/period	HK$0.6	38,997,000	–	–
Exercisable at the end of the year/period	HK$0.6	38,997,000	–	–

The weighted average share price at the date of exercise for share options exercised during the year was HK$0.89 (2006: not applicable)

The share options outstanding at 31 December 2007 had an exercise price of HK$0.60 (2006: HK$Nil) (note 26(c)(vi)) and a weighted average remaining contractual life of 4 years (2006: not applicable).

(c) Fair value of share options and assumptions

The fair value of services received in return for share options granted is measured by reference to the fair value of share option granted. The estimate of fair value of the share options granted is based on the Black-Scholes Options Pricing Model (the "Model"). The Model is one of the commonly used models to estimate the fair value of an option. The Model is used to calculate a theoretical call price using the five key determinants of an option's price: stock price, strike price, volatility, time to expiration, and short-term (risk free) interest rate. Dilution effect was considered in applying the Model. The variables and assumptions used in computing fair value of the share options are based on the management's best estimate. The fair value of an option varies with different variables of certain subjective assumptions. Any change in the variable so adopted may materially affect the estimation of the fair value of an option.

Fair value of share options and assumptions:

Fair value at measurement date	HK$0.2963
Closing share price on the date of grant	HK$0.56
Exercise price	HK$0.60
Expected volatility	101.42%
Assumed life of option from the date of valuation	2 years
Risk-free interest rate	3.953%
Expected dividend yield	0%

The expected volatility is based on the historic volatility (calculated based on the weighted average remaining life of the share options), adjusted for any expected changes to future volatility based on public available information. Expected dividends are based on historical dividends. Changes in the subjective input assumptions could materially affect the fair value estimate.

There were no service conditions or market conditions associated with the share options granted.

26. CAPITAL AND RESERVES

(a) The Group

	Share capital *HK$'000*	Share premium *HK$'000*	Employee share-based compensation reserve *HK$'000*	Capital reserve *HK$'000*	Convertible notes equity reserve *HK$'000*	Exchange fluctuation reserve *HK$'000*	Accumulated losses *HK$'000*	Total reserves *HJK$'000*	Total *HK$'000*
At 1 April 2006	43,330	94,471	–	9,585	–	840	(14,801)	90,095	133,425
Equity component of convertible notes	–	–	–	–	1,201	–	–	1,201	1,201
Shares issued under convertible notes *(note 26(c)(iii))*	3,031	1,969	–	–	(1,201)	–	–	768	3,799
Shares issued under placement, net of issuance costs *(note 26(c)(iv))*	9,270	22,638	–	–	–	–	–	22,638	31,908
Exchange difference on translation of financial statements of a subsidiary	–	–	–	–	–	63	–	63	63
Loss for the period	–	–	–	–	–	–	(26,117)	(26,117)	(26,117)
At 31 December 2006	55,631	119,078	–	9,585	–	903	(40,918)	88,648	144,279
At 1 January 2007	55,631	119,078	–	9,585	–	903	(40,918)	88,648	144,279
Equity settled share-based transactions	–	–	12,838	–	–	–	–	12,838	12,838
Shares issued under share option scheme *(note 26(c)(v))*	433	3,451	(1,284)	–	–	–	–	2,167	2,600
Shares issued under placement, net of issuance costs *(note 26(c)(iv))*	21,700	230,472	–	–	–	–	–	230,472	252,172
Exchange difference on translation of financial statements of a subsidiary	–	–	–	–	–	2,856	–	2,856	2,856
Loss for the year	–	–	–	–	–	–	(59,737)	(59,737)	(59,737)
At 31 December 2007	77,764	353,001	11,554	9,585	–	3,759	(100,655)	277,244	355,008

(b) The Company

	Share Capital	Share premium	Employee share-based compensation reserve	Contributed surplus	Convertible notes equity reserve	Accumulated losses	Total reserves	Total
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
At 1 April 2006	43,330	94,471	–	122,864	–	(107,716)	109,619	152,949
Equity component of convertible notes	–	–	–	–	1,201	–	1,201	1,201
Shares issued under convertible notes *(note 26(c)(iii))*	3,031	1,969	–	–	(1,201)	–	768	3,799
Shares issued under placement, net of issuance costs *(note 26(c)(iv))*	9,270	22,638	–	–	–	–	22,638	31,908
Loss for the period	–	–	–	–	–	(121,228)	(121,228)	(121,228)
At 31 December 2006	55,631	119,078	–	122,864	–	(228,944)	12,998	68,629
At 1 January 2007	55,631	119,078	–	122,864	–	(228,944)	12,998	68,629
Equity settled share-based transactions	–	–	12,838	–	–	–	12,838	12,838
Shares issued under placement, net of issuance costs *(note 26(c)(iv))*	21,700	230,472	–	–	–	–	230,472	252,172
Shares issued under share option scheme *(note 26(c)(v))*	433	3,451	(1,284)	–	–	–	2,167	2,600
Profit for the year	–	–	–	–	–	28,173	28,173	28,173
At 31 December 2007	77,764	353,001	11,554	122,864	–	(200,771)	286,648	364,412

(c) Share capital

(i) Authorised and issued share capital

		2007		2006	
		Number of shares		**Number of shares**	
	Note	*'000*	*HK$'000*	*'000*	*HK$'000*
Authorised:					
Ordinary shares of HK$0.10 each	*(ii)*	20,000,000	2,000,000	900,000	90,000
Ordinary shares, issued and fully paid:					
At 1 January/1April		556,305	55,631	433,302	43,330
Shares issued under convertible notes	*(iii)*	–	–	30,303	3,031
Shares issued under placement	*(iv)*	217,000	21,700	92,700	9,270
Shares issued under share option scheme	*(v)*	4,333	433	–	–
At 31 December		777,638	77,764	556,305	55,631

The holders of ordinary shares are entitled to received dividends as declared from time to time and are entitled to one vote per share at meetings of the Company. All ordinary shares rank equally with regard to the Company's residual assets.

(ii) Increase in authorised share capital

By an ordinary resolution passed at the special general meeting held on 29 June 2007, the Company's authorised share capital was increased to HK$300,000,000 by the creation of an additional 2,100,000,000 ordinary shares of HK$0.1 each, ranking pari passu with the existing ordinary shares of the Company in all respects.

Further on 12 December 2007, an ordinary resolution was passed at the special general meeting to increase the authorised share capital of the Company to HK$2,000,000,000 by the creation of an additional 17,000,000,000 ordinary shares of HK$0.1 each, ranking pari passu with the existing shares of the Company in all respects.

(iii) Shares issued under convertible notes

On 7 April 2006, the Company issued HK$5,000,000 convertible notes at a conversion price of HK$0.165 per share. On 12 April 2006, HK$3,000,000 convertible notes had been converted. Further, on 23 May 2006, the remaining HK$2,000,000 had also been converted. Upon full conversion of all the convertible notes, the number of ordinary shares of the Company increased by 30,303,030.

(iv) Shares issued under placement

– On 29 December 2006, the Company issued 92,700,000 shares of HK$0.1 each at HK$0.35 per share for cash as its additional working capital.

– On 14 May 2007, Good Power International Limited ("Good Power"), the ultimate holding company of the Company, placed 70,000,000 existing ordinary shares of HK$0.1 each of the Company to independent investors at a price of HK$0.78 per share. On the same date, Good Power entered into a top-up subscription agreement with the Company to subscribe for 70,000,000 new ordinary shares of HK$0.1 each of the Company at HK$0.78 per share. The new ordinary shares of HK$0.1 each were issued on 18 May 2007.

– On 16 May 2007, Good Power placed 30,000,000 existing ordinary shares of HK$0.1 each of the Company to independent investors at a price of HK$0.87 per share. On the same date, Good Power entered into a conditionally top-up subscription agreement with the Company to subscribe for 30,000,000 new ordinary shares of HK$0.1 each of the Company at HK$0.87 per share. On the same date, the Company entered into share subscription agreements with two independent investors to allot and issue 10,000,000 new ordinary shares of HK$0.1 each of the Company at HK$0.87 per share. The new ordinary shares of HK$0.1 each were issued on 22 May 2007.

– On 29 October 2007, Good Power entered into sale and purchase agreements with ten independent investors to sell 107,000,000 existing ordinary shares of the Company at a price of HK$1.55 per share. On the same date, Good Power entered into a conditionally top-up subscription agreement with the Company to subscribe for 107,000,000 new ordinary shares of HK$0.1 each of the Company at HK$1.55 per share. The new ordinary shares of HK$0.1 each were issued on 8 November 2007.

(v) *Shares issued under share option scheme*

On 31 October 2007, options were exercised to subscribe for 4,333,000 ordinary shares of the Company for a consideration of HK$2,600,000 of which HK$433,000 was credited to share capital and the balance of HK$2,167,000 was credited to the share premium account. HK$1,284,000 has been transferred from the employee share-based compensation reserve to the share premium account in accordance with the accounting policy set out in note 2(o)(ii).

(vi) *Terms of unexpired unexercised share options at balance sheet date:*

Exerciseable period	**Exercise price**	**2007 Number of shares issuable under options**	**2006 Number of shares issuable under options**
8 May 2007 to 7 May 2012	HK$0.60	38,997,000	–

Each option entitles the holder to subscribe for one ordinary share in the Company. Further details of these options are set out in note 25 to the financial statements.

(d) Nature and purpose of reserves

(i) *Share premium*

The application of the share premium account is governed by the Companies Act 1981 of Bermuda.

(ii) Employee share-based compensation reserve

This represents the fair value of the actual or estimated number of unexercised share options granted to employees of the Company recognised in accordance with the accounting policy adopted for share based payments in note 2(o)(ii).

(iii) Capital reserve

The capital reserve of the Group represents the difference between the nominal value of ordinary shares issued by the Company and the aggregate of the share capital and share premium of subsidiaries acquired through a reorganisation in relation to the listing of the Company's shares on the Stock Exchange of Hong Kong Limited in October 1998.

(iv) Convertible notes equity reserve

The convertible notes equity reserve of the Group represents the unrecognised equity component of convertible notes issued by the Company in accordance with the accounting policy adopted for convertible notes set out in note 2(k).

(v) Exchange fluctuation reserve

The exchange fluctuation reserve comprises all foreign exchange differences arising from the translation of the financial statements of foreign operations. The reserve is dealt with in accordance with the accounting policy set out in note 2(s).

(vi) Contributed surplus

The contributed surplus of the Company represents the difference between the aggregate net asset value of subsidiaries acquired as a result of the reorganisation prepared for the listing of the Company's shares on the Stock Exchange and the nominal amount of the Company's shares issued for the acquisition. Under Section 54 of the Bermuda Companies Act 1981, contributed surplus is available for distribution as dividends to shareholders subject to the provisions of the Company's bye-laws and provided that immediately following the distribution, the Company is able to pay its liabilities as and when they fall due or the realisable value of the Company's assets would not be less than the aggregate of its liabilities and its issued share capital and share premium account.

(e) Distributability of reserves

At 31 December 2007, the Company had no retained profits available for cash distribution and/or distribution in specie. Under the Companies Act 1981 of Bermuda (as amended), the Company's contribution surplus in the amount of HK$122,864,000 is currently not available for distribution. The Company's share premium account in the amount of HK$353,001,000 as at 31 December 2007, may be distributed in the form of fully paid bonus shares.

(f) Capital management

The Group's primary objectives when managing capital are to safeguard the Group's ability to continue as a going concern in order to provide returns for shareholders and benefit for other shareholders and to maintain an optimal capital structure to reduce the cost of capital.

The Group actively and regularly reviews and manages its capital structure to maintain a balance between the higher stakeholder returns that might be possible with higher levels of borrowings and the advantages and security afforded by a sound capital position, and makes adjustments to the capital structure in light of changes in economic conditions.

Consistent with others in the industry, the Group monitors capital on the basis of the gearing ratio. This ratio is calculated as net debt divided by total capital. Net debt is calculated as total borrowings (including current and non-current borrowings as shown in the consolidated balance sheet) less cash and cash equivalents. Total capital is calculated as 'equity', as shown in the consolidated balance sheet, plus net debt.

During 2007, the Group's strategy, which was unchanged from 2006, was to maintain a gearing ratio within 10% to 40%. In order to maintain or adjust the capital structure, the Group may adjust the amount of dividends paid to shareholders, issue new shares, return capital to shareholders or sell assets to reduce debt.

The gearing ratio at 31 December 2007 and 2006 was as follows:

	2007	**2006**
	HK$'000	*HK$'000*
Bank and other borrowings *(note 22)*	10,700	9,965
Obligation under finance leases *(note 23)*	48	–
Total borrowings	10,748	9,965
Less: Cash and cash equivalents *(note 20)*	(160,195)	(14,754)
Net debt	(149,447)	(4,789)
Total equity	355,008	144,279
Gearing ratio	(42%)	(3%)

27. FINANCIAL RISK MANAGEMENT OBJECTIVE AND POLICES

The Group's major financial instruments include borrowings, trade and other receivables, loan receivables and trade and other payables. Details of the financial instruments are disclosed in the respective notes. The risks associated with these financial instruments include credit risk, liquidity risk, currency risk and interest rate risk. The policies on how to mitigate these risks are set out below. The management manages and monitors these exposures to ensure appropriate measures are implemented on a timely and effective manner.

(a) Credit risk

(i) As at 31 December 2007, the maximum exposure to credit risk is represented by the carrying amount of each financial asset in the consolidated balance sheet after deducting any impairment allowance.

(ii) In respect of trade and other receivables, in order to minimize risk, the management has a credit policy in place and the exposures to these credit risks are monitored on an ongoing basis. Credit evaluations of its customers' financial position and condition is performed on each and every major customer periodically. These evaluations focus on the customer's past history of making payments when due and current ability to pay, and take into account information specific to the customer as well as pertaining to the economic environment in which the customer operates. The Group does not require collateral in respect of its financial assets. Debts are usually due within 90 days from the date of billing.

(iii) In respect of trade receivables, the Group's exposure to credit risk is influenced mainly by the individual characteristics of each customer. The default risk of the industry and country in which customers operate also has an influence on credit risk. At the balance sheet date, the Group had a certain concentration risk as approximately 84% (2006: 77%) of the total trade and other receivables was due from three customers/debtors of the Group.

(iv) The maximum exposure to credit risk without taking account of any collateral held is represented by the carrying amount of each financial asset. Except for the financial guarantees given by the Group as set out in note 30, the Group does not provide any other guarantees which would expose the Group or the Company to credit risk. The maximum exposure to credit risk in respect of these financial guarantees at the balance sheet date is disclosed in note 30.

(v) In respect of loan receivables, the Group's exposure to credit risk is influenced mainly by the creditability of each borrower. The default risk from past history of each borrower also has an influence on credit risk. The management reviews the exposures to these credit risks on an ongoing basis. At the balance sheet date, the Group did not have any concentration risk since the balance was fully impaired.

(vi) The credit risk on liquid funds is limited because the counterparties are banks with high credit rating assigned by international credit-rating agencies. Further quantitative disclosures in respect of the Group's exposure to credit risk arising from trade and other receivables and loan receivables are set out in notes 17 and 18 respectively.

(b) Liquidity risk

Individual operating entities within the Group are responsible for their own cash management, including the short term investment of cash surpluses and the raising of loans to cover expected cash demands, subject to board approval. The Group's policy is to regularly monitor current and expected liquidity requirements and its compliance with lending covenants to ensure that it maintains sufficient amount of cash and adequate committed lines of funding from major financial institutions to satisfy its contractual and reasonably foreseeable obligations as they fall due.

The following table set out the remaining contractual maturities at the balance sheet date of the Group's and the Company's financial liabilities, which are based on contractual undiscounted cash flows (including interest payments computed using contractual rates or, if floating, based on rates current at the balance sheet date) and the earliest date the Group and the Company required to pay:

The Group

	2007						2006					
	Within 1 year or on demand	More than 1 year but less than 2 years	More than 2 years but less than 5 years	More than 5 years	Total contractual undiscounted cash flow	Carrying amount	Within 1 yearor on demand	More than 1 year but less than 2 years	More than 2 years but less than 5 years	More than 5 years	Total contractua undiscounted cash flow	Carrying amount
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
Trade and other payables	156,573	–	–	–	156,573	156,573	62,460	–	–	–	62,460	62,460
Bank and other borrowings	10,700	–	–	–	10,700	10,700	9,965	–	–	–	9,965	9,965
Obligation under finance lease	15	13	23	–	51	48	–	–	–	–	–	–
Tax payable	2,936	–	–	–	2,936	2,936	2,697	–	–	–	2,697	2,697
	170,224	13	23	–	170,260	170,257	75,122	–	–	–	75,122	75,122

The Company

	2007						2006					
	Within 1 year or on demand	More than 1 year but less than 2 years	More than 2 years but less than 5 years	More than 5 years	Total contractual undiscounted cash flow	Carrying amount	Within 1 yearor on demand	More than 1 year but less than 2 years	More than 2 years but less than 5 years	More than 5 years	Total contractua undiscounted cash flow	Carrying amount
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
Other payable	2,049	–	–	–	2,049	2,049	1,282	–	–	–	1,282	1,282
Amounts due to subsidiaries	25,953	–	–	–	25,953	25,953	–	25,951	–	–	25,951	25,951
	28,002	–	–	–	28,002	28,002	1,282	25,951	–	–	27,233	27,233

(c) Interest rate risk

The Group's interest risk arises primarily from its borrowings. Borrowings obtained at variable rates and at fixed rates expose the Group to cash flow interest rate risk and fair value interest rate risk respectively. The Group's interest rate profile as monitored by management is set out in (i) below.

The Group's exposures to interest rates on financial assets and financial liabilities are detailed in the liquidity risk management section of this note. The Group's cash flow interest rate risk is mainly concentrated on the fluctuation of market interest rate arising from the Group's RMB borrowings and bank deposits.

The Group is exposed to interest rate risk as its bank deposits are all interest-bearing. All bank deposits are short-term deposits with maturities less than or equal to three months. Management does not anticipate any significant impact resulting from the change in interest rates because the Group's bank balances are carried at low interest rates and the interest income thereon is not significant.

(i) Interest rate profile

The following table details the interest rate profile of the Group's borrowings at the balance sheet date:

	2007		2006	
	Effective interest rates		**Effective interest rates**	
	%	*HK$'000*	%	*HK$'000*
Fixed rate borrowings:				
Other borrowings	7.57%	10,700	–	–
Obligation under finance lease	2.85%	48	–	–
		10,748		–
Variable rate borrowings:				
Bank borrowings	–	–	7.84%	9,965
Total borrowings		10,748		9,965
Fixed rate borrowings as a percentage of total net borrowings		100%		–

(ii) Sensitivity analysis

At 31 December 2007, it is estimated that a general increase/decrease of 50 basis points in interest rates, with all other variables held constant, would decrease/increase the Group's loss after tax and accumulated losses by approximately HK$784,000 (2006: HK$43,000).

The sensitivity analysis above has been determined assuming that the change in interest rates had occurred at the balance sheet date and had been applied to the exposure to interest rate risk for non-derivative financial liabilities in existence at that date. The 50 basis points increase or decrease represents management's assessment of a reasonably possible change in interest rates over the period until the next annual balance sheet date. The analysis is performed on the same basis for 2006.

(d) Currency risk

Presently, there is no hedging policy with respect to the foreign exchange exposure. The Group's transactional currency is Hong Kong dollars as substantially all the turnover are in Hong Kong dollars. The Group's transactional foreign exchange exposure was insignificant.

(i) *Exposure to currency risk*

The following table details the Group's and the Company's exposure at the balance sheet date to currency risk arising from recognised assets or liabilities denominated in a currency other than the functional currency of the entity to which they relate.

	2007			2006		
	Renminbi	**United States Dollars**	**Euros**	**Renminbi**	**United States Dollars**	**Euros**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
The Group						
Trade and other receivables	37,712	–	–	60,978	–	–
Cash and cash equivalents	3,400	66	9	879	1,133	–
Bank and other borrowings	(10,700)	–	–	(9,965)	–	–
Trade and other payables	(152,557)	(12)	–	(58,324)	(982)	–
Exposure arising from recognised assets and liabilities	(122,145)	54	9	(6,432)	151	–
The Company						
Cash and cash equivalents	3,087	65	–	–	–	–
Other receivables	1,011	–	–	–	–	–
Exposure arising from recognised assets and liabilities	4,098	65	–	–	–	–

(ii) *Sensitivity analysis*

The following table indicates the approximate change in the Group's loss after tax (and accumulated losses) and other components of consolidated equity in response to reasonably possible changes in the foreign exchange rates to which the Group has significant exposure at the balance sheet date. The sensitivity analysis includes balances between group companies where the denomination of the balances is in a currency other than the functional currencies of the lender or the borrower.

The Group

	2007			2006		
	Increase/ (decrease) in foreign exchange rates	Effect on loss after tax and accumulated losses	Effect on other components of equity	Increase/ (decrease) in foreign exchange rates	Effect on loss after tax and accumulated losses	Effect on other components of equity
		HK$'000	*HK$'000*		*HK$'000*	*HK$'000*
Renminbi	5%	(5,779)	(5,779)	5%	(291)	(291)
	-5%	6,404	6,404	-5%	335	335
United States dollars	5%	3	3	5%	54	54
	-5%	(3)	(3)	-5%	(60)	(60)
Euros	5%	–	–	5%	–	–
	-5%	(1)	(1)	-5%	–	–

The sensitivity analysis has been determined assuming that the change in foreign exchange rates had occurred at the balance sheet date and had been applied to each of the group entities' exposure to currency risk for both derivative and non-derivative financial instruments in existence at that date, and that all other variables, in particular interest rates, remain constant.

The stated changes represent management's assessment of reasonably possible changes in foreign exchange rates over the period until the next annual balance sheet date. In this respect, it is assumed that the pegged rate between the Hong Kong dollar and the United States dollar would be materially unaffected by any changes in movement in value of the United States dollar against other currencies. Results of the analysis as presented in the above table represent an aggregation of the effects on each of the group entities' profit after tax and equity measured in the respective functional currencies, translated into Hong Kong dollars at the exchange rate ruling at the balance sheet date for presentation purposes. The analysis is performed on the same basis for 2006.

(e) Price risk

The principal operations of the Group are trading of non-ferrous metals. As non-ferrous metals markets are influenced by global as well as regional supply and demand conditions, any unexpected price changes could affect the Group's earnings and performance. To protect the Group's trading businesses from the impact of zinc and copper price fluctuations, the Group closely monitors the net exposure and ensures that is kept to an acceptable level.

(f) Fair values

The fair values of cash and cash equivalents, deposit paid for potential investment, loan receivables, trade and other receivables, trade and other payables, bank and other borrowings, obligations under finance leases, are not materially different from their carrying amounts because of the immediate or short term maturity of these financial instruments. The fair value has been determined either by reference to the market value at the balance sheet date or by discounting the relevant cash flows using current interest rates for similar instruments.

(g) Estimation of fair values

The following summarises the major methods and assumptions used in estimating the fair values of the following financial instruments.

(i) Interest-bearing loans and borrowings

The fair value is estimated as the present value of future cash flows, discounted at current market interest rates for similar financial instruments.

(ii) Financial guarantees

The fair value of financial guarantees issued is determined by reference to fees charged in an arm's length transaction for similar services, when such information is obtainable, or is otherwise estimated by reference to interest rate differentials, by comparing the actual rates charged by lenders when the guarantee is made available with the estimated rates that lenders would have charged, had the guarantees not been available, where reliable estimates of such information can be made.

28. MATERIAL RELATED PARTY TRANSACTIONS

(a) The Group has not entered into any material related party transactions during the current year and prior period.

(b) Key management personnel remuneration

Remuneration for key management personnel, including amounts paid to the Company's directors as disclosed in note 8 and certain of the highest paid employees as disclosed in note 9, is as follows:

	1/1/2007 to 31/12/2007	**1/4/2006 to 31/12/2006**
	HK$'000	*HK$'000*
Salaries, wages and other benefits	2,732	382
Contribution to defined contribution retirement plan	34	6
Equity settled share-based payment expenses	6,419	–
	9,185	388

Total remuneration is included in "staff costs" (see note 6(b)).

29. COMMITMENTS

(a) Capital commitments outstanding at 31 December 2007 not provided for in the financial statement were as follows:

	Group	
	2007	**2006**
	HK$'000	*HK$'000*
Contracted for		
– Construction cost of properties held for/under development for sale	–	60,338
– Acquisition of property, plant and equipment	2,885	–
– Investment cost for potential investment *(note 19)*	10,257,400	–
	10,260,285	60,338

(b) At 31 December 2007, the total future minimum lease payments under non-cancellable operating leases are payable as follows:

	Group	
	2007	**2006**
	HK$'000	*HK$'000*
Within one year	4,674	1,043
In the second to fifth year, inclusive	8,328	2,456
	13,002	3,499

The Group leases its offices under operating lease arrangements. Leases for properties are negotiated for a term of three years.

30. FINANCIAL GUARANTEE

During the year 2007, the Group had given a joint corporate guarantee to a bank in connection with bank facilities granted by the bank to 萬地房地產, an independent third party of the Group. At 31 December 2007, such facilities was drawn down by 萬地房地產, to the extent of RMB35,000,000 (equivalent to HK$37,450,000). The maximum liability of the Group under the guarantee issued represents the amount drawn down by 萬地房地產 of RMB35,000,000 (equivalent to HK$37,450,000). No recognition was made because the fair value of the guarantee was insignificant and that the directors did not consider it is probable that a claim would be made against the Company under the guarantee.

Subsequent on 6 March 2008, the Group's completed property held for sale was sealed by Beijing First Intermediate Peoples Court (北京市第一中級人民法院) as a result of the default in progress repayment of the bank loan by 萬地房地產. According to the management of the Group, 萬地房地產 is now negotiating with the creditor bank on the settlement of the default payment.

31. EVENTS AFTER THE BALANCE SHEET DATE

Other than those disclosed elsewhere in the financial statements, the Group have the following significant event after the balance sheet date need to be disclosed:

On 21 April 2008, the Company entered into a conditional sale and purchase agreement with an independent third party, Rich Fast Holdings Limited ("Rich Fast"), to sell the entire issued share capital and the shareholder's loan of Smart Wave Limited ("Smart Wave") for an aggregate consideration of HK$12,250,000. Smart Wave holds through Weiqiu Industrial (Shenzhen) Company Limited ("Weiqiu"), a wholly-owned subsidiary of Smart Wave, the completed property held for sale located in Shenzhen, PRC. Upon signing of the agreement, the Company received a deposit of HK$2,000,000 from Rich Fast. The remaining consideration of HK$10,250,000 will be further received within seven days after the signing of agreement.

32. PARENT AND ULTIMATE HOLDING COMPANY

At 31 December 2007, the directors consider the parent and ultimate controlling party of the Group to be Good Power International Limited, which is incorporated in the British Virgin Islands. This entity does not produce financial statements available for public use.

33. COMPARATIVE FIGURES

As a result of adopting HKFRS 7, Financial instruments: Disclosures, and the amendments to HKAS 1, Presentation of financial statements: Capital disclosures, certain comparative figures have been adjusted to conform with changes in disclosures in the current year and to show separately comparative amounts in respect of items disclosed for the first time in 2007. Further details of these developments are disclosed in note 3.

In addition, certain comparative figures have been restated or reclassified to conform with the current years presentation.

34. ACCOUNTING ESTIMATES AND JUDGEMENTS

The methods, estimates and judgements the directors use in applying the Group's accounting policies have a significant impact on the Group's financial position and operating results. Some of the accounting policies require the Group to apply estimates and judgements, on matters that are inherently uncertain. In addition to note 25(c) which contains information about the assumptions and the risk factors relating to fair value of share options granted, certain critical accounting judgements in applying the Group's accounting policies are described below.

(a) Useful lives and residual values of property, plant and equipment

Management determines the estimated useful lives and residual values for the Group's property, plant and equipment. The Group will revise the depreciation charge where useful lives and residual values are different to previous estimates, or will write-off or write-down technically obsolete or non-strategic assets that have been abandoned or sold.

(b) Investment properties

The fair values of investment properties are determined by independent valuers on an open market basis.

In making the judgement, consideration has been given to assumptions that are mainly based on market conditions existing at the balance sheet date and appropriate capitalisation rates. These estimates are regularly compared to actual market data and actual transactions entered into by the Group.

(c) Estimated impairment of goodwill

Determining whether goodwill is impaired requires an estimation of the value in use of the cash-generating units to which goodwill has been allocated. The value in use calculation requires the Group to estimate the future cash flows expected to arise from the cash-generating unit and a suitable discount rate in order to calculate the present value. Where the actual future cash flows are less than expected, a material impairment loss may arise. As at 31 December 2007, the carrying amount of goodwilll is HK$Nil (net of accumulated impairment loss of HK$16,723,000). Details of the recoverable amount calculation are disclosed in Note 14.

(d) Valuation of inventories

Inventories are stated at the lower of cost and net realisable value. Net realisable value is determined on the basis of the estimated selling price less the estimated costs necessary to make the sale. The directors estimate the net realisable value for finished goods and work-in-progress based primarily on the latest invoice prices and current market conditions. In addition, the directors perform an inventory review on a product-by-product basis regularly and assess the need for write down of inventories.

(e) Allowance for impairment of doubtful debts

Allowance for impairment of doubtful debts are assessed and provided based on the directors' regular review of ageing analysis and evaluation of collectibility. A considerable level of judgement is exercised by the directors when assessing the credit worthiness and past collection history of each individual customer. Any increase or decrease in the allowance for impairment of doubtful debts would affect profit or loss in future years.

(f) Taxation

The Group is subject to various taxes in the PRC. Significant judgement is required in determining the provision for taxation. There are many transactions and calculations for which the ultimate tax determination is uncertain during the ordinary course of business. The Group recognises liabilities for anticipated tax issues based on estimates of whether additional taxes will be due. Where the final tax outcome of these matters is different from the amounts that are initially recorded, such differences will impact the tax provisions in the period in which such determination is made.

35. POSSIBLE IMPACT OF AMENDMENTS, NEW STANDARDS AND INTERPRETATIONS ISSUED BUT NOT YET EFFECTIVE FOR THE YEAR ENDED 31 DECEMBER 2007

Up to the date of issue of these financial statements, the HKICPA has issued a number of amendments, new standards and interpretations which are not yet effective for the year ended 31 December 2007 and which have not been adopted in these financial statements.

The Group is in the process of making an assessment of what the impact of these amendments, new standards and new interpretations is expected to be in the period of initial application. So far it has concluded that the adoption of them is unlikely to have a significant impact on the Group's results of operations and financial position.

In addition, HKFRS 8, operating segments, which is effective for annual periods beginning on or after 1 January 2009, may result in new or amended disclosure in the financial statements.

4. MANAGEMENT DISCUSSION AND ANALYSIS ON THE GROUP

Set out below is the management discussion and analysis as extracted from the interim report of the Company for the six months ended 30 June 2008 and the annual reports of the Company (i) for the year ended 31 December 2007; (ii) for the period from 1 April 2006 to 31 December 2006; and (iii) for the year ended 31 March 2006 (modified as appropriate).

(i) For the six months ended 30 June 2008

GENERAL OVERVIEW

For the six months ended 30 June 2008, the Group's turnover was HK$20,592,000 (For the six months ended 30 June 2007: HK$117,661,000) representing a decrease of 82% as compared to corresponding period of 2007. During the period under review, the Group recorded a loss attributable to shareholders of approximately HK$14,761,000 as compared to a loss of HK14,084,000 for the corresponding period in 2007. The increase in loss is mainly resulted from decrease in fair value of investment properties and increase in due diligence expenses for professionals and consultants.

REVIEW OF BUSINESS

Non-ferrous metal trading business

During the period under review, demand for non-ferrous metal slowdown due to the tightened monetary policy in China. The Group's non-ferrous metal trading business recorded a turnover of approximately HK$20,397,000 (For the six months ended 30 June 2007: HK$116,467,000) with a gross profit of approximately HK$845,000 (For the six months ended 30 June 2007: HK$4,472,000).

Investment and financial services

During the period under review, the Group entered a sub-underwriting agreement with an independent third party to subscribe certain listed investments. Commission derived from sub-underwriting participation amounted to HK$684,000 (For the six months ended 30 June 2007: Nil) and all listed investments were subsequently disposed and a profit of approximately HK$195,000 (For the six months ended 30 June 2007: Nil) was recorded for the period.

Property Investments

No rental income was record from the Group properties in Beijing within the period under review (For the six months ended 30 June 2007: HK$1,194,000). Management of the Group is seeking opportunity to dispose the properties so as to release capital for investment in natural resources business. During the period under review, fair value of investment properties decreased by HK$6,503,000 (For the six months ended 30 June 2007: Nil).

Disposal of subsidiaries

During the period under review, the Group disposed the entire equity interest in Smart Wave Limited and its subsidiary, which engaged in property development business, to an independent third party. The disposal was completed in June 2008 and recorded a gain of approximately HK$4,800,000. The assets and liabilities of the Group decreased and generated cash flow approximately HK$12,206,000 to the Group. Save as above, the disposal did not have any material impact on the Group's net assets and results.

FUTURE PROSPECTS

The Group's strategy is to focus on its business development in natural resources industry and is seeking investment opportunities from time to time to broaden the Group's sources of income.

On 31 October 2007, 12 November 2007, 26 March 2008 and 30 August 2008, the Company entered into an intended contract, a supplemental agreement, the second supplemental agreement and the third supplemental agreement to acquire from two independent third parties 100% equity interest in High Luck Group Limited which, at completion of the acquisition, will be the beneficial and registered owner of 60% interest in the exploration and potential exploitation concession granted by the Government of Argentina in Tartagal and Morillo, a surface area of approximately 7,065 square kilometers and 3,518 square kilometers respectively, in the province of Salta in northern Argentina. Some initial due diligence exercises were conducted on the above acquisition. However, due to the size of the data obtained in the past few months and the extensiveness of the areas covered by the Concessions, it has taken Netherland, Sewell & Associates, Inc., the Technical Adviser of Tartagal and Morillo concessions, much longer time to process and analyze the information than they expected. The Company expects that the acquisition will be completed on or before 28 November 2008.

In July 2008, Smart Win International Limited ("Smart Win"), a 50/50 joint venture company between the Company and Genesis Energy Holdings Limited (Stock code 00702) entered into a legally binding Memorandum of Understanding with Empire Energy International Corporation ("Empire Energy"), a company incorporated in Nevada and an over-the-counter listed company in the United States of America, and Great South Land Minerals Limited ("GSLM"), a company incorporated in Australia and a wholly owned subsidiary of Empire Energy in respect of formation of a proposed joint venture for the exploration and development of any oil and gas resources within special exploration licence 13/98 ("SEL 13/98)") located in Tasmania, Australia. Empire Energy recently estimates that the 14 identified structures on SEL 13/98 may hold undiscovered prospective petroleum resources of between 535 million and 2.29 billion barrels. After completion of drilling the first test well, Smart Win will conduct due diligence to access the potential resources and all aspects related to the proposed joint venture so as to decide whether to enter into the joint venture agreement with Empire Energy and GSLM.

In the view of the continued economic growth and accelerated industrialization and urbanization in certain parts of the world as well as the development of the global economy, petroleum and other natural resources will have its sustained demand. The consumption of petroleum and natural gas has been a global trend and the price of petroleum and its related products have been rising over the years. The Directors believe that the new business strategy will generate reasonable returns in the future. The Group will continue to seek for potential opportunities in oil and natural gas exploitation and related business to strengthen the earning stream and Shareholders' return.

Capital Structure, Liquidity and Financial resources

As at 30 June 2008, the total equity of the Group was HK$340,842,000 (As at 31 December 2007: HK$355,008,000) and the net asset value per share was HK$0.44 (As at 31 December 2007: HK$0.46). The debt ratio, calculated by total liabilities divided by total assets, was 2.26% as at 30 June 2008 (As at 31 December 2007: 32.58%). Decrease in debt ratio is resulted from disposal of a PRC subsidiary within the period under review.

As at 30 June 2008, working capital, calculated by current assets minus current liabilities, was HK$270,083,000. (As at 31 December 2007: HK$280,959,000).

As at 30 June 2008, the balances of cash and cash equivalents of Group were HK$162,214,000 (As at 31 December 2007 HK$160,195,000) and were mainly denominated in Hong Kong dollars.

As at 30 June 2008, the gearing ratio, calculated on the basis of interest bearing borrowings to total equity, was zero (As at 31 December 2007: 0.03).

The significant balance of working capital and the zero gearing ratio as at 30 June 2008 representing the Company had healthy and satisfactory liquidity and gearing positions, respectively.

Contingent Liability

As at 30 June 2008 and 2007, the Group did not have any material contingent liabilities.

Charges on assets

As at 30 June 2008 and 2007, the Group had not charged any of its assets.

Capital Investments and Commitments

Capital commitments not provided for in the financial statement were as follows:

	As at 30 June 2008 *$'000*	As at 31 December 2007 *$'000*
Contracted for		
– Acquisition of property, plant and equipment	294	2,885
– Investment cost for potential investment	10,257,400	10,257,400
	10,257,694	10,260,285

Pursuant to the intended contract on 31 October 2007, the supplemental agreement on 11 November 2007, the second supplemental agreement on 26 March 2008 and the third supplemental agreement on 30 August 2008 with two independent third parties (the "Vendor"), the Company agreed to acquire from the Vendor the entire issued share capital of High Luck Group Limited which in turn at completion of acquisition, will be the beneficial and registered owner of 60% interest in each of the Tartagal Concession and the Morillo Concession of the exploration permits and potential exploitation permits for oil and developments of hydrocarbons granted by the Government of Argentina in the province of Salta in northern Argentina at a consideration of HK$10,312 million.

Foreign Exchange and Interest Rate Exposure

Revenue and incurred costs of the Group are mainly denominated in Hong Kong Dollar and Renminbi. Management of the Company will closely monitor the fluctuation in this currency and take appropriate actions when condition arises. As at 30 June 2008, the Group does not currently have any hedging activities against its foreign exchange exposure nor does adopt any formal hedging policies.

Employment, Training and Remuneration Policy

As at 30 June 2008, the Group's operations engaged a total of about 17 staffs and workers. The remuneration policy of the Group's employees are reviewed and approved by the executive directors based on individual experience and qualifications as well as the job responsibilities and market conditions at the relevant time. Discretionary bonus is linked to the profit performance of the Group as well as individual performance. Benefits include staff accommodation, medical schemes and Mandatory Provident Fund Scheme for Hong Kong employees, and state-sponsored retirement plans for employees in the People's Republic of China.

Purchase, Redemption or Sale of Listed Securities of the Company

Neither the Company, nor any of its subsidiaries purchased, redeemed or sold any of the Company's listed securities during the period under review.

(ii) For the year ended 31 December 2007

GENERAL REVIEW

Turnover of the Group for the year ended 31 December 2007 was about HK$155.45 million (nine-month ended 31 December 2006: 90.18 million). The Group recorded a loss attributable to equity holders of the Company of approximately HK$59.74 million. (nine-month ended 31 December 2006: HK$26.12 million) that is increased by HK$33.62 million. Increase in loss was mainly resulted from written down of inventory amount to HK$15.91 million (nine-month ended 31 December 2006: Nil). Fair value of options granted by the Company during the year under review for HK$12.84 million (nine-month ended 31 December 2006: Nil) and impairment of goodwill during the period under review amounted to HK$10.20 million (nine-month ended 31 December 2006: HK$6.52 million).

During the period under review, fair value of investment properties for the period under review decreased by 7.9 million (nine-month ended 31 December 2006: HK$1.2 million).

Administrative expenses for the year amounted to approximately HK$17.47 million (nine-month ended 31 December 2006: HK$4.11 million) representing an increase of approximately HK$13.36 million. The increase is mainly resulted from professionals, consultancy, due diligence and other relevant expenses for the Company's feasibility study conducted to investment in mining, refinery plants in the PRC and oil field in Argentina during the period under review.

Loss per share for the year was HK9.32 cents (31 December 2006: HK5.66 cents) and the Board does not recommend any final dividends for this financial year (31 December 2006: Nil).

REVIEW OF BUSINESS OPERATIONS

Non-ferrous metal trading business

Turnover of zinc ore concentrate and ingots trading business for the year 2007 amounted to approximately HK$154.26 million (nine-month ended 31 December 2006: HK$85.94 million) with a gross loss for approximately HK$2.07 million which was resulted from decrease in zinc's price from May 2007. Management of the Group will seek to widen income of the Company by diversifying its business to other non-ferrous metal such as copper.

Property Investments and Development

Gross rental income in certain commercial properties in Beijing, PRC for period under review was approximately HK$1.19 million (nine-month ended 31 December 2006: HK$3.49 million). Decrease in rental income was due to the properties were vacant for sale and the management of the Company is seeking for buyer to dispose the properties so as to release capital for further investments to strengthen the earning stream.

The wholly owned subsidiary in Shenzhen suffered a loss in last year. Development site in Guan Lan Jiedao was completed in 2007. Properties were sold at a low price because restriction on industrial property, which is effective from December 2006, that Certificate of Real Estate Ownership relating to the property can only be sold or transferred as one undivided lot. As a result, the Company recorded a loss from the project. Provision on the value of properties had been made in the year.

PROSPECTS

The Group diversified its business into natural resources in 2006 and have been seeking investment opportunities from time to time to broaden the Group's sources of income. The Company entered into four memorandum of understanding in June 2007 ("MOUs") in relating to the purchase of certain assets of mining rights over zinc mines; zinc refinery plant; exploration right over a zinc mine and to establish a zinc electrolysis factory but no definitive agreement had been entered and the MOUs lapsed after 24 December 2007.

On 31 October 2007 and 12 November 2007 the Company entered into an intended contract and a supplemental agreement to acquire from two independent third parties (the "Vendors") 100% equity interest in High Luck Group Limited, at completion of the acquisition, will be the beneficial and registered owner of 60% interest in the exploration and potential exploitation concession granted by the Government of Argentina in Tartagal and Morillo, a surface area of approximately 7,065 square kilometers and 3,518 square kilometers respectively, in the province of Salta in northern Argentina. Based on the report issued by China National Petroleum Corporation and Bureau of Geophysical Propecting dated August 2007 in relation to the estimate resource potential in Tartagal block, by reviewing (i) geologic setting and characteristics in Argentina; (ii) geologic setting of basin where the Tartagal block is located; (iii) geologic setting and evaluation of Tartagal block; (iv) the results of previous drillings, the estimated reserve of oil resource is approximately 0.81 billion tons, dissolved gas resource reserve is approximately 277.2 BCF and gas reserve is approximately 317.5 BCF. Recoverable reserve of oil is approximately 0.24 billion tons on a 30% recovery ratio (representing the estimate of percentage of quoted reserve of oil by specialist) and dissolved gas is 83.2 BCF on 30% recover ratio (representing the estimate of percentage of quoted reserve of dissolved gas by specialist) and recoverable reserve of gas is 222.3 BCF on 70% recovery ratio (representing the estimate of percentage of quoted reserve of gas by specialist). Due diligence works have been commenced and the Company has appointed Netherland Sewell & Associates, Inc. ("NSAI"), a respected firm of

International independent reserve consultants based in Texas, U S A as technical adviser for the preparation of technical report. NSAI is currently collating the information and data on the Concessions sites. Due to the size and complication of the data gathered, a second supplemental agreement was signed with Vendors to extend the deadline for fulfillment of the conditions to the Acquisition to 31 August 2008.

In the view of the continued economic growth and accelerated industrialization and urbanization in certain parts of the world as well as the development of the global economy, petroleum and other natural resources will have its sustained demand. The consumption of petroleum and natural gas has been a global trend and is increasing every year, and for which there is a shortage of this irreplaceable form of energy, hence, price of petroleum and its related products have been rising over year. Directors of the Company believe that the new business strategy will generate reasonable returns in the future. The Group will continue to seek for opportunity in oil and natural gas exploitation and related business to strengthen the earning stream and above all, enhance shareholders' return.

LIQUIDITY AND FINANCIAL RESOURCES

Capital structure, liquidity and financial resources

At 31 December 2007, the net asset value of the Group is approximately HK$355.01 million (31 December 2006: HK$144.28 million) and the total cash and bank balances is approximately HK$160.20 million (31 December 2006: HK$14.75 million).

At 31 December 2007, an unsecured and other borrowings loan of approximately HK$10.70 million were dominated in Renminbi ("RMB"), bearing interest at 7.56%–7.956% per annum. At 31 December 2007, the gearing ratio is 3% (total bank borrowings to shareholders' equities) (31 December 2006: 7%) and interest expenses is about HK$0.43 million (nine months ended 31 December 2006: HK$0.80 million).

Contingent liability

Details of contingent liabilities of the Group at 31 December 2007 are set out in note 30 to the financial statements (31 December 2006: Nil).

Capital investments and commitments

Details of capital investments and commitments of the Group at 31 December 2007 are set out in note 29 to the financial statements (31 December 2006: HK$60.30 million).

Foreign exchange and interest rate exposure

The Group does not currently have any hedging activities against its foreign exchange exposure nor does adopt any formal hedging policies. Revenue and incurred costs of the Group are mainly denominated in Hong Kong Dollar and Renminbi and the directors consider the impact of foreign exchange of the Group will be minimal and the management will closely monitor the fluctuation in this currency and take appropriate actions when condition arises.

Employees

At 31 December, 2007, the Group had 9 employees in Hong Kong and 11 employees in the PRC. The cost of employees (including directors' emoluments) amounted to HK$16.52 million (nine month ended 31 December 2006: HK$1.09 million). The Group ensures that the pay levels of its employees are competitive according to market trend and its employees are rewarded on a performance related basis within the general framework of the Group's salary and bonus system. During the year, 43,333,000 (nine month ended 31 December 2006: Nil) stock options were granted to certain employees at exercise price of HK$0.60 per share and the equity settled share- based payments expenses amounted to HK$12.84 million (nine month ended 31 December 2006: Nil).

Share Option Scheme

The Company operates a share option scheme for the purpose of providing incentives and rewards to eligible participants who contribute to the success of the Group's operations. Eligible participants include any director, or proposed director, including independent non-executive director, employee or proposed employee, secondee, any holder of securities issued by any member of the Group, any business or joint venture partner, contractor, agent or representative, any person or entity that provides research, development or other technology support or advisory, consultancy, professional or other services to the Group, any supplier, producer or licensor of goods or services to the Group, any customer, licensee or distributor of goods or services of the Group, or any landlord or tenant of the Group or any substantial shareholder or company controlled by a substantial shareholder, or any company controlled by one or more persons belonging to any of the above classes of participants. The Scheme became effective on 30 August 2002 and, unless otherwise terminated earlier by shareholders in a general meeting, will remain in force for a period of 10 years from that date.

Pursuant to the Scheme, the maximum number of share options may be granted under the scheme and any other share option schemes of the Company is an amount equivalent to, upon their exercise, in aggregate not exceeding 30% of the issued share capital of the Company from time to time, excluding any shares issued on the exercise of share options. As at 31

December 2007, the number of share issuable under the Scheme was 43,330,200. The maximum number of shares issuable under the Scheme to each eligible participant within any 12-month period is limited to 1% of the shares of the Company in issue at any time. Any further grant of share options in excess of such limit is subject to shareholders' approval in a general meeting.

Pursuant to the Scheme, Share options granted to a director chief executive or substantial shareholder of the Company, or any of their associates, are subject to approval in advance by the independent non-executive directors. In addition, any grant of share options to a substantial shareholder or an independent non-executive director, or any of their associates, will result in the total number of shares issued and to be issued upon exercise of share options already granted and to be granted to such person under the New Scheme and any other share option schemes of the Company, including options exercised, cancelled and outstanding, in any 12-month period up to and including the date of grant representing in aggregate over 0.1% of the shares in issue, and having an aggregate value, based on the closing price of the Company shares at each date of grant, in excess of $5 million, such further grant of share options is required to be approved by shareholders in a general meeting in accordance with the Listing Rules.

The offer of a grant of share options under the Scheme may be accepted within 28 days from the date of the offer, upon payment of a nominal consideration of $1 in total by the grantee. The exercise period of the share options granted is determinable by the directors, and commences after a certain vesting period and ends on a date which is not later than 10 years from the date of the offer of the share options or the expiry date of the Scheme, if earlier. The exercise price of the share options under the Scheme is determinable by the directors, but may not be less than the higher of (i) the Stock Exchange closing price of the Company's shares on the date of the offer of the share options; (ii) the average Stock Exchange closing price of the Company's shares for the five trading days immediately preceding the date of the offer; and (iii) the nominal value of the shares.

Share options do not confer rights on the holders to dividends or to vote at shareholders' meetings.

(iii) For the period from 1 April 2006 to 31 December 2006

BUSINESS REVIEW

Continuing Operations

Property Investments and Development

The property investments and development business continued to be the principle business of the Group and contributed approximately 84% of the Group's total turnover for the year. Gross rental income in certain commercial properties in Beijing, PRC for the year amounted to about HK$4.5 million (2005: HK$4.1 million), representing a growth of approximately 10% from last financial year. The increase in turnover was mainly due the official appreciation of the Renminbi, together with the occupancy rate picking up for the current year. With the improvement in the macroeconomic outlook of Mainland, and the urbanization program implemented by the Beijing municipal government, the management expects the Beijing property market would enter into a the stage of stable development stage. When opportunities arise and at reasonable terms, the management may dispose properties so as to release capital for further investments to strengthen the earning stream and bring to the shareholders greater value in the long run.

As mentioned in the Company's last annual reports, the Group acquired an industrial land situated at Shenzhen, PRC through the acquisition of Smart Wave Limited. The development site is approximately 60,000 square meters and the gross floor area of approximately 107,700 square meters. Construction work is in progress. Pre-sale schedule has already started and received a satisfactory response with sales deposit of approximately HK$22 million recorded for the year under review.

Investments and Financial Services

As mentioned in the Company's last annual reports, the Group has been focused on property investment and development business and further downsized the investment and financial services business. In this connection, a loss on disposal of financial assets at fair value through profit and loss of approximately HK$1.4 million (2005: loss of HK$9.9 million) was recorded for the year under review.

Interest income derived from the financial services operations was also reduced by approximately 3% to approximately HK$0.86 million as compared to approximately HK$0.9 million for the corresponding year in 2005.

Discontinued Operation

Trading

As mentioned in the Company's last annual reports, the Group had failed to introduce strategic partners to rejuvenate the trading business. Accordingly, in a Board meeting in July 2004, the management ceased the trading operations so as to save further resources and focus on the Group's property investment and development business and other potential businesses in the coming future.

LIQUIDITY AND FINANCIAL RESOURCES

Financial Position

The financial position of the Group remains healthy for the year under review.

As at 31 March 2006, the Group had a net current assets of about HK$4.5 million (2005: HK$0.93 million), which included a cash balance of about HK$1.7 million (2005: HK$2.6 million) and with a current ratio of 1.1 (total current assets to total current liabilities) (2005: 1).

As at 31 March 2006, the Group has total short term bank borrowings amounted around HK$9.6 million, bearing an interest rate of 7.254% per annum and is due within one year. The borrowings are secured by certain of the Group's leasehold land and land use rights in Mainland China with a net book value of approximately HK$37.7 million. As at 31 March 2006, the gearing ratio is 7% (total bank borrowings to shareholders' equities) (2005: Nil) and interest expenses is about HK$967,000 (2005: HK$464,000).

On 30 March 2006, the Company announced the issue of the Convertible Notes in the principal amount of HK$5 million to raise additional working capital for the Group. The issuance was completed subsequent to the balance sheet date. Further in April/May 2006, the subscriber exercised the conversion right and a total of 30,303,030 new shares of the Company were issued accordingly.

Contingent Liability

The Group did not have any material contingent liabilities as at 31 March 2006.

Capital Investments and Commitments

During the year under review, except for the construction expenditures in relation to the construction of properties on certain industrial land in Shenzhen, PRC, the Group did not incur any material capital investment or expenditure. As at 31 March 2006, the Group had capital commitment in respect of the construction cost in relation to certain industrial land in Shenzhen, PRC amount to HK$54.5 million (2005: HK$62.5 million).

Pursuant to a contractual arrangement with the constructor of the land, the constructor will recover the construction cost out of the net proceeds from the sale or rental generated from the properties constructed on the land in the 18-month period from completion of the construction of the properties on the land. In the event that the net proceeds from the sale or rental generated over the aforesaid period is insufficient to repay the constructor the full amount of the construction cost, the shortfall would be satisfied by the transfer of certain properties on the land with an equivalent market value (calculated on the basis of the then prevailing market price of those properties) to the constructor in full and final settlement of any liability of the Group towards the constructor in relation to the construction cost.

Foreign exchange and interest rate exposure

The Group mainly earned revenue and incurred cost in Hong Kong Dollar and Renminbi. The directors consider the impact of foreign exchange of the Group is minimal. Although the management believes the impact will be minimal, the management will closely monitor the fluctuation in currencies and take appropriate actions when condition arises.

Employment, training and remuneration policy

As at 31 March 2006, the Group's operations engaged a total of about 15 staffs and workers. The remuneration policy of the Group's employees are reviewed and approved by the executive directors based on individual experience and qualifications as well as the job responsibilities and market conditions at the relevant time. Discretionary bonus is linked to the profit performance of the Group as well as individual performance. During the year, no share options were granted to any director or employee of the group. Staff benefits include accommodation, medical schemes and Mandatory Provident Fund Scheme for Hong Kong employees, and state-sponsored retirement plans for employees in the People's Republic of China.

(iv) For the year ended 31 March 2006

BUSINESS OVERVIEW

With a redefined corporate strategy as mentioned in the Company's last annual report, the Group has extended its business to the field of property investment through acquisitions in Mainland China. A rental income of approximately HK$4.1 million (2004: HK$1.6 million) was generated from the Group's property investment in certain commercial properties in Beijing, PRC for the year.

At the end of the last financial year, the Group entered into a conditional agreement for the acquisition of the entire issued share capital of a company holding 100% interests in certain industrial land situated at Shenzhen, PRC at a total consideration of HK$55 million. The acquisition was completed in this financial year. Although constructions were in progress throughout this financial year, the management believes that this investment will generate reasonable financial returns in the coming years.

Since 2003, the management had been closely monitoring the performance of the trading business of the Group, and the performance of the trading operations had been disappointing for the year due to fierce competitions. As mentioned in the Company's last annual reports, the Group had failed to introduce strategic partners to rejuvenate the trading business. Accordingly, the management decided to cease the trading operations through abandonment so as to save further resources and focus on the Group's property investment and development business and other potential businesses in the coming future.

For the year ended 31 March 2005, income derived from the financial services business continued to provide stable, although insignificant income flow for the Group. The Group's investment portfolio continued to downsize. As mentioned above, the Group intended to focus on the Group's property investment and development business, and the financial services activities as well as the investment activities will be further downsized in the coming future.

Finally, the legal proceedings brought against the Company by a substantial shareholder of the Company since March 2001 has come to an end in this financial year. Mutual consensus had been reached between that substantial shareholder and the Company by way of a binding consent order signed between themselves and approved by the Supreme Court of Bermuda on 8 July 2004. Accordingly, a notice of discontinuance was filed on 12 July 2004 and as a result, all proceedings against the Company was terminated, and a write-back of provision of legal and professional costs of HK$13 million and HK$409,000 were recorded in the last and current financial year respectively.

REVIEW OF BUSINESS OPERATIONS

Discontinued Operations

Trading

The Group's trading business had been disappointing under extensive competitions from other market participants; turnover decreased by approximately 91% to approximately HK$50,000 as compared to the corresponding period of HK$0.5 million. Loss from trading operations was about HK$0.5 million for the year (2004: loss of HK$11.6 million). As mentioned in the Company's last annual reports, the Group had failed to introduce strategic partners to rejuvenate the trading business. Accordingly, in a Board meeting in July 2004, the management decided to cease the trading operations so as to save further resources and focus on the Group's property investment and development business and other potential businesses in the coming future.

Continuing Operations

Property Investments and Development

Gross rental income in certain commercial properties in Beijing, PRC for the year amounted to about HK$4.1 million (2004: HK$1.6 million), representing a growth of approximately 160% from last financial year. Profit from operations increased from HK$1.4 million to HK$2.1 million for this year, representing an increase of approximately 50%. The increase was mainly due to the inclusion of a full year results for the current year as compared to the three-months' results since the acquisition of the property investment business by the end of December 2003. With the improvement in the macroeconomic outlook of Mainland China, the urbanization program implemented by the Beijing municipal government and continually maturing market policies, the management sees the Beijing property market would grow steadily in the coming future. When opportunities arise and at reasonable terms, the management may dispose part of the properties so as to capitalize the appreciation of the value of the properties and release capital for further investments to strengthen the earning stream.

In order to enrich the earning base and firmly establish its footing in the Mainland China, the Group continues to expand its PRC portfolio. On 29 March 2004, the Group entered into a conditional agreement for the acquisition of the entire issued share capital of Smart Wave Limited ("Smart Wave") and the benefit of a shareholder's loan due from Smart Wave to the vendor at considerations of approximately HK$21.3 million and HK$33.7 million, respectively. Smart Wave was incorporated in the British Virgin Islands and is an investment holding company whose principal asset was an indirect equity interest in certain industrial land situated at Shenzhen, PRC. The acquisition was completed on 9 July 2004. The management believes that with the increasing demand for quality industrial complex, and the acquisition would enable the Group to tap this opportunity once the development for the land was completed in the coming financial year as scheduled. The management is confident that the investment will generate reasonable financial returns in the coming years.

Investments and Financial Services

A loss on disposal of short term listed investments of approximately HK$5.4 million (2004: HK$20 million) was recorded for the year. During the year, provision for unrealized loss on short term listed investments of approximately HK$4.4 million (2004: HK$6.1 million) was recorded. The Hong Kong economy continued to improve during the year, together with the recovered investment environment, the management believes the capital market will improve in the coming future. Interest income derived from the financial services operations of approximately HK$0.9 million was recorded for the year (2004: HK$1.2 million). Although the management believes that the financial services operations can continually providing steady flow of interest income to the Group, the financial services activities as well as the investment activities will be further downsized in the coming future as the Group intended to focus on the Group's property investment and development business in the coming years.

LIQUIDITY AND FINANCIAL RESOURCES

Financial Position

The financial position of the Group remains healthy for the year. As at 31 March 2005, the Group maintained a cash level of about HK$2.6 million, with a current ratio of about 1 (total current assets to total current liabilities) (2004: 5.7). The decrease in the current ratio as compared to that as at 31 March 2004 was mainly due to the utilization of most of the Group's cash resources in the acquisitions of the Group's property investments during the year.

Except for the hire purchase of certain fixed assets of the Group, the Group had no bank borrowings and not pledged any of the Group's assets as at the year end date.

Contingent Liability

The Group did not have any material contingent liabilities as at 31 March 2005 (2004: Nil).

Capital Investments and Commitments

During the financial year, except for the capital expenditures in relation to the acquisition of certain industrial land in Shenzhen, PRC, the Group did not incur any material capital investment or expenditure. As at year end date, the Group had capital commitment in respect of the construction cost in relation to certain industrial land in Shenzhen, PRC amounted to HK$62.5 million.

Pursuant to a contractual arrangement with the constructor of the land, the constructor will recover the construction cost out of the net proceeds from the sale or rental generated from the properties constructed on the land in the 18-month period from completion of the construction of the properties on the land. In the event that the net proceeds from the sale or rental generated over the aforesaid period is insufficient to repay the constructor the full amount of the construction cost, the shortfall would be satisfied by the transfer of certain properties on the land with an equivalent market value (calculated on the basis of the then prevailing market price of those properties) to the constructor in full and final settlement of any liability of the Group towards the constructor in relation to the construction cost.

Foreign exchange and interest rate exposure

The Group mainly earned revenue and incurred cost in Renminbi and Hong Kong Dollar. The directors consider the impact of foreign exchange of the Group is minimal. Although the management believes the impact will be minimal, the management will closely monitor the fluctuation in this currency and take appropriate actions when condition arises.

EMPLOYMENT, TRAINING AND REMUNERATION POLICY

As at 31 March 2005, the Group's operations engaged a total of about 20 staffs. The remuneration policy of the Group's employees are reviewed and approved by the executive directors based on individual experience and qualifications as well as the job responsibilities and market conditions at the relevant time. Discretionary bonus is linked to the profit performance of the Group as well as individual performance. During the year, no share options were granted to any director or employee of the group. Benefits include staff accommodation, medical schemes and Mandatory Provident Fund Scheme for Hong Kong employees, and state-sponsored retirement plans for employees in PRC.

5. INDEBTEDNESS

At the close of business on 31 December 2008, being the latest practicable date for the purpose of this indebtedness statement prior to the printing of this circular, the Enlarged Group had outstanding obligation under a finance lease of a photocopier of approximately HK$41,000. It carries interest at around 2.85% per annum and is repayable by monthly installment till April 2012.

Save as disclosed above, the Enlarged Group did not have any outstanding indebtedness, any loan capital, bank overdrafts and liabilities under acceptances or other similar indebtedness, debentures, mortgages, charges or loans or acceptance credits or hire purchase or finance lease commitments, guarantees or other contingent liabilities as at 31 December 2008.

There have been no material changes in the indebtedness and contingent liabilities of the Enlarged Group since 31 December 2008.

6. WORKING CAPITAL

The Directors are satisfied after due and careful enquiry that after taking into account the existing cash and bank balances and the existing credit facilities of the Enlarged Group, the Enlarged Group has sufficient working capital for its present requirements, that is for at least the next 12 months from the date of publication of this circular.

7. MATERIAL ADVERSE CHANGE

As at the Latest Practicable Date, the Directors were not aware of any material adverse change in the financial or trading position of the Group since 31 December 2007 (being the date to which the latest published audited consolidated financial statements of the Group were made up).

1. ACCOUNTANTS' REPORT ON THE TARGET GROUP

The following is the text of report, prepared for the purpose of incorporation in this circular, received from the independent reporting accountants, CCIF CPA Limited, Certified Public Accountants, Hong Kong.

CCIF
CCIF CPA LIMITED
20/F Sunning Plaza
10 Hysan Avenue
Causeway Bay, Hong Kong

20 February 2009

The Directors
New Times Group Holdings Limited
Unit 2003–06, Shui On Centre
6–8 Harbour Road
Wanchai, Hong Kong

Dear Sirs,

We set out below our report on the financial information relating to Jade Honest Limited ("Target") and its subsidiary (hereinafter collectively referred to as the "Target Group"), including the consolidated balance sheet of the Target Group and balance sheet of the Target as at 31 December 2008, the consolidated income statement, the consolidated statement of changes in equity and the consolidated cash flow statement of the Target Group for the period from 9 March 2007 (date of incorporation) to 31 December 2008 (collectively the "Relevant Period"), together with the notes thereto (the "Financial Information"), for inclusion in the circular of New Times Group Holdings Limited (the "Company") to its shareholders dated 20 February 2009 in connection with the proposed acquisition of the entire issued share capital of the Target (the "Circular").

The Target is a limited liability company incorporated in the British Virgin Islands. Details of the subsidiary of the Target are set out in note 11 of section B below.

The statutory financial statements of the Target Group during the relevant period or for the period since the incorporation date of the respective entity, if earlier (the "Underlying Financial Statements") were prepared in accordance with Hong Kong Financial Reporting Standards ("HKFRSs") issued by the Hong Kong Institute of Certified Public Accountants (the "HKICPA") and were audited by CL Partners CPA Limited.

Name of entity	Financial period
Target Group	For the period from 9 March 2007 (date of incorporation) to 31 December 2008
High Luck Group Limited ("High Luck")	For the period from 16 August 2005 (date of incorporation) to 31 December 2008

All the companies comprising the Target Group have adopted 31 December as their financial year end date.

The Financial Information of the Target Group for the Relevant Period set out in this report has been prepared in accordance with HKFRSs issued by the HKICPA based on the Underlying Financial Statements, after making such adjustments as we considered appropriate.

The Underlying Financial Statements are the responsibility of the directors of the Target who approved their issue. The directors of the Company are responsible for the contents of the Circular in which this report is included. It is our responsibility to compile the Financial Information set out in this report from the Underlying Financial Statements, form an independent opinion on the Financial Information and to report our opinion to you.

We have examined the Underlying Financial Statements in accordance with Hong Kong Standards on Auditing issued by the HKICPA and carried out such additional procedures as we considered necessary in accordance with Auditing Guideline "Prospectuses and the reporting accountant" (Statement 3.340) issued by the HKICPA.

In our opinion, the Financial Information, for the purpose of this report and prepared on the basis set out in note 2 of Section B below, gives a true and fair view of the state of affairs of the Target and of the Target Group as at 31 December 2008 and of the Target Group's results and cash flows for the Relevant Period.

Yours faithfully,
CCIF CPA Limited
Certified Public Accountants
Hong Kong

Sze Chor Chun, Yvonne
Practising Certificate Number P05049

A. FINANCIAL INFORMATION

1. CONSOLIDATED INCOME STATEMENT

	Section B Note	**9/3/2007 to 31/12/2008** *HK$'000*
Other revenue	*4*	24
Administrative expenses		(2,481)
Finance costs	*5(a)*	(3,995)
LOSS BEFORE TAXATION	*5*	(6,452)
Income tax	*6*	–
LOSS FOR THE PERIOD		(6,452)
Attributable to equity shareholders of the parent	*8*	(6,452)
LOSS PER SHARE	*9*	
Basic		HK$2,390
Diluted		N/A

2. CONSOLIDATED BALANCE SHEET

	Section B Note	**As at 31/12/2008** *HK$'000*
NON-CURRENT ASSETS		
Exploration and evaluation assets	*10*	811,634
CURRENT ASSETS		
Prepayments		4
Cash and cash equivalents	*12*	22
		26
CURRENT LIABILITIES		
Other payable		(182)
Amounts due to shareholders	*13*	(817,909)
		(818,091)
NET CURRENT LIABILITIES		(818,065)
NET LIABILITIES		(6,431)
CAPITAL AND RESERVES	*14(a)*	
Share capital		21
Accumulated losses		(6,452)
TOTAL EQUITY		(6,431)

3. BALANCE SHEET

	Section B Note	**As at 31/12/2008** *HK$'000*
NON-CURRENT ASSET		
Interest in a subsidiary	*11*	812,668
CURRENT ASSETS		
Cash and cash equivalents	*12*	22
CURRENT LIABILITIES		
Other payable		(182)
Amounts due to shareholders	*13*	(817,909)
		(818,091)
NET CURRENT LIABILITIES		(818,069)
NET LIABILITIES		(5,401)
CAPITAL AND RESERVES	*14(b)*	
Share capital		21
Accumulated losses		(5,422)
TOTAL EQUITY		(5,401)

4. CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

	Section B Note	**Share capital** *HK$'000*	**Accumulated losses** *HK$'000*	**Total** *HK$'000*
At 9 March 2007		–	–	–
Issue of shares	*14(c)*	21	–	21
Loss for the period		–	(6,452)	(6,452)
At 31 December 2008		21	(6,452)	(6,431)

5. CONSOLIDATED CASH FLOW STATEMENT

	Section B Note	9/3/2007 to 31/12/2008 HK$'000
OPERATING ACTIVITIES		
Loss before taxation		(6,452)
Adjustments for:		
Finance costs		3,995
Bank interest income		(24)
OPERATING CASH FLOWS BEFORE WORKING CAPITAL CHANGES		(2,481)
Increase in prepayments		(4)
Increase in other payable		182
Increase in amounts due to shareholders		33,575
NET CASH GENERATED FROM OPERATING ACTIVITIES		31,272
INVESTING ACTIVITIES		
Payment for exploration and evaluation assets		(27,300)
Interest received		24
NET CASH USED IN INVESTING ACTIVITIES		(27,276)
FINANCING ACTIVITIES		
Proceeds from issue of shares		21
Interest paid		(3,995)
NET CASH USED IN FINANCING ACTIVITIES		(3,974)
NET INCREASE IN CASH AND CASH EQUIVALENTS AND CASH AND CASH EQUIVALENTS AT END OF THE PERIOD	*12*	22

Note: **Major non-cash transaction**

On 11 November 2007, promissory notes of HK$780,000,000 were issued by the shareholders of the Target, as consideration for the acquisition of High Luck (see note 16).

B. NOTES TO THE FINANCIAL INFORMATION

1. GENERAL INFORMATION

The Target is a limited liability company incorporated in the British Virgin Islands. The registered address and principal place of the business of the Target are Portcullis TrustNet Chambers, P.O. Box 3444, Road Town, Tortola, British Virgin Islands and Room 1401-2, 14/F., Causeway Bay Plaza 2, 463-483 Lockhart Road, Causeway Bay, Hong Kong respectively.

The Financial Information is presented in Hong Kong dollar ("HK$"), which is the functional currency of the Target.

The principal activity of the Target is investment holding. The principal activity of the subsidiary is disclosed in note 11.

2. SIGNIFICANT ACCOUNTING POLICIES

(a) Statement of Compliance

The Financial Information has been prepared in accordance with HKFRSs issued by the HKICPA. HKFRSs include all applicable individual Hong Kong Financial Reporting Standards, Hong Kong Accounting Standards ("HKASs") and interpretations ("HKAS – Int"). In addition, the Financial Information includes applicable disclosures required by the Hong Kong Companies Ordinance and the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited. A summary of the significant accounting policies adopted by the Target Group is set out below.

At the date of this report, the HKICPA has issued a number of new and revised HKFRSs that are not yet effective for the Relevant Period. The Target Group has not early adopted these new and revised HKFRSs (see note 20).

(b) Basis of Preparation of the Financial Information

The Financial Information has been prepared on the historical cost basis.

The preparation of the Financial Information in conformity with HKFRSs requires management to make judgements, estimates and assumptions that affect the application of policies and reported amounts of assets, liabilities, income and expenses. The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances, the results of which form the basis of making the judgements about carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

Judgements made by management in the application of HKFRSs that have a significant effect on the Financial Information and estimates with a significant risk of material adjustment in the next year are disclosed in note 19.

The Target Group incurred a loss of approximately HK$6,452,000 during the Relevant Period and, as of that date, the Target's and the Target Group's current liabilities exceeded their current assets by approximately HK$818,069,000 and HK$818,065,000 respectively. In the event of the unsuccessful completion of the sale of the entire issued share capital of the Target to the Company (the "Shares Sales"), the directors of the Target expect that the Target Group is able to maintain its operation by obtaining future funding. In the event of the successful completion of the Shares Sale, the Company will provide financial support to the Target Group. Accordingly, the Financial Information has been prepared on a going concern basis.

(c) Basis of Consolidation

The Financial Information incorporates the financial statements of the Target and the entity controlled by the Target (its subsidiary). Control is achieved where the Target has the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities.

The result of subsidiary acquired during the period is included in the consolidated income statement from the effective date of acquisition.

All intra-group transactions, balances, income and expenses are eliminated on consolidation.

(d) Investments in Subsidiaries

In the Target's balance sheet, investment in a subsidiary is stated at cost less impairment losses (see note 2(f)(iii)).

(e) Exploration and Evaluation Assets

Exploration and evaluation assets are recognised at cost on initial recognition. Subsequent to initial recognition, exploration and evaluation assets are stated at cost less any accumulated impairment losses (see note 2(f)(i)).

Exploration and evaluation assets include the cost of exploration rights and the expenditures incurred in the search for natural resources as well as the determination of the technical feasibility and commercial viability of extracting those resources.

When the technical feasibility and commercial viability of extracting natural resources become demonstrable, previously recognised exploration and evaluation assets are reclassified as either intangible assets or property, plant and equipment. These assets are assessed for impairment, and any impairment loss recognised, before reclassification.

(f) Impairment of Assets

(i) Impairment of exploration and evaluation assets

The carrying amount of the exploration and evaluation assets is reviewed annually and adjusted for impairment in accordance with HKAS 36 Impairment of Assets whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable, such as:

– the period for which the entity has the right to explore in the specific area has expired during the period or will expire in the near future, and is not expected to be renewed.

– substantive expenditure on further exploration for and evaluation of mineral resources in the specific area is neither budgeted nor planned.

– exploration for and evaluation of natural resources in the specific area have not led to the discovery of commercially viable quantities of natural resources and the entity has decided to discontinue such activities in the specific area.

– sufficient data exist to indicate that, although a development in the specific area is likely to proceed, the carrying amount of the exploration and evaluation assets is unlikely to be recovered in full from successful development or by sale.

An impairment loss is recognised in the consolidated income statement whenever the carrying amount of an asset exceeds its recoverable amount.

(ii) Impairment of receivables

Receivables that are stated at cost or amortised cost are reviewed at each balance sheet date to determine whether there is objective evidence of impairment. Objective evidence of impairment includes observable data that comes to the attention of the Target Group about one or more of the following loss events:

– significant financial difficulty of the debtor;

– a breach of contract, such as a default or delinquency in interest or principal payments;

– it becoming probable that the debtor will enter bankruptcy or other financial reorganisation; and

– significant changes in the technological, market, economic or legal environment that have an adverse effect on the debtor.

If any such evidence exists, any impairment loss is determined and recognised as the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the receivable's original effective interest rate (i.e., the effective interest rate computed at initial recognition of these assets), where the effect of discounting is material. This assessment is made collectively where receivables carried at amortised cost share similar risk characteristics, such as similar past due status, and have not been individually assessed as impaired. Future cash flows for receivables which are assessed for impairment collectively are based on historical loss experience for assets with credit risk characteristics similar to the collective group.

If in a subsequent period the amount of an impairment loss decreases and the decrease can be linked objectively to an event occurring after the impairment loss was recognised, the impairment loss is reversed through profit or loss. A reversal of an impairment loss shall not result in the asset's carrying amount exceeding that which would have been determined had no impairment loss been recognised in prior years.

Impairment losses are written off against the corresponding assets directly.

(iii) Impairment of other assets

Internal and external sources of information are reviewed at each balance sheet date to identify indications that the investment in a subsidiary may be impaired or an impairment loss previously recognised no longer exists or may have decreased.

If any such indication exists, the asset's recoverable amount is estimated.

– Calculation of recoverable amount

The recoverable amount of assets is the greater of its net selling price and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of time value of money and the risks specific to the assets. Where an asset does not generate cash inflows largely independent of those from other assets, the recoverable amount is determined for the smallest group of assets that generates cash inflows independently (i.e., a cash-generating unit).

– Recognition of impairment losses

An impairment loss is recognised in profit or loss whenever the carrying amount of an asset, or the cash-generating unit to which it belongs, exceeds its recoverable amount. Impairment losses recognised in respect of cash-generating units are allocated first to reduce that carrying amount of any goodwill allocated to the cash-generating unit (or group of units) and then, to reduce the carrying amount of the other assets in the unit (or group of units) on a pro rata basis, except that the carrying value of an asset will not be reduced below its individual fair value less costs to sell, or value in use, if determinable.

– Reversals of impairment losses

An impairment loss is reversed if there has been a favourable change in the estimates used to determine the recoverable amount.

A reversal of an impairment loss is limited to the asset's carrying amount that would have been determined had no impairment loss been recognised in prior years. Reversals of impairment losses are credited to profit or loss in the year in which the reversals are recognised.

(g) Other Receivables and Prepayments

Other receivables and prepayments are initially recognised at fair value and thereafter stated at amortised cost less allowance for impairment losses for bad and doubtful debts (see note 2(f)(ii)), except where the receivables are interest-free loans made to related parties without any fixed repayment terms or the effect of discounting would be immaterial. In such cases, the receivables are stated at cost less allowance for impairment losses for bad and doubtful debts.

(h) Cash and Cash Equivalents

Cash and cash equivalents comprise cash at bank and on hand, demand deposits with banks and other financial institutions, and short-term, highly liquid investments that are readily convertible into known amounts of cash and which are subject to an insignificant risk of changes in value, having been within three months of maturity at acquisition.

(i) Interest-bearing Borrowings

Interest-bearing borrowings are recognised initially at fair value less attributable transaction costs. Subsequent to initial recognition, interest-bearing borrowings are stated at amortised cost with any difference between cost and redemption value being recognised in profit or loss over the period of the borrowings using the effective interest method.

(j) Other Payables

Other payables are initially recognised at fair value and thereafter stated at amortised cost unless the effect of discounting would be immaterial, in which case they are stated at cost.

(k) Revenue Recognition

Provided it is probable that the economic benefits will flow to the Target Group and the revenue and costs, if applicable, can be measured reliably, interest income is recognised in profit or loss as it accrues using the effective interest method.

(l) Translation of Foreign Currencies

Foreign currency transactions during the year are translated at the foreign exchange rates ruling at the transaction dates. Monetary assets and liabilities denominated in foreign currencies are translated at the foreign exchange rates ruling at the balance sheet date. Exchange gains and losses are recognised in profit or loss.

Non-monetary assets and liabilities measured in terms of historical cost in a foreign currency are translated using the foreign exchange rates ruling at the transaction dates. Non-monetary assets and liabilities denominated in foreign currencies stated at fair value are translated using the foreign exchange rates at the dates the fair value was determined.

(m) Borrowing Costs

Borrowing costs are expensed in profit or loss in the period in which they are incurred, except to the extent that they are capitalised as being directly attributable to the acquisition or construction of an asset which necessarily takes a substantial period of time to get ready for its intended use.

The capitalisation of borrowing costs as part of the cost of a qualifying asset commences when expenditure for the asset is being incurred, borrowing costs are being incurred and activities that are necessary to prepare the asset for its intended use or sale are in progress. Capitalisation of borrowing costs is suspended or ceases when substantially all the activities necessary to prepare the qualifying asset for its intended use or sale are interrupted or complete.

(n) Income Tax

Income tax for the period comprises current tax and movements in deferred tax assets and liabilities. Current tax and movements in deferred tax assets and liabilities are recognised in profit or loss except to the extent that they relate to items recognised directly in equity, in which case they are recognised in equity.

Current tax is the expected tax payable on the taxable income for the year, using tax rates enacted or substantively enacted at the balance sheet date, and any adjustment to tax payable in respect of previous years.

Deferred tax assets and liabilities arise from deductible and taxable temporary differences respectively, being the differences between the carrying amounts of assets and liabilities for financial reporting purposes and their tax bases. Deferred tax assets also arise from unused tax losses and unused tax credits.

Apart from certain limited exceptions, all deferred tax liabilities, and all deferred tax assets to the extent that it is probable that future taxable profits will be available against which the assets can be utilised, are recognised. Future taxable profits that may support the recognition of deferred tax assets arising from deductible temporary differences include those that will arise from the reversal of existing taxable temporary differences, provided those differences relate to the same taxation authority and the same taxable entity, and are expected to reverse either in the same period as the expected reversal of the deductible temporary differences or in periods into which a tax loss arising from the deferred tax asset can be carried back or forward. The same criteria are adopted when determining whether existing taxable temporary differences support the recognition of deferred tax assets arising from unused tax losses and credits, that is, those differences are taken into account if they relate to the same taxation authority and the same taxable entity, and are expected to reverse in a period, or periods, in which the tax loss or credit can be utilised.

The amount of deferred tax recognised is measured based on the expected manner of realisation or settlement of the carrying amount of the assets and liabilities, using tax rates enacted or substantively enacted at the balance sheet date. Deferred tax assets and liabilities are not discounted.

The carrying amount of a deferred tax asset is reviewed at each balance sheet date and is reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow the related tax benefit to be utilised. Any such reduction is reversed to the extent that it becomes probable that sufficient taxable profits will be available.

Current tax balances and deferred tax balances, and movements therein, are presented separately from each other and are not offset. Current tax assets are offset against current tax liabilities, and deferred tax assets against deferred tax liabilities, if the Target or the Target Group has the legally enforceable right to set off current tax assets against current tax liabilities and the following additional conditions are met:

– in the case of current tax assets and liabilities, the Target or the Target Group intends either to settle on a net basis, or to realise the asset and settle the liability simultaneously; or

– in the case of deferred tax assets and liabilities, if they relate to income taxes levied by the same taxation authority on either;

    – the same taxable entity; or

    – different taxable entities, which, in each future period in which significant amounts of deferred tax liabilities or assets are expected to be settled or recovered, intend to realise the current tax assets and settle the current tax liabilities on a net basis or realise and settle simultaneously.

(o) Provision and Contingent Liabilities

Provisions are recognised for liabilities of uncertain timing or amount when the Target Group or the Target has a legal or constructive obligation arising as a result of a past event, it is probable that an outflow of economic benefits will be required to settle the obligation and a reliable estimate can be made. Where the time value of money is material, provisions are stated at the present value of the expenditure expected to settle the obligation.

Where it is not probable that an outflow of economic benefits will be required, or the amount cannot be estimated reliably, the obligation is disclosed as a contingent liability, unless the probability of outflow of economic benefits is remote. Possible obligations, whose existence will only be confirmed by the occurrence or non-occurrence of one or more future events, are also disclosed as contingent liabilities unless the probability of outflow of economic benefits is remote.

(p) Related Parties

For the purposes of the Financial Information, a party is considered to be related to the Target Group if:

(i) the party has the ability, directly or indirectly through one or more intermediaries, to control the Target Group or exercise significant influence over the Target Group in making financial and operating policy decisions, or has joint control over the Target Group;

(ii) the Target Group and the party are subject to common control;

(iii) the party is an associate of the Target Group or a joint venture in which the Target Group is a venturer;

(iv) the party is a member of key management personnel of the Target Group or the Target Group's parent or a close family member of such an individual, or is an entity under the control, joint control or significant influence of such individuals;

(v) the party is a close family member of a party referred to in (i) or is an entity under the control, joint control or significant influence of such individuals; or

(vi) the party is a post-employment benefit plan which is for the benefit of employees of the Target Group or of any entity that is a related party of the Target Group.

Close family members of an individual are those family members who may be expected to influence, or be influenced by, that individual in their dealings with the entity.

3. BUSINESS AND GEOGRAPHICAL SEGMENTS

For the Relevant Period, the Target Group was principally engaged in the investment holding and holding of hydrocarbons exploration and evaluation assets upon completion. The results, assets and liabilities of the Target Group during the Relevant Period was mainly related to the investment holding and holding of hydrocarbons exploration and evaluation assets upon completion and, the assets are mainly located in Argentina.

Since the Target Group did not generate revenue during the Relevant Period, no business analysis and segment reporting information such as segment revenue, results, assets, liabilities and other information are shown under HKAS 14 "Segment Reporting".

4. OTHER REVENUE

	9/3/2007 to 31/12/2008 *HK$'000*
Bank interest income	24
Total interest income on financial assets not at fair value through profit or loss	24

5. LOSS BEFORE TAXATION

Loss before taxation is arrived at after charging the following:

	9/3/2007 to 31/12/2008 *HK$'000*
(a) Finance costs	
Interest expense on other loans wholly repayable within five years	3,995
Total interest expense on financial liabilities not at fair value through profit or loss	3,995
(b) Other items	
Auditor's remuneration	80

6. INCOME TAX

(a) No provision for Hong Kong Profits Tax has been made as the Target Group has no assessable profit arising in Hong Kong during the Relevant Period. Taxation in other jurisdictions is calculated at the rates applicable in the respective jurisdictions in which the Target Group operates, based on existing legislation, interpretations and practices in respect thereof.

(b) Reconciliation between tax expense and accounting loss at the applicable tax rate:

	9/3/2007 to 31/12/2008 *HK$'000*
Loss before taxation	(6,452)
Notional tax on loss before taxation, calculated at the rates applicable to profits in the tax jurisdictions concerned	–
Actual tax expense	–

(c) No provision for deferred taxation has been made as there were no temporary differences at the balance sheet date.

7. DIRECTORS' REMUNERATIONS

No directors' remuneration has been paid or is payable for the Relevant Period.

No emoluments or discretionary bonus were paid by the Target Group to the directors as an inducement to join or upon joining the Target Group or as compensation for loss of office during the Relevant Period. No director of the Target Group waived or agreed to waive any emoluments or discretionary bonus during the Relevant Period.

8. LOSS ATTRIBUTABLE TO EQUITY SHAREHOLDERS OF THE PARENT

The consolidated loss attributable to equity shareholders of the Target includes a loss of HK$5,422,000 during the period from 9 March 2007 (date of incorporation) to 31 December 2008 which have been dealt with in the Financial Information of the Target.

9. LOSS PER SHARE

(a) Basic loss per share

The calculation of basic loss per share is based on the net loss attributable to ordinary equity shareholders of the Target of HK$6,452,000 and the weighted average number of 2,700 ordinary shares in issue throughout the Relevant Period.

(b) Diluted earnings per share

Diluted earnings per share is not presented as there were no dilute potential ordinary shares in existence during the Relevant Period.

10. EXPLORATION AND EVALUATION ASSETS

The Target Group

	HK$'000
At 9 March 2007	–
Arising on acquisition of a subsidiary *(note 16)*	811,634
At 31 December 2008	811,634

Pursuant to legal opinion obtained, the director defines the Tartagal Concession and Morillo Concession (collectively the "Concessions") as the concessions of exploration permits and potential exploitation permits for oil and developments of hydrocarbons in the province of Salta in northern Argentina covering a total surface area of approximately 7,065 and 3,518 square kilometers respectively. The Tartagal Concession was granted under the Provincial Government Decree N°3391/2006 dated 29 December 2006; and the Morillo Concession was granted under the Provincial Government Decree N°3388/2006 dated 29 December 2006 to JHP International Petroleum Engineering Limited ("JHP') and Maxipetrol – Petroleros de Occidente S.A. ("Maxipetrol" (formerly known as "Oxipetrol")) respectively (collectively the "Consortium"). Pursuant to legal opinion obtained, the director considers that the aforesaid decrees are legal, valid and enforceable. The exploration permits granted are valid for an initial period of four years and additional extensions of an aggregate of up to nine years may be obtained. The holder for an exploration permit has the right to obtain an exploitation permit.

On 28 August 2007, an additional agreement was executed by the Consortium specially related to the Concessions. Based on legal opinion obtained, the directors confirm that the Consortium has agreed to distribute the interest in the Concessions as to 70% by JHP and as to 30% by Maxipetrol. A joint venture company ("UTE") is to be set up to take up the interest distributed and to ultimately be the title owner of the concession of exploration permits to the Concessions.

On 20 September 2007, High Luck and the Consortium entered into an assignment agreement pursuant to which, the Consortium has agreed to assign 60% interests in the Concessions to High Luck for a consideration of US$3.5 million (equivalent to approximately HK$27.3 million), which will be subject to the notification to the Argentina government requesting authorisation of the assignment to High Luck. Pursuant to legal opinion obtained, the directors do not foresee any major difficulties in respect of the transfer of ownership of the Concessions from the Consortium to High Luck and the renewal of the Concessions in the future.

The UTE has been registered in the Public Register of Commerce on 14 March 2008. The application for including High Luck as one of the cooperators of the UTE is still not yet submitted to the authority up to the reporting date.

As for the fair value of the interest in the Concessions acquired, since the valuation was based on prospective resources which indicate exploration opportunities and development potential only in the event a petroleum discovery is made, the range of reasonable fair value estimates is so large that the directors of the Target are of the opinion that its fair value cannot be measured reliably. As a result, the fair value of the consideration paid was used to account for the Target Group's interest in the Concessions.

The Target Group has not commenced any exploration activity on the Concessions as at 31 December 2008.

During the Relevant Period, the management of the Target Group determines that there is no impairment of exploration and evaluation assets.

11. INTEREST IN A SUBSIDIARY

The Target

	As at 31/12/2008 *HK$'000*
Unlisted shares, at cost	780,000
Due from subsidiary *(note (b))*	32,668
	812,668

On 10 October 2007, the Target entered into a conditional agreement with an independent third party to acquire 51% equity interest of High Luck. Further, on 11 November 2007, the Target entered into a conditional agreement with an independent third party to acquire an additional 49% equity interest in High Luck. As a result, the Target's interest in the issued share capital of High Luck increased to 100% and the Target will become the beneficial and registered owner of 60% interest in the Concessions at completion of the Acquisition by the Company.

An aggregate consideration of US$100 million was paid for the above acquisitions by way of promissory notes issued by the shareholders of the Target to the vendors.

Pursuant to the conditional agreement entered into on 10 October 2007, one of the conditions precedent to completion is that High Luck should possess the 60% interest in the Concessions.

Notes:

(a) The particulars of the subsidiary of the Target at 31 December 2008 are as follows:

Name of the company	Date of incorporation	Place of incorporation	Issued and fully paid share capital	Equity interest attributable to the Target Group	Principal activity
High Luck Group Limited ("高運集團有限公司")	16 August 2005	BVI	US$100	100%	Investment holding and holding of hydrocarbons exploration and evaluation assets upon completion

(b) The balance is unsecured, interest-free and repayable on demand.

12. CASH AND CASH EQUIVALENTS

The Target Group and the Target

	As at 31/12/2008 *HK$'000*
Cash and cash equivalents in the balance sheet and cash flow statement	22

13. AMOUNTS DUE TO SHAREHOLDERS

The balances are unsecured, interest-free and repayable on demand.

14. CAPITAL AND RESERVE

(a) The Target Group

	Share capital	Accumulated losses	Total
	HK$'000	*HK$'000*	*HK$'000*
At 9 March 2007	–	–	–
Issue of shares	21	–	21
Loss for the period	–	(6,452)	(6,452)
At 31 December 2008	21	(6,452)	(6,431)

(b) The Target

	Share capital	Accumulated losses	Total
	HK$'000	*HK$'000*	*HK$'000*
At 9 March 2007	–	–	–
Issue of shares	21	–	21
Loss for the period	–	(5,422)	(5,422)
At 31 December 2008	21	(5,422)	(5,401)

(c) Authorised and issued share capital

	As at 31/12/2008	
	Number of shares	*HK$'000*
Authorised:		
Ordinary shares of US$1 each	50,000	390
Ordinary shares, issued and fully paid:		
At 9 March 2007	–	–
Issue of shares	2,700	21
At 31 December 2008	2,700	21

The holders of ordinary shares are entitled to receive dividends as declared from time to time and are entitled to one vote per share at meetings of the Target. All ordinary shares rank equally with regard to the Target's residual assets.

On 27 April 2007, the Company issued 2,700 shares of US$1 each at par for cash as its initial working capital.

(d) Distributability of reserves

At 31 December 2008, no reserve was available for distribution to shareholders of the Target.

(e) Capital management

The Target Group's objectives when managing capital are:

(a) To safeguard the Target Group's ability to continue as a going concern, so that it continues to provide returns and benefits for stakeholders;

(b) To support the Target Group's stability and growth; and

(c) To provide capital for the purpose of strengthening the Target Group's risk management capability.

The Target Group actively and regularly reviews and manages its capital structure to ensure optimal capital structure and shareholder returns, taking into consideration the future capital requirements of the Target and capital efficiency, prevailing and projected profitability, projected operating cash flows, projected capital expenditures and projected strategic investment opportunities. The Target currently does not adopt any formal dividend policy. Management regards total equity as capital, for capital management purpose.

15. FINANCIAL INSTRUMENTS

The Target Group's major financial instruments include bank balances and amounts due to shareholders. Details of these financial instruments are disclosed in respective notes. The risks associated with these financial instruments and the policies applied by the Target Group to mitigate these risks are set out below. Management monitors this exposure to ensure appropriate measure is implemented in a timely and effective manner.

(a) Credit risk

The maximum exposure to credit risk of the Target Group and the Target in the event of the counterparties, failure to perform their obligations in relation to each class of recognised financial assets is the carrying amount of those assets as stated in the consolidated balance sheet and the Target's balance sheet. The Target Group and the Target review the recoverable amount of each individual receivable and amount due from a subsidiary at each balance sheet date to ensure that adequate impairment losses are made for irrecoverable amounts.

(b) Liquidity risk

The Target Group incurred a loss of approximately HK$6,452,000 during the Relevant Period and, as of 31 December 2008, the Target's and the Target Group's current liabilities exceeded their current assets by approximately HK$818,069,000 and HK$818,065,000 respectively. In the event of the unsuccessful completion of the Shares Sales, the directors of the Target expect that the Target Group is able to maintain its operation by obtaining future fundings. In the event of the successful completion of the Shares Sales, the Company will provide financial support to the Target Group.

(c) Interest rate risk

As the Target Group has no significant interest-bearing assets and liabilities, the directors consider its exposure to interest rate risk is minimal.

(d) Currency risk

The Target Group's monetary assets and liabilities are denominated in Hong Kong dollars. The exchange rate risk to the Target Group is not significant.

(e) Fair values

The directors consider that all financial instruments are carried at amounts not materially different from their fair values as at 31 December 2008.

16. ACQUISITION OF ASSETS AND LIABILITIES THROUGH ACQUISITION OF A SUBSIDIARY

On 12 October 2007 and 11 November 2007, the Target acquired respectively 51% and 49% equity interest in High Luck, which will become the beneficial and registered owner of 60% interest in the Concessions upon completion of the Acquisition by the Company, for an aggregate consideration of US$70 million (approximately HK$546 million) and US$30 million (approximately HK$234 million) respectively. These transactions have been reflected as purchases of assets and liabilities.

Details of the net assets acquired in respect of the acquisition of High Luck are summarised below:

	HK$'000
Net assets acquired	
Exploration and evaluation assets	811,634
Prepayments	4
Other payable	(31,638)
	780,000
Consideration satisfied by:	
Promissory notes issued by the shareholders of the Target	(780,000)
Net cash outflow of cash and cash equivalents in respect of the acquisition of a subsidiary	–

17. MATERIAL RELATED PARTY TRANSACTIONS

(a) Transactions with key management personnel

All members of key management personnel are the directors of the Target Group, and their remunerations are disclosed in note 7.

(b) Transactions with related parties

On 25 May 2007, the director of the Target had given a personal guarantee to a third party corporation for loan facilities up to HK$30,000,000 granted to the Target. The guarantee was released when the novation deed was signed on 31 December 2007.

18. CAPITAL COMMITMENTS

According to the legal opinion issued by the Argentina legal advisers dated 18 October 2007, it is the obligation of the Consortium to fulfill the investment commitment for the exploration work in the Tartagal and Morillo license areas up to a total amount of US$35,990,000 and US$13,000,000 respectively (the "Investment Commitment") within the initial four-year period of the Concessions. The amount not spent in the exploration work at the end of the initial four-year period must be paid to the government of Salta Province of Argentina. The Consortium is obliged to obtain a guarantee for the benefit of the government of Salta Province of Argentina for an amount equal to the Investment Commitment (the "Guarantee"). The Guarantee is to be fulfilled by posting a performance bond which shall consist of, among others, a surety bond issued by leading insurance companies in Argentina for an amount equal to the Investment Commitment (subject to the amount spent relating to the exploration work in the Concession sites) to the government of Salta Province of Argentina.

Pursuant to the Second Supplementary Agreement and its amendment, the Company has agreed to bear the costs of approximately US$953,344 (equivalent to approximately HK$7,436,000), representing the total insurance premium payable to the insurance company for issuing an insurance policy to the government of Salta Province of Argentina for the initial four-year period, to be incurred by the Vendors.

In addition, the Consortium entered into a supplementary agreement on 28 August 2007 to identify the rights and obligations between both parties. Upon signing the Assignment Agreement on 20 September 2007, High Luck has the same outstanding obligations as JHP as disclosed below:–

(i) To place in the Province of Salta two Work-Over equipments capable of operating at 3,000/4,000 meters deep;

(ii) To provide its own personnel for the exploration of the Tartagal and Morillo license areas;

(iii) To reach agreements with surface owners and finish the survey of the Tartagal and Morillo license;

(iv) To prepare a work plan for submission to UTE-Administration Committee within 45 days after JHP's technicians arrive to Argentina;

(v) To produce a monthly report regarding the status of the works, to be submitted to the Province of Salta; and

(vi) To reimburse Maxipetrol all justified costs incurred by the latter if any.

Save for the commitments as disclosed above, the Target Group will have the following obligation and commitment, which to be the same as the Consortium pursuant to the bidding documents, upon completion:–

(i) An annual fee of AR$917,652 (equivalent to approximately HK$2,064,000) in relation to the exploration permits of the Concessions paid for the first exploration period in advance to the government of Salta Province of Argentina;

(ii) To indemnify the surface owners for any damages caused by the activities conducted by the Consortium; and

(iii) To contract an environmental liability insurance covering the government of Salta Province of Argentina and/or third persons from any damage that the works may cause in the Tartagal and Morillio license areas.

19. CRITICAL ACCOUNTING JUDGEMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY

In the process of applying the Target Group's accounting policies, management has made the following judgments and the key assumptions concerning the future, and other key sources of estimation uncertainty at the balance sheet date, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year.

(a) Impairment of exploration and evaluation assets

Recoverable amounts of exploration and evaluation assets are determined where there is impairment indication and requires an estimation of the existence and the amounts of hydrocarbons that can be explored in the oil fields. The Target relied on the expert to assess the geological risk of discovering hydrocarbons in the oil fields and estimated the value of exploration opportunities and development potential.

(b) Impairment for investment in a subsidiary

If circumstances indicate that the investment in a subsidiary may not be recoverable, investment in a subsidiary may be considered impaired, and an impairment loss may be recognised in accordance with HKAS 36, *Impairment of Assets*. The carrying amount of investment in a subsidiary is reviewed periodically in order to assess whether the recoverable amount has declined below the carrying amount. The asset is tested for impairment whenever events or changes in circumstances indicate that the recorded carrying amount may not be recoverable. When such a decline has occurred, the carrying amount is reduced to recoverable amount. The recoverable amount is the greater of the net selling price and the value in use. It is difficult to precisely estimate selling price because quoted market prices for investment in a subsidiary are not readily available. In determining the value in use, expected cash flows generated by the investment in a subsidiary are discounted to their present value, which requires significant judgment relating to level of sale volume, tariff and amount of operating costs of the subsidiary. The Target uses all readily available information in determining an amount that is a reasonable approximation of the recoverable amount, including estimates based on reasonable and supportable assumptions and projections of sale volume, tariffs and amount of operating costs of the subsidiary.

20. POSSIBLE IMPACT OF AMENDMENTS, NEW STANDARDS AND INTERPRETATIONS ISSUED BUT NOT YET EFFECTIVE FOR THE PERIOD ENDED 31 DECEMBER 2008

Up to the date of issue of the Financial Information, the HKICPA has issued a number of amendments, new standards and interpretations which are not yet effective for the Relevant Period and which have not been adopted in the Financial Information.

The Target Group is in the process of making an assessment of what the impact of these amendments, new standards and new interpretations is expected to be in the period of initial application, but is not yet in a position to state whether these amendments, new standards and interpretations would have a significant impact on its results of operations and financial position.

		Effective for accounting periods beginning on or after
HKAS 1 (Revised)	Presentation of Financial Statements	1 January 2009
HKAS 23 (Revised)	Borrowing Costs	1 January 2009
HKAS 27 (Revised)	Consolidated and Separate Financial Statements	1 July 2009
HKFRS 2	Vesting conditions and cancellations	1 January 2009
HKFRS 3 (Revised)	Business Combinations	1 July 2009
HKFRS 8	Operating Segments	1 January 2009

C. POST BALANCE SHEET EVENT

No significant events have taken place subsequent to 31 December 2008.

D. SUBSEQUENT FINANCIAL STATEMENTS

No audited financial statements have been prepared by the Target Group, Target or any of the companies comprising the Target Group in respect of any period subsequent to 31 December 2008.

2. MANAGEMENT DISCUSSION AND ANALYSIS ON THE TARGET GROUP

Set out below is the management discussion and analysis on the Target Group for the period from 9 March 2007 (the date of incorporation) to 31 December 2008 (the "Relevant Period").

Business review

The Target is an investment holding company incorporated in the BVI and the entire issued share capital of which is wholly owned by the Vendors. The Target is interested in 100% of the issued share capital of High Luck. During the Relevant Period, the Target Group did not generate any revenue and did not carry on any business. The Target Group has not commenced any exploration activity on the Concessions during the Relevant Period.

Exploration and evaluation assets

As at 31 December 2008, the exploration and evaluation assets of the Target Group amounted to approximately HK$811.6 million, representing the Concessions of exploration permits and potential exploitation permits for oil and developments of hydrocarbons in the province of Salta in northern Argentina covering an aggregate of surface area of approximately 10,583 square kilometers.

Other revenue

The other revenue recorded during the Relevant Period represents bank interests generated from the bank balances of the Target Group.

Liquidity and financial resources

Financial position

During the Relevant Period, the Target Group recorded audited loss of approximately HK$6.5 million. The Target Group's audited net liability as at 31 December 2008 was approximately HK$6.4 million. The shareholders' loan as at 31 December 2008 was approximately HK$817.9 million which will be assigned to the Company upon Completion.

As at 31 December 2008, the gearing ratio of the Target Group, calculated as total liabilities over total assets, was 100.8%.

Securities and guarantees

As at 31 December 2008, the Target Group had not made any pledge of or created any security over its assets.

According to the Investment Commitment required by the licenses of the Concessions, the Consortium is obliged to obtain a guarantee for the benefit of the government of Salta Province of Argentina for an amount equal to the Investment Commitment. The guarantee is to be fulfilled by posting a performance bond which shall consist of, among others, a surety bond issued by leading insurance companies in Argentina for an amount equal to the Investment Commitment to the government of Salta Province of Argentina.

Contingent liabilities

As at 31 December 2008, the Target Group did not have any contingent liability.

Capital commitment

Save for the Investment Commitment, the Target Group have the following obligation and commitment upon Completion:

(i) An annual fee of AR$917,652 (equivalent to approximately HK$2,064,000) in relation to the exploration permits of the Concessions paid for the first exploration period in advance to the government of Salta Province of Argentina;

(ii) To indemnify the surface owners for any damages caused by the activities conducted by the Consortium; and

(iii) To contract an environmental liability insurance covering the government of Salta Province of Argentina and/or third persons from any damage that the works may cause in the Tartagal and Morillio license areas.

In addition, the Consortium entered into a supplementary agreement on 28 August 2007 to identify the rights and obligations between both parties. Upon signing the Assignment Agreement on 20 September 2007, High Luck has the same outstanding obligations as JHP as disclosed below:–

(i) To place in the Province of Salta two Work-Over equipments capable of operating at 3,000/4,000 meters deep;

(ii) To provide its own personnel for the exploration of the Tartagal and Morillo license areas;

(iii) To reach agreements with surface owners and finish the survey of the Tartagal and Morillo license;

(iv) To prepare a work plan for submission to UTE-Administration Committee within 45 days after JHP's technicians arrive to Argentina;

(v) To produce a monthly report regarding the status of the works, to be submitted to the Province of Salta; and

(vi) To reimburse Maxipetrol all justified costs incurred by the latter if any.

Material acquisition of a subsidiary

On 12 October 2007 and 11 November 2007, the Target acquired 51% and 49% equity interest in High Luck respectively, which will become the beneficial and registered owner of 60% interest in the Concessions upon Completion, for an aggregate consideration of US$70 million (approximately HK$546 million) and US$30 million (approximately HK$234 million) respectively.

Exchange rate risk and interest rate risk

The Target Group's monetary assets and liabilities are denominated in Hong Kong dollars. The exchange rate risk to the Target Group is not significant.

Remuneration of employees, remuneration policies

As at 31 December 2008, the Target Group has 1 employee, who was remunerated according to qualifications and experience, job nature and performance, with pay scale aligned with market conditions.

The following are the unaudited pro forma financial information on the Enlarged Group and the text of a comfort letter thereon received from the reporting accountants, CCIF CPA Limited, Certified Public Accountants, Hong Kong, prepared for the purpose of inclusion in this circular:

A. UNAUDITED PRO FORMA FINANCIAL INFORMATION OF THE ENLARGED GROUP

(I) Unaudited Pro Forma Balance Sheet of the Enlarged Group

The following table is an illustrative unaudited pro forma balance sheet of the Enlarged Group which has been prepared on the basis set out below for the purpose of illustration as if the Completion had taken place at 31 December 2008.

The unaudited pro forma balance sheet of the Enlarged Group is prepared as if the Completion had been taken place on 31 December 2008 and is based on:

(1) the unaudited condensed consolidated balance sheet of the Group as at 30 June 2008 extracted from the published interim report of the Group for the six months ended 30 June 2008; and

(2) the consolidated balance sheet as at 31 December 2008 as extracted from the accountants' report of the Target Group, as set out in Appendix II to this Circular

and after making certain pro forma adjustments as set out below.

The unaudited pro forma balance sheet of the Enlarged Group is prepared by the directors of the Company to provide unaudited pro forma financial information on the Enlarged Group as a result of the Completion. As it is prepared for illustrative purpose only, it does not purport to give a true picture of what the results of the Enlarged Group are on the completion of the proposed Acquisition or, for any future financial periods.

	The Group as at 30 June 2008	Target Group as at 31 December 2008	Pro forma adjustments					Unaudited pro forma balance sheet of the Enlarged Group
			(note 1)	*(note 2)*	*(note 3)*	*(note 4)*	*(note 5)*	
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
Non current assets								
Fixed assets								
– Investment properties	67,082	–						67,082
– Other property, plant and equipment	4,994	–						4,994
Interest in a jointly controlled entity	–	–						–
Exploration and evaluation assets	–	811,634				1,282,070	2,064	2,095,768
	72,076	811,634						2,167,844
Current assets								
Trade and other receivables	59,846	4						59,850
Deposit paid for potential investment	54,600	–		(54,600)				–
Cash and cash equivalents	162,214	22					(2,064)	160,172
	276,660	26						220,022
Current liabilities								
Trade and other payables	(5,089)	(182)						(5,271)
Obligation under finance leases	(11)	–						(11)
Amount due to shareholders	–	(817,909)			817,909			–
Tax payable	(1,477)	–						(1,477)
	(6,577)	(818,091)						(6,759)
Net current assets/(liabilities)	270,083	(818,065)						213,263
Total assets less current liabilities	342,159	(6,431)						2,381,107
Non-current liabilities								
Obligation under finance leases	(31)	–						(31)
Promissory note	–	–		(125,460)				(125,460)
Deferred tax liabilities	(1,286)	–						(1,286)
	(1,317)	–						(126,777)
Net assets/(liabilities)	340,842	(6,431)						2,254,330
Share capital and reserve								
Share capital	78,197	21	(21)	28,125				106,322
Reserves	262,645	(6,452)		1,891,815				2,148,008
Total equity	340,842	(6,431)						2,254,330

(II) Unaudited Pro Forma Income Statement of the Enlarged Group

The following table is an illustrative unaudited pro forma income statement of the Enlarged Group which has been prepared on the basis set out below for the purpose of illustration as if the Completion had taken place at 1 January 2007.

The unaudited pro forma income statement of the Enlarged Group is prepared as if the Acquisition had been completed on 1 January 2007 and is based on:

(1) the audited consolidated income statement of the Group for the year ended 31 December 2007, which has been extracted from the published annual report of the Company for the year ended 31 December 2007; and

(2) the consolidated income statement of the Target Group for the period from 9 March 2007 (date of incorporation) to 31 December 2008 as extracted from the accountants' report of the Target Group, as set out in Appendix II to this Circular

and after making certain pro forma adjustments as set out below.

The unaudited pro forma income statement of the Enlarged Group is prepared by the directors of the Company to provide unaudited pro forma financial information on the Enlarged Group as a result of the Completion. As it is prepared for illustrative purposes only, it does not purport to give a true picture of what the results of the Enlarged Group are on the completion of the proposed Acquisition or, for any future financial periods.

	The Group for the year ended 31 December 2007 *HK$'000*	Target Group for the period from 9 March 2007 to 31 December 2008 *HK$'000*	Pro forma adjustments *(note 2)* *HK$'000*	Unaudited pro forma income statement of the Enlarged Group *HK$'000*
Turnover	155,453	–		155,453
Cost of sales	(156,325)	–		(156,325)
Gross loss	(872)	–		(872)
Other revenue	1,536	24		1,560
Other net income	4,077	–		4,077
Other operating income	3,391	–		3,391
Valuation loss on investment properties	(7,901)	–		(7,901)
Write down of inventories	(15,912)	–		(15,912)
Equity settled share-based payment expenses	(12,838)	–		(12,838)
Impairment loss on goodwill	(10,200)	–		(10,200)
Administrative expenses	(17,473)	(2,481)		(19,954)
Other operating expenses	(2,876)	–		(2,876)
Loss from operations	(59,068)	(2,457)		(61,525)
Finance costs	(430)	(3,995)	(2,460)	(6,885)
Loss before taxation	(59,498)	(6,452)		(68,410)
Income tax	(239)	–		(239)
Loss for the year/period	(59,737)	(6,452)		(68,649)
Attributable to equity shareholders of the Company	(59,737)	(6,452)		(68,649)

(III) Unaudited Pro Forma Cash Flow Statement of the Enlarged Group

The following is an illustrative unaudited pro forma cash flow statement of the Enlarged Group which has been prepared on the basis set out below for the purpose of illustration as if the Completion had taken place at 1 January 2007.

The unaudited pro forma cash flow statement of the Enlarged Group is prepared as if the Completion had been taken place on 1 January 2007 and is based on:

(1) the audited consolidated cash flow statement of the Group for the year ended 31 December 2007, which has been extracted from the published annual report of the Company for the year ended 31 December 2007; and

(2) the consolidated cash flow statement of Target Group for the period from 9 March 2007 (date of incorporation) to 31 December 2008 as extracted from the accountants' report of the Target Group, as set out in Appendix II to this Circular

and after making certain pro forma adjustments as set out below.

The unaudited pro forma cash flow statement of the Enlarged Group is prepared by the directors of the Company to provide unaudited pro forma financial information on the Enlarged Group as a result of the Completion. As it is prepared for illustrative purposes only, it does not purport to give a true picture of what the results of the Enlarged Group are on the completion of the proposed Acquisition or, for any future financial periods.

	The Group for the year ended 31 December 2007	Target Group for the period from 9 March 2007 to 31 December 2008	Pro forma adjustments		Unaudited pro forma cash flow statement of the Enlarged Group
			(note 2)	*(note 5)*	
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
Operating activities					
Loss before taxation	(59,498)	(6,452)	(2,460)		(68,410)
Adjustments for:					
Depreciation	76	–			76
Valuation loss on investment properties	7,901	–			7,901
Write down of inventories	15,912	–			15,912
Finance costs	430	3,995	2,460		6,885
Interest income	(1,531)	(24)			(1,555)
Equity settled share-based payment expenses	12,838	–			12,838
Impairment loss on goodwill	10,200	–			10,200
Impairment loss on trade and other receivables	1,000	–			1,000
Recovery of debts on loan receivables	(400)	–			(400)
Reversal of impairment loss on trade and other receivables	(2,991)	–			(2,991)
Foreign exchange gain	(4,188)	–			(4,188)
Operating loss before working capital changes	(20,251)	(2,481)			(22,732)
Increase in inventories	(116,687)	–			(116,687)
Increase in trade and other receivables	(15,189)	(4)			(15,193)
Decrease in loan receivables, unsecured	400	–			400
Increase in trade and other payables	94,113	182			94,295
Increase in amounts due to shareholders	–	33,575			33,575

	The Group for the year ended 31 December 2007	Target Group for the period from 9 March 2007 to 31 December 2008	Pro forma adjustments		Unaudited pro forma cash flow statement of the Enlarged Group
			(note 2)	*(note 5)*	
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
Cash (used in)/generated from operations	(57,614)	31,272			(26,342)
Interest paid	(430)	(3,995)			(4,425)
Interest received	1,531	24			1,555
Net cash inflow/(outflow) from operating activities	(56,513)	27,301			(29,212)
Investing activities					
Payment for the purchase of property, plant and equipment	(1,799)	–			(1,799)
Payment for exploration and evaluation assets	–	(27,300)		(2,064)	(29,364)
Payment for the deposit of potential investment	(54,600)	–			(54,600)
Net cash outflow from investing activities	(56,399)	(27,300)			(85,763)
Financing activities					
Loans borrowed	10,700	–			10,700
Repayment of bank and other borrowings	(9,965)	–			(9,965)
Capital element of finance lease rental payments	(10)	–			(10)
Proceeds from shares issued under share option scheme	2,600	–			2,600
Issue of new shares	255,250	21			255,271
Payment for expenses of issuing own shares	(3,078)	–			(3,078)

	The Group for the year ended 31 December 2007	Target Group for the period from 9 March 2007 to 31 December 2008	Pro forma adjustments		Unaudited pro forma cash flow statement of the Enlarged Group
			(note 2)	*(note 5)*	
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
Net cash inflow from financing activities	255,497	21			255,518
Increase in cash and cash equivalents	142,585	22			140,543
Cash and cash equivalents at the beginning of the year	14,754	–			14,754
Effect of foreign exchange rate changes	2,856	–			2,856
Cash and cash equivalents at end of the year/period	160,195	22			158,153
Analysis balances of cash and cash equivalents					
Cash and bank balances	160,195	22			158,153

Notes:

1. The adjustment represents the elimination of the share capital of the Target upon consolidation.

2. The adjustments for the acquisition of the interest in 100% of the issued share capital of the Target Group, the consideration of HK$2,100 million is to be satisfied in full by way (i) the issue and allotment of 281,250,000 shares at an issue price of HK$0.32 each; (ii) the issue of promissory note of HK$123 million which is interest bearing at 2% per annum; (iii) the issue of convertible note of HK$1,832.4 million at conversion price of HK$0.32 per share; and (iv) cash as to remaining HK$54.6 million. The cash consideration of HK$54,600,000 had already been paid upon signing of the First Supplemental Agreement on 12 November 2007 and reflected as "Deposit paid for potential investment" in the published interim report of the Group.

3. The adjustment represents the elimination of shareholder's loan of the Target of approximately HK$817,909,000.

4. The adjustment reflects the purchase of exploration and evaluation assets, which is the difference between (i) the purchase price for 100% equity interest in the Target of HK$2,100 million; (ii) the net assets of the Target Group as at 9 March 2007 (Date of incorporation) of approximately HK$21,000 and (iii) the face value of shareholders' loan of the Target at HK$817,909,000.

5. The adjustment represents the annual fee of AR$917,652 (equivalent to approximately HK$2,064,000) for the exploration permits of the Concessions paid to the government of Salta Province of Argentina for the period.

CCIF

CCIF CPA LIMITED
20/F Sunning Plaza
10 Hysan Avenue
Causeway Bay, Hong Kong

20 February 2009

The Directors
New Times Group Holdings Limited
Unit 2003–06, Shui On Centre
6–8 Harbour Road
Wanchai, Hong Kong

Dear Sirs,

We report on the unaudited pro forma financial information of New Times Group Holdings Limited (the "Company") and its subsidiaries (hereinafter collectively referred to as the "Group"), which has been prepared by the directors of the Company for illustrative purposes only, to provide information about how the proposed very substantial acquisition of Jade Honest Limited ("Target") and its subsidiary (hereinafter collectively referred to as the "Target Group") might have affected the financial information presented, for inclusion in Appendix III of the Circular dated 20 February 2009 (the "Circular"). The basis of preparation of unaudited pro forma financial information is set out in Appendix III to this Circular.

RESPECTIVE RESPONSIBILITIES OF DIRECTORS OF THE COMPANY AND REPORTING ACCOUNTANTS

It is the responsibility solely of the directors of the Company to prepare the unaudited pro forma financial information in accordance with Rule 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" issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA").

It is our responsibility to form an opinion, as required by paragraph 29(7) of Chapter 4 of the Listing Rules, on the unaudited 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 unaudited pro forma financial information beyond that owed to those to whom those reports were addressed by us at the dates of their issue.

BASIS OF OPINION

We conducted our engagement in accordance with Hong Kong Standard on Investment Circular Reporting Engagements 300 "Accountants' Report on Pro Forma Financial Information in Investment Circulars" issued by the HKICPA. Our work consisted primarily of comparing the unadjusted financial information with the source documents, considering the evidence supporting the adjustments and discussing the unaudited pro forma financial information with the directors of the Company. This engagement did not involve independent examination of any of the underlying financial information.

We planned and performed our work so as to obtain the information and explanations we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the unaudited pro forma financial information has been properly compiled by the directors of the Company on the basis stated, that such basis is consistent with the accounting policies of the Group and that the adjustments are appropriate for the purposes of the unaudited pro forma financial information as disclosed pursuant to paragraph 29(1) of Chapter 4 of the Listing Rules.

The unaudited pro forma financial information is for illustrative purposes only, based on the judgements and assumptions of the directors of the Company, and, because of its hypothetical nature, it does not provide any assurance or indication that any event will take place in the future and may not be indicative of:

– the financial position of the Enlarged Group as at 31 December 2008 or any future dates; or

– The results and cash flows of the Enlarged Group for the period ended 31 December 2008 or any future periods.

OPINION

In our opinion:

(a) the unaudited pro forma financial information has been properly compiled by the directors of the Company 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 unaudited pro forma financial information as disclosed pursuant to paragraph 29(1) of Chapter 4 of the Listing Rules.

Yours faithfully
CCIF CPA Limited
Certified Public Accountants
Sze Chor Chun, Yvonne
Practising Certificate Number P05049
Hong Kong, 20 February 2009

The following is the text of a letter prepared for the purpose of incorporation in this circular received from BMI Appraisals Limited, an independent valuer, in connection with its valuation of the market value of a 100% equity interest in the Targagal and Morillo Oilfields as at 31 December 2008.

BMI APPRAISALS
BMI Appraisals Limited 中和邦盟評估有限公司
Suite 11-18, 31/F., Shui On Centre, 6-8 Harbour Road, Wanchai, Hong Kong
香港灣仔港灣道6-8號瑞安中心3111-18室
Tel電話：(852) 2802 2191 Fax傳真：(852) 2802 0863
Email電郵：info@bmi-appraisals.com Website網址：www.bmi-appraisals.com

20 February 2009

The Directors
New Times Group Holdings Limited
Rooms 2003-06
Shui On Centre
Nos. 6-8 Gloucester Road
Wanchai
Hong Kong

Dear Sirs,

INSTRUCTIONS

We refer to the instructions from New Times Group Holdings Limited (referred to as the "Company") for us to provide our opinion on the market value of a 100% equity interest in the Tartagal and Morillo Oilfields (referred to as the "Oilfield") located in the province of Salta in north Argentina Republic ("Argentina") as at 31 December 2008.

This report describes the background of the Oilfield, the basis of valuation & assumptions, explains the valuation methodology utilized and presents our conclusion of value.

BASIS OF VALUATION

Our valuation has been carried out on the basis of market value. Market value is defined as "the estimated amount for which an asset should exchange on the date of valuation between a willing buyer and a willing seller in an arm's length transaction after proper marketing wherein the parties had each acted knowledgeably, prudently and without compulsion".

BACKGROUND OF THE OILFIELD

The Oilfield is located at Salta province, north Argentina, and consists of two large blocks named Tartagal and Morillo respectively. The Tartagal block is located in Chaco-Saltena plate and this area is located in south of Tonono and Jollin blocks, the north of Argentina and neighboring with Bolivian and Paraguay in north and east with area of 7,065 km^2. The Jollin and Tonono blocks are located on south of Chaco basin in structure with total area of 99 km^2 and 33 km^2 respectively, representing 66 km^2 for each, which are two small blocks compared with Tartagal block. The structural location map showing location of Tartagal block and Morillo block is as follows:

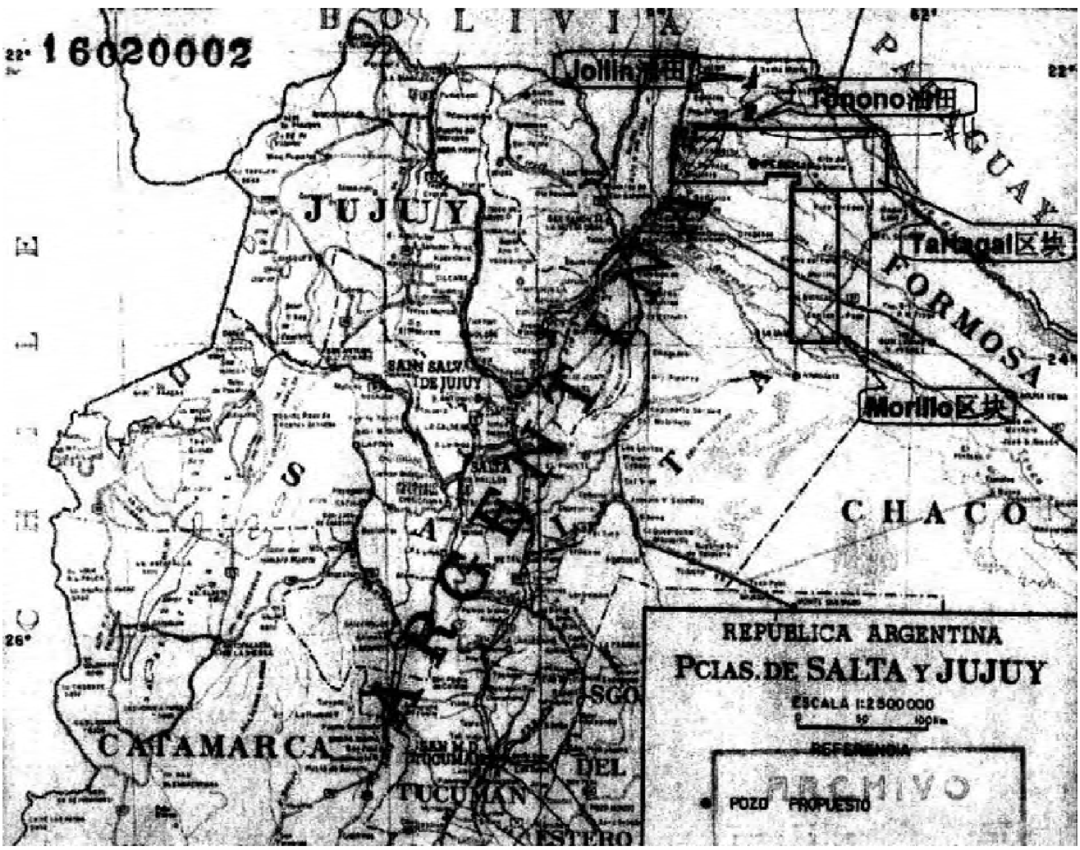


Figure 1. The Structural Location Map

According to the Assessment of the Unrisked Potential Original Hydrocarhons-in-Place and Gross (100 Percent) Prospective Resources for the Tartagal and Morillo License Areas Located in the Chaco-Paraná and Chaco-Tarija Basins, Salta Province, Argentina (referred to as the "Technical Report") dated 9 February 2009 issued by Netherland, Sewell & Associates, Inc. (referred to as the "Technical Consultant"), the unrisked gross (100 percent) prospective oil and gas resource for the Oilfield as at 10 October 2007 being as follows:

	OIL			**Gas**		
	Low Estimate	**Best Estimate**	**High Estimate**	**Low Estimate**	**Best Estimate**	**High Estimate**
	(Millions of Barrels)			*(Millions of Cubic Feet)*		
EM Deep 1	0.4	2.6	16.2	22,162	135,654	820,614
EM Deep 2	1.8	8.9	44.3	91,755	459,065	2,281,286
EM Deep 3	1.7	6.8	24.4	88,461	351,294	1,214,154
EM Deep 4	1.6	6.3	24.8	81,431	322,479	1,222,638
PET North	0.7	3.5	16.1	38,527	175,296	817,560
ZH South	13.7	39.2	107.3	11,246	34,281	101,999
EO East	16.6	41.1	100.7	13,190	35,470	90,762
Probabilistic Total	83.6	144.5	256.5	1,115,954	2,342,209	5,089,858

The Technical Report states that the above mentioned volume distributions represent a range of unrisked resource volumes, which are only valid if the physical elements required in order to form a successful oil or gas accumulation all come together simultaneously. As is typical for exploration prospects of this type, there is limited data available to provide any assurance of the simultaneous occurrence of these necessary events. Hence, there is a significant risk that the identified exploration prospects will be dry without any chance to even get on the volume distribution curve. The chance of success for any of the individual identified prospects was estimated to be 5% to 16%. Thus, there is a 84% to 90% chance that each identified prospect will be dry, with a 5% to 16% chance that all elements required come together to make a hydrocarbon discovery, upon which the range of potential size outcomes is represented by the preliminary concluded distribution of resource volumes.

BRIEF INDUSTRY OVERVIEW

World oilfield chemical market is gaining importance as a result of constantly increasing demand for oil & natural gas over the period, which resulted in expediting exploration and production activities all over the world. Oil and natural gas resources across the globe are not evenly distributed, with the depth and geological characteristics of the reserves differing greatly. Therefore, the growth in the demand for oilfield chemicals rests on the oil and natural gas exploration, drilling, and production activity, but not essentially in proportion to the increase in these activities.

Growth in this sector could be attributed to declining oil and gas reserves, leading to an upsurge in exploration, development, and drilling activities in offshore, deepwater, and developing regions. The growth in drilling activity resulted in explicitly increasing the number of drilling rigs across all regions. The level of exploration and production activity in major energy producing zones, and the depth and drilling conditions drive the oilfield chemical industry.

Historically, estimates of world oil reserves have an upward trend generally, details of which are showed in Figure 2. As at 1 January 2008, proved world oil reserves, as reported by the Oil & Gas Journal, were estimated at 1,332 billion barrels – 14 billion barrels (about 1%) higher than the estimate for 2007. According to the Oil & Gas Journal, 56% of the world's proved oil reserves are located in the Middle East.

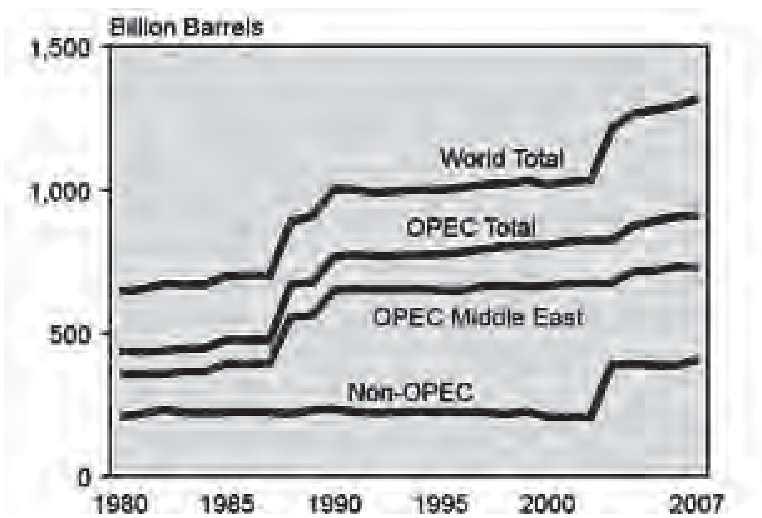


Figure 2. World Crude Oil Reserves, 1980-2007

Proved reserves of crude oil are the estimated quantities that geological and engineering data demonstrate with reasonable certainty can be recovered in future years from known reservoirs, assuming existing technology and current economic and operating conditions. Companies whose stocks are publicly traded on U.S. stock markets are required by the U.S. Securities and Exchange Commission (SEC) to report their holdings of domestic and international proved reserves, following specific guidelines. Country-level estimates of proved reserves are developed from the data reported to the SEC, from foreign government reports, and from international geologic assessments. Estimates are not always updated annually.

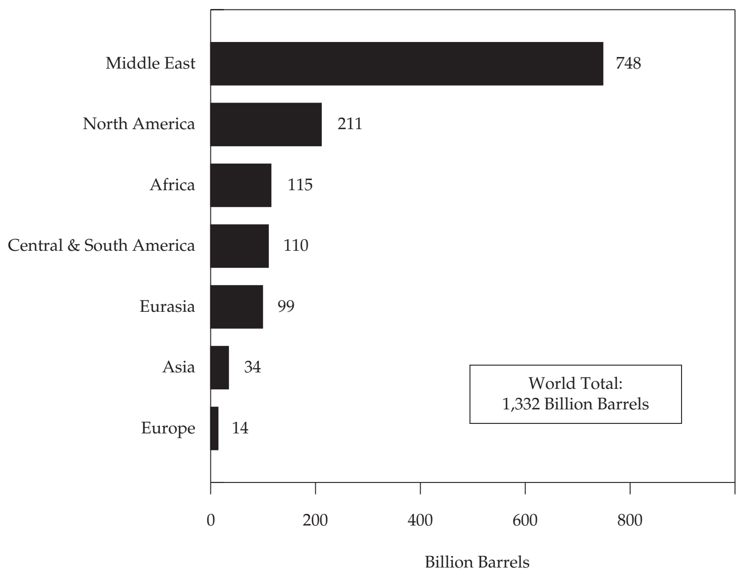


Figure 3. World Proved Oil Reserves by Geographic Region as at 1 January 2008

(Source: Worldwide Look at Reserves and Production" Oil Gas Journal)

Among the top 20 reserve holders in 2008, 11 are OPEC member countries that, together, account for 69% of the world's total reserves. The world oil reserves by country as at 1 January 2008 have been listed out as follows:

Country	**Oil Reserve** *(Billion Barrels)*
Saudi Arabia	264.3
Canada	178.6
Iran	138.4
Iraq	115.0
Kuwait	101.5
United Arab Emirates	97.8
Venezuela	87.0
Russia	60.0
Libya	41.5
Nigeria	36.2
Kazakhstan	30.0
United States	21.0
China	16.0
Qatar	15.2
Maxico	12.2
Algeria	12.2
Brazil	11.7
Angola	9.0
Norway	7.0
Azerbaijan	6.9
Rest of World	70.3
World Total	1,331.7

(Source: Worldwide Look at Reserves and Production" Oil Gas Journal)

According to the International Energy Outlook 2008 issued by Energy Information Administration, world energy consumption is projected to expand by 50% from 2005 to 2030. Although high prices for oil and natural gas, which are expected to continue throughout the period, are likely to slow the growth of energy demand in the long term, world energy consumption is projected to continue increasing strongly as a result of robust economic growth and expanding populations in the world's developing countries. OECD member countries are, for the most part, more advanced energy consumers. Energy demand in the OECD economies is expected to grow slowly over the projection period, at an average annual rate of 0.7%, whereas energy consumption in the emerging economies of non-OECD countries is expected to expand by an average of 2.5% per year.

(Quadrillion Btu)

Region	2005	2010	2015	2020	2025	2030	Average Annual Percent Change 2005-2030
OECD	**240.9**	**249.7**	**260.5**	**269.0**	**277.6**	**285.9**	**0.7**
North America	121.3	126.4	132.3	137.8	143.4	148.9	0.8
Europe	81.4	83.9	86.8	88.5	90.4	93.0	0.5
Asia	38.2	39.3	41.4	42.7	43.7	44.9	0.7
Non-OECD	**221.3**	**262.8**	**302.5**	**339.4**	**374.2**	**408.8**	**2.5**
Europe and Eurasia	50.7	55.1	59.5	63.3	66.0	69.1	1.2
Asia	109.9	137.1	164.2	189.4	215.9	240.8	3.2
Middle East	22.9	26.4	29.6	32.6	34.7	36.8	1.9
Africa	14.4	16.5	18.0	20.0	22.5	23.9	2.0
Central and South America	23.4	27.7	30.5	33.2	35.7	38.3	2.0
Total World	**462.2**	**512.5**	**563.0**	**508.4**	**651.8**	**694.7**	**1.6**

Table 1. World Marketed Energy Consumption by Country Group, 2005-2030

Source: International Energy Outlook 2008

China and India – the fastest growing non-OECD economies – will be key contributors to world energy consumption in the future. Over the past decades, their energy consumption as a share of total world energy use has increased significantly. In 1980, China and India together accounted for less than 8% of the world's total energy consumption; in 2005 their share had grown to 18%. Even stronger growth is projected over the next 25 years, with their combined energy use more than doubling and their share increasing to one-quarter of world energy consumption in 2030 in the IEO2008 reference case. In contrast, the U.S. share of total world energy consumption is projected to contract from 22% in 2005 to about 17% in 2030.

Energy consumption in other non-OECD regions is also expected to grow strongly from 2005 to 2030, with increases of around 60% projected for the Middle East, Africa, and Central and South America. A smaller increase, about 36%, is expected for non-OECD Europe and Eurasia (including Russia and the other former Soviet Republics), as substantial gains in energy efficiency result from the replacement of inefficient Soviet-era capital stock and population growth rates decline.

Moreover, there is increasing interest in gas world wide, with demand for gas currently growing and forecast to grow at a higher rate than oil over the next two decades. This is being driven partly by the availability of gas and its attractions on environmental grounds. It is also leading to increasing interest and development of Gas To Liquids technology in which gas is converted to a more concentrated liquid form to facilitate the exploitation of remote and smaller gas reserves.

Historically, world natural gas reserves have, for the most part, trended upward. As of 1 January 2008, proved world natural gas reserves, as reported by Oil & Gas Journal, were estimated at 6,186 trillion cubic feet – virtually unchanged from the estimate for 2007 of 6,168 trillion cubic feet. Reserves have remained relatively flat since 2004, despite growing demand for natural gas, implying that, thus far, producers have been able to continue replenishing reserves successfully with new resources over time. Almost three-quarters of the world's natural gas reserves are located in the Middle East and Eurasia. Russia, Iran, and Qatar together accounted for about 57% of the world's natural gas reserves.

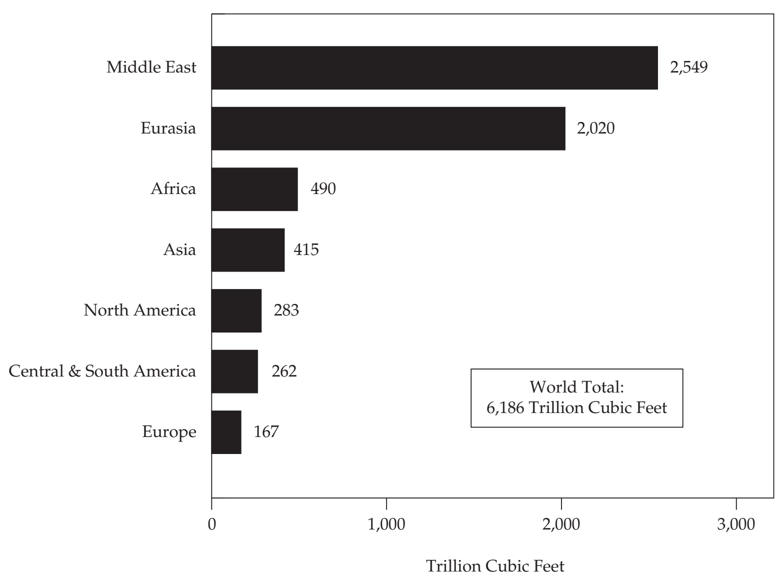


Figure 4. World Natural Gas Reserves by Geographic Region as at 1 January 2008

(Source: Worldwide Look at Reserves and Production" Oil Gas Journal)

According to the International Energy Outlook 2008 issued by Energy Information Administration, total natural gas consumption all over the world increases from 104 trillion cubic feet in 2005 to 158 trillion cubic feet in 2030. World oil prices are expected to remain high, and as a result natural gas replaces oil wherever possible. In addition, because natural gas produces less carbon dioxide when it is burned than does either coal or petroleum, governments implementing national or regional plans to reduce greenhouse gas emissions may encourage its use to displace other fossil fuels.

Natural gas remains a key energy source for industrial sector uses and electricity generation throughout the projection. The industrial sector, which is the world's largest consumer of natural gas, accounts for 43% of projected natural gas use in 2030. In the electric power sector, natural gas is an attractive choice for new generating plants because of its relative fuel efficiency and low carbon dioxide intensity. Electricity generation accounts for 35% of the world's total natural gas consumption in 2030.

SOURCE OF INFORMATION

For the purpose of our valuation, we have been furnished with the financial and operational data related to the Oilfield, which were given by the senior management of the Company.

The valuation of the Oilfield required consideration of all pertinent factors affecting the economic benefits of the Oilfield and its abilities to generate future investment returns. The factors considered in the valuations included, but were not limited to, the following:

- The business nature of the Oilfield;
- The financial information of the Oilfield;
- The geological information of the Oilfield;
- The specific economic environment and competition for the market in which the Oilfield operates or will operate;
- Market-derived investment return of entities engaged in similar lines of business; and
- The financial and business risks of the Oilfield, including the continuity of income and the projected future result.

Our opinion on the market value of Oilfield is chiefly based on the resource reserves results provided by the Technical Consultant. We need to state that we are not in the natural resources evaluation profession, therefore, no responsibility is assumed on the aspect of the accuracy of the information provided by the Technical Consultant.

SCOPE OF WORKS

In the course of our valuation work for the Oilfield, we have conducted the following steps to evaluate the reasonableness of the adopted bases and assumptions provided by the senior management of the Company:

- Obtained all relevant financial, operational and geological information of the Oilfield;

- Performed market research and obtained statistical figures from public sources;
- Examined all relevant bases and assumptions of both the financial, operational and geological information of the Oilfield, which were provided by the senior management of the Company;
- Prepared a business financial model to derive the indicated value of the Oilfield; and
- Presented all relevant information on the background of the Oilfield, industry overview, valuation methodology, source of information, scope of works, major assumptions, comments and our conclusion of value in this report.

VALUATION ASSUMPTIONS

Given the changing environment in which the Oilfield operates or will operate, a number of assumptions have had to be established in order to sufficiently support our concluded opinion of value of the Oilfield. The major assumptions adopted in our valuation were:

- There will be no major changes in the existing political, legal, and economic conditions in the jurisdiction where the Oilfield is located;
- There will be no major changes in the current taxation law in the jurisdiction where the Oilfield is located, that the rates of tax payable remain unchanged and that all applicable laws and regulations will be complied with;
- The geologic, operational and financial information in respect of the Oilfield has been prepared on a reasonable basis, reflecting estimates that have been arrived at after due and careful considerations by the senior management of the Company;
- Exchange rates and interest rates will not differ materially from those presently prevailing; and
- Economic conditions will not deviate significantly from economic forecasts.

VALUATION METHODOLOGY

Three generally accepted valuation methodologies have been considered in valuing the Oilfield. They are the market approach, the cost approach and the income approach.

The *market approach* provides indications of value by comparing the subject to similar businesses, business ownership interests, and securities that have been sold in the market.

The *cost approach* provides indications of value by studying the amounts required to recreate the business for which a value conclusion is desired. This approach seeks to measure the economic benefits of ownership by quantifying the amount of fund that would be required to replace the future service capability of the business.

The *income approach* is the conversion of expected periodic benefits of ownership into an indication of value. It is based on the principle that an informed buyer would pay no more for the project than an amount equal to the present worth of anticipated future benefits from the same or a substantially similar business with a similar risk profile.

We have considered that the income approach is not appropriate to value the Oilfield, as there are insufficient historical and forecasted financial and operational data of the Oilfield. Moreover, the income approach may involve adoption of much more assumptions than the other two approaches, not all of which can be easily quantified or ascertained. In the event of any such assumptions are founded to be incorrect or unfounded, the valuation result would be significantly affected. The cost approach is also regarded inadequate in this valuation, as this approach does not take future growth potential of the Oilfield into consideration. Thus, we have determined that the market approach is the most appropriate valuation approach for this valuation.

We used the market approach by referring to recent sales and purchase transactions of oilfields. First of all, we searched for the relevant transactions in Argentina but unfortunately no such information available. Therefore we referred to 40 recent sales and purchase transactions (referred to as the "Transactions") related to oilfields over the world in 2008, of which we further analyzed the natures, the presentation methods of the reserves and other parameters that may affect the comparability to Oilfield.

To the best of our knowledge, we considered the Transactions were exhaustive. Among all the transactions examined, first of all we have to exclude those transactions with insufficient information available for valuation, lack of disclosure of acquisition consideration for example. Afterwards, we considered the major difference between the Transactions and the Oilfield, including the category of oil reserves, the geographical locations and the percentage of ownership of the Transactions and the Oilfield during the valuation. Some transactions that were regarded not made at the arm's length were excluded. For those transactions that the presentation methods of the oil reserves do not match with the presentation of the Technical Report we referred to, the oil reserves were adjusted to ensure the comparability. For other transactions that the presentation methods of their oil reserves could not be adjusted to comply with the Technical Report due to the limitation of information, they were excluded in our valuation.

Taking into account the nature of the Transactions, similarity of the Transactions and the Oilfield and the availability of relevant information, 12 of the 40 transactions were selected as the comparable transactions (referred to as the "Comparable Transactions"). The Comparable Transactions were selected according to the availability of the key parameters for our valuation, i.e. the sum of proved and probable reserves, and the sample size is considered as adequate together with basis.

In the valuation, we used the weighted-average adjusted consideration price to proved and probable reserve (referred to as the "Adjusted P/Reserve") multiple of the Comparable Transactions to determine the market value of the Oilfield.

To determine the weighted-average Adjusted P/Reserve multiple, the adjusted consideration prices of the Comparable Transactions were firstly determined by adding the corresponding debts to and subtracting the corresponding land values, facilities values and working capitals of the assets to be acquired from the consideration prices, respectively. Secondly, the adjusted considerations were divided by the corresponding proved and probable reserves to derive the Adjusted P/Reserve.

The Adjusted P/Reserve multiples were then weighted using two weighting methods: (1) weighted by the adjusted consideration price; and (2) weighted by the amount of oil reserve.

Details of the Comparable Transactions are as follows:

Note	Acquisition Date	Acquirer	Target	Location of the Target*	Adjusted Consideration Price *(US$M)*	Proved and Probable Reserve *(MMB)*	Adjusted P/Reserve
1	23 Aug 2007	Abu Dhabi National Energy Company PJSC	Pioneer Canada	Canada	540.00	59.00	9.15
2	27 Feb 2008	Seaview Energy Inc	1332915 Alberta Limited	Canada	25.44	1.75	14.51
3	2 Apr 2008	Yoho Resources Inc	Vision 2000 Exploration Limited	Canada	8.16	0.63	13.04
4	3 Apr 2008	Eagle Rock Energy Partners LP	Stanolind Oil and Gas Corporation	United States	79.00	7.83	10.10
5	9 Apr 2008	Baytex Energy Trust	Burmis Energy Inc	Canada	165.39	9.50	17.41

Note	Acquisition Date	Acquirer	Target	Location of the Target*	Adjusted Consideration Price *(US$M)*	Proved and Probable Reserve *(MMB)*	Adjusted P/Reserve
6	29 Apr 2008	Fairborne Energy Limited	Grand Banks Energy Corporation	Canada	102.11	4.90	20.84
7	16 Jun 2008	Alberta Clipper Energy Inc	A private company	Canada	19.68	1.67	11.82
8	19 Jun 2008	Seaview Energy Inc	C3 Resources Limited	Canada	34.55	1.39	24.82
9	23 Jun 2008	Crew Energy Inc	Gentry Resources Limited	Canada	234.98	12.50	18.80
10	8 Jul 2008	Pacific Rubiales Energy Corporation	Kappa Energy Holdings Limited	Colombia	168.00	9.30	18.06
11	29 Sep 2008	One Exploration Inc.	Cruiser Oil & Gas Ltd.	Canada	14.25	0.54	26.44
12	15 Dec 2008	Stetson Oil & Gas Ltd.	Rhea Resources Inc.	Canada	1.79	0.22	8.16
			Weighted-Average Adjusted P/Reserve Multiple :				**13.61**

* *Location of the Target refers to the physical location of the oil and natural gas resources owned by the Target.*

Notes:

1. Announcement made by Abu Dhabi National Energy Company PJSC on 23 August 2007;

2. Announcement made by Seaview Energy Inc. (TSX VENTURE:CVU.A)(TSX VENTURE:CVU.B) on 27 February 2008;

3. Announcement made by Yoho Resources Inc. (TSX VENTURE:YO) on 4 June 2008;

4. Announcement made by Eagle Rock Energy Partners, L.P. ((NASDAQGS: EROC) on 3 April 2008;

5. Announcement made by Baytex Energy Trust (TSX: BTE.UN) on 9 April 2008;

6. Announcement jointly made by Fairborne Energy Ltd. (TSX: FEL.TO) and Grand Banks Energy Corporation (TSX VENTURE: GBE.V) on 12 June 2008;

7. Announcement made by Alberta Clipper Energy Inc on 16 June 2008;

8. Announcement made by Seaview Energy Inc. (TSX VENTURE:CVU.A)(TSX VENTURE:CVU.B) on 24 July 2008;

9. Announcement jointly made by Crew Energy Inc. (TSX: CR) and Gentry Resource Ltd. (TSX:GNY) on 22 August 2008;

10. Announcement made by Pacific Rubiales Energy Corp. (TSX: PEG) on 3 September 2008;

11. Announcement jointly made by One Exploration Inc. (TSX VENTURE.A) and Cruiser Oil & Gas Ltd. (TSX VENTURE.COG) on 24 September 2008; and

12. Announcement jointly made by Stetson Oil & Gas Ltd. (TSX VENTURE:SSN) and Rhea Resources Inc. on 16 December 2008.

The weighted-average Adjusted P/Reserve multiple of 13.61 was determined by the average of the results calculated by the adjusted consideration price weighting method and oil reserve weighting method respectively. It was then applied to the reserve of 109,156,361 barrels, which was calculated with reference to the best estimate unrisked gross prospective resources of oil for 144.5MMBBL and gas for 2,342,209MMCF extracted from the Technical Report. Moreover, we seek professional opinion from an experienced engineer currently work on the Oilfield and as per his advice, at least 20% of the unrisked prospective resources estimation as mentioned in the Technical Report should be qualified as reserves. Therefore, 20% was adopted in our valuation to convert the “Prospective Resources” class oil and natural gas resources to “Reserves” class, taking into account all the risks related to “Prospective Resources” class resources, including but not limited to geologic risk and economic risk.

VALUATION COMMENTS

For the purpose of our valuation and in arriving at our opinion of value, we have referred to the information provided by the senior management of the Company to estimate the value of the Oilfield. We have also sought and received confirmation from the Company that no material facts have been omitted from the information supplied.

To the best of our knowledge, all data set forth in this report are true and accurate. Although gathered from reliable sources, no guarantee is made nor liability assumed for the accuracy of any data, opinions, or estimates identified as being furnished by others, which have been used in formulating this analysis.

REMARKS

Unless otherwise stated, all money amounts stated herein are in United States Dollars (US$).

CONCLUSION OF VALUE

Our conclusion of value is based on accepted valuation procedures and practices that rely substantially on the use of numerous assumptions and the consideration of a lot of uncertainties, not all of which can be easily ascertained or quantified.

Further, whilst the assumptions and consideration of such matters are considered by us to be reasonable, they are inherently subject to significant business, economic and competitive uncertainties and contingencies, many of which are beyond the control of the Company, the Technical Consultant or us.

Based on our investigation and analysis outlined in this report, it is our opinion that the market value of the 100% equity interest in the Oilfield as at 31 December 2008 is **US$1,500,000,000 (UNITED STATES DOLLARS ONE THOUSAND AND FIVE HUNDRED MILLION ONLY).**

We hereby certify that we have neither present nor prospective interest in the Company, the Oilfield, the Technical Consultant or the value reported.

Yours faithfully,
For and on behalf of
BMI APPRAISALS LIMITED

Marco T.C. Sze
B.Eng(Hon), MBA(Acct), CFA, AICPA
Director

Dr. Tony C. H. Cheng
BSc, MUD, MBA(Finance), MSc(Eng), PhD(Econ), MHKIS, MCIArb, AFA, SCIFM, FCIM, MASCE, MIET, MIEEE, MASME, MIIE
Director

Notes:

1. Mr. Marco T. C. Sze holds a Master's Degree of Business Administration in Accountancy from the City University of New York – Baruch College and is a holder of Chartered Financial Analyst. He is also a member of the American Institute of Certified Public Accountants. He has about 3 years' experience in valuing similar assets or companies engaged in similar business activities as that of the Oilfield worldwide.

2. Dr. Tony C. H. Cheng is a member of the Hong Kong Institute of Surveyors (General Practice), a member of the American Society of Civil Engineers, a member of the American Society of Mechanical Engineers and a member of Institute of Industrial Engineers (U.K.). He has about 5 years' experience in valuing similar assets or companies engaged in similar business activities as that of the Oilfield worldwide.

The following is the text of the technical report prepared by the Technical Advisor for the purpose of inclusion in the circular.

NETHERLAND, SEWELL & ASSOCIATES, INC.
WORLDWIDE PETROLEUM CONSULTANTS
ENGINEERING • GEOLOGY • GEOPHYSICS • PETROPHYSICS

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PRESIDENT & COO
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DAN PAUL SMITH - DALLAS
JOSEPH J. SPELLMAN - DALLAS
THOMAS J. TELLA II - DALLAS

February 9, 2009

Mr. Cheng Kam Chiu, Stewart
New Times Group Holdings Limited
Unit 2003–06, Shui On Centre
6–8 Harbour Road
Wanchai, Hong Kong

Dear Mr. Cheng:

In accordance with your request, we have conducted an assessment of the unrisked potential original hydrocarbons-in-place and gross (100 percent) prospective resources, as of October 10, 2007, for the Tartagal and Morillo License Areas located in the Chaco-Paraná and Chaco-Tarija Basins, Salta Province, Argentina. The unrisked prospective resources included in this report indicate exploration opportunities and development potential in the event a petroleum discovery is made and should not be construed as reserves or contingent resources. Prospective resources are those quantities of petroleum estimated, as of a given date, to be potentially recoverable from undiscovered accumulations by application of future development projects. A geologic risk assessment was performed for seven identified prospects, as discussed in subsequent paragraphs. Our estimates of prospective resources are presented as unrisked gross (100 percent) resources volumes only; however, we have included our assessment of geologic risk in this report. The prospective resources quantified herein are considered moderate risk to very high risk, such that the chance of each prospect being dry is significantly greater than the chance of each prospect yielding a hydrocarbon discovery. The estimates of resources in this report have been prepared in accordance with the definitions and guidelines set forth in the 2007 Petroleum Resources Management System (PRMS) approved by the Society of Petroleum Engineers; definitions are presented immediately following this letter. The accompanying "Summary Report of the Technical Advisor" sets forth a detailed summary of our assessment in accordance with Chapter 18, Section 18.09(6), of the Listing Rules of The Stock Exchange of Hong Kong Limited. We understand that New Times Group Holdings Limited (New Times) entered into a conditional agreement to purchase a portion of the ownership interest in these blocks on October 10, 2007, and further entered into a revised conditional agreement to purchase a larger ownership interest in these blocks on November 12, 2007. If these agreements should become final, New Times would own a 60 percent interest in each block, subject to their existing license terms, which would include a percentage royalty payable to the government of Argentina. This report does not include economic analysis to establish the commerciality of these resources; economics should be performed on these prospects to determine the general level of commerciality that could be expected.

We estimate the unrisked gross (100 percent) prospective oil and gas resources for the Tartagal and Morillo License Areas, as of October 10, 2007, to be:

	Unrisked Gross (100 Percent) Prospective Resources					
	Low Estimate		Best Estimate		High Estimate	
Prospect[(1)]	Oil (MMBBL)	Gas (MMCF)	Oil (MMBBL)	Gas (MMCF)	Oil (MMBBL)	Gas (MMCF)
EM Deep 1	0.4	22,162	2.6	135,654	16.2	820,614
EM Deep 2	1.8	91,755	8.9	459,065	44.3	2,281,286
EM Deep 3	1.7	88,461	6.8	351,294	24.4	1,214,154
EM Deep 4	1.6	81,431	6.3	322,479	24.8	1,222,638
PET North	0.7	38,527	3.5	175,296	16.1	817,560
ZH South	13.7	11,246	39.2	34,281	107.3	101,999
EO East	16.6	13,190	41.1	35,470	100.7	90,762
Probabilistic Total[(2)]	83.6	1,115,954	144.5	2,342,209	256.5	5,089,858

(1) The 2007 PRMS defines a prospect as a project associated with a potential accumulation that is sufficiently well defined to represent a viable drilling target. The chance of geologic success for the seven identified prospects ranges from 5 to 16 percent, which equals 84 to 95 percent chance of failure and therefore represents moderate risk to very high risk exploration.

(2) The probabilistic total is based on combined portfolio sampling for all prospects and is not equal to the sum of the individual prospects.

The oil resources shown include crude oil and condensate. Oil volumes are expressed in millions of barrels (MMBBL); a barrel is equivalent to 42 United States gallons. Gas volumes are expressed in millions of cubic feet (MMCF) at standard temperature and pressure bases. A list of abbreviations used in this report is presented following the definitions.

The prospective resources shown in this report have been estimated using a combination of deterministic and probabilistic methods and are dependent on a petroleum discovery being made. There is a substantial risk that no economic discovery will be made. If a discovery is made, the probability that the unrisked quantities of oil and gas actually discovered will equal or exceed the estimated amounts is at least 90 percent for the low estimate, at least 50 percent for the best estimate, and at least 10 percent for the high estimate.

A geologic risk assessment was conducted for each prospect. Geologic risking of prospective resources addresses the probability of success for the discovery of petroleum; this risk analysis is conducted independently of probabilistic estimations of petroleum volumes and without regard to the chance of development. Principal risk elements of the petroleum system include (1) trap and seal characteristics; (2) reservoir presence and quality; (3) source rock capacity, quality, and maturity; and (4) timing, migration, and preservation of petroleum in relation to trap and seal formation. Prospect geologic risk assessment is a highly subjective process dependent upon the experience and judgment of the evaluators and is subject to revisions with further data acquisition or interpretation. The overall geologic probability of success for the seven identified prospects ranges from 0.05 to 0.16 and represents moderate risk to very high risk exploration. The derivation of geologic success factors is presented and explained in more detail in the Summary Report of the Technical Advisor.

Unrisked prospective resources are estimated ranges of potential in-place and recoverable oil and gas volumes assuming a petroleum discovery is made. It is important to recognize and consider the estimated geologic risk factor along with the unrisked prospective resources volumes for each prospect. By multiplying each prospect's unrisked prospective resources volumes by its respective geologic chance of success, risked prospective resources volumes are obtained. Risking of prospective resources in this way can provide a statistical estimate of volumes that might ultimately be recovered from the total prospect portfolio assuming each prospect is drilled; however, the accuracy of such a calculation requires both a large sample size of prospects and a total lack of dependency among the prospects, neither of which are valid conditions in this case. In any event, prospective resources volumes should not be construed as reserves or contingent resources. Likewise, prospective resources volumes should not be valued as if they were reserves or contingent resources.

In addition to the seven identified prospects, we have identified a number of plays or play concepts that could ultimately lead to drillable prospects following the acquisition of additional seismic data in the license areas. Plays are conceptual ideas of hydrocarbon potential that cannot be specifically located based on available data but instead are thought to exist based on favorable geologic indications and similarities with successful developments on offsetting acreage. If these play concepts are verified through acquisition of additional data, they can then be evaluated as prospects with quantifiable prospective resources.

As shown in the Table of Contents, the Summary Report of the Technical Advisor addresses the requirements set forth within Section 18.09(6) of the Listing Rules of The Stock Exchange of Hong Kong Limited, and is organized to reflect the sequential order of the requirements stated therein. Included in the Figures section are various pertinent maps, seismic lines, and exhibits.

It should be understood that the prospective resources discussed and shown herein are those undiscovered, speculative resources estimated beyond reserves or contingent resources where geological and geophysical data suggest the potential for discovery of petroleum but where the level of proof is insufficient for classification as reserves or contingent resources. The unrisked prospective resources are those volumes that could reasonably be expected to be recovered in the event of the successful exploration and development of these prospects.

New Times did not ask us to assess economic viability or perform cash flow calculations for any of the identified prospects. Furthermore, insufficient information was provided by New Times to fully prepare cash flow calculations. Nevertheless, significant issues exist with regard to license terms, purchase agreement terms, Argentine royalty and taxation laws, and product pricing controls in effect in Argentina that would impact the per-unit value of potential resources volumes relative to what might be expected in other countries with other fiscal regimes. These issues are discussed in the Summary of Contractual or License Terms and Production Rights section of this report. It is important to recognize that there is a significant statistical chance that drilling of existing prospects will not yield an economic discovery, even given that seven prospects have been identified herein.

A substantial portion of the prospective resources identified herein are for gas, a commodity that has historically been abundant and difficult to market in northern Argentina. We understand that the license terms may contractually influence an operator's ability to develop and sell gas.

In evaluating the information at our disposal concerning this report, we have excluded from our consideration all matters as to which the controlling interpretation may be political, socioeconomic, legal, or accounting, rather than engineering and geologic. As in all aspects of oil and gas evaluation, there are uncertainties inherent in the interpretation of engineering and geologic data; therefore, our conclusions necessarily represent only informed professional judgment.

The data used in our estimates were obtained from New Times Group Holdings Limited, public data sources, and the nonconfidential files of Netherland, Sewell & Associates, Inc. and were accepted as accurate. Supporting geologic and work data are on file in our office. We are independent petroleum engineers, geologists, geophysicists, and petrophysicists; we do not own an interest in these properties and are not employed on a contingent basis.

Sincerely,

NETHERLAND, SEWELL & ASSOCIATES, INC.

By: /s/C.H. (Scott) Rees III, P.E.
C.H. (Scott) Rees III, P.E.
Chairman and Chief Executive Officer

By: /s/Richard F. Krenek II, P.E.
Richard F. Krenek II, P.E.
Vice President

Date Signed: February 9, 2009

By: /s/Philip R. Hodgson, P.G.
Philip R. Hodgson, P.G.
Vice President

Date Signed: February 9, 2009

PETROLEUM RESERVES AND RESOURCES CLASSIFICATION AND DEFINITIONS

Excerpted from the Petroleum Resources Management System Approved by the Society of Petroleum Engineers (SPE) Board of Directors, March 2007

This document contains information excerpted from definitions and guidelines prepared by the Oil and Gas Reserves Committee of the Society of Petroleum Engineers (SPE) and reviewed and jointly sponsored by the World Petroleum Council (WPC), the American Association of Petroleum Geologists (AAPG), and the Society of Petroleum Evaluation Engineers (SPEE).

PREAMBLE

Petroleum resources are the estimated quantities of hydrocarbons naturally occurring on or within the Earth's crust. Resource assessments estimate total quantities in known and yet-to-be-discovered accumulations; resources evaluations are focused on those quantities that can potentially be recovered and marketed by commercial projects. A petroleum resources management system provides a consistent approach to estimating petroleum quantities, evaluating development projects, and presenting results within a comprehensive classification framework.

These definitions and guidelines are designed to provide a common reference for the international petroleum industry, including national reporting and regulatory disclosure agencies, and to support petroleum project and portfolio management requirements. They are intended to improve clarity in global communications regarding petroleum resources. It is expected that this document will be supplemented with industry education programs and application guides addressing their implementation in a wide spectrum of technical and/or commercial settings.

It is understood that these definitions and guidelines allow flexibility for users and agencies to tailor application for their particular needs; however, any modifications to the guidance contained herein should be clearly identified. The definitions and guidelines contained in this document must not be construed as modifying the interpretation or application of any existing regulatory reporting requirements.

1.0 Basic Principles and Definitions

The estimation of petroleum resource quantities involves the interpretation of volumes and values that have an inherent degree of uncertainty. These quantities are associated with development projects at various stages of design and implementation. Use of a consistent classification system enhances comparisons between projects, groups of projects, and total company portfolios according to forecast production profiles and recoveries. Such a system must consider both technical and commercial factors that impact the project's economic feasibility, its productive life, and its related cash flows.

1.1 Petroleum Resources Classification Framework

Petroleum is defined as a naturally occurring mixture consisting of hydrocarbons in the gaseous, liquid, or solid phase. Petroleum may also contain non-hydrocarbons, common examples of which are carbon dioxide, nitrogen, hydrogen sulfide and sulfur. In rare cases, non-hydrocarbon content could be greater than 50%.

The term "resources" as used herein is intended to encompass all quantities of petroleum naturally occurring on or within the Earth's crust, discovered and undiscovered (recoverable and unrecoverable), plus those quantities already produced. Further, it includes all types of petroleum whether currently considered "conventional" or "unconventional".

Figure 1-1 is a graphical representation of the SPE/WPC/AAPG/SPEE resources classification system. The system defines the major recoverable resources classes: Production, Reserves, Contingent Resources, and Prospective Resources, as well as Unrecoverable petroleum.

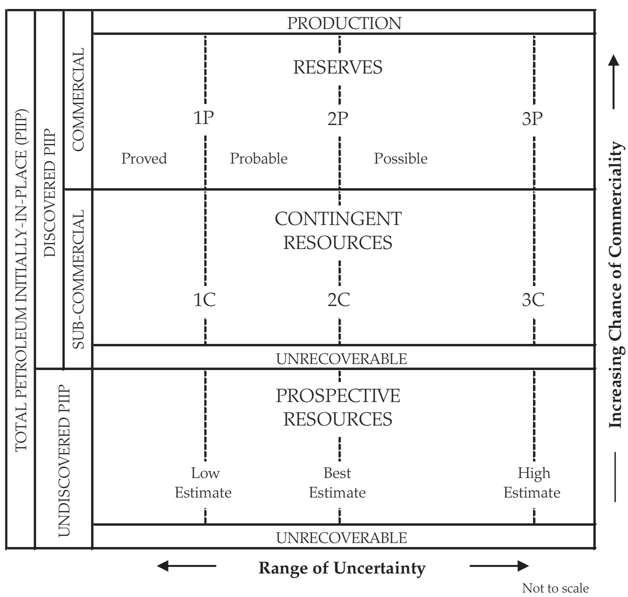

Figure 1-1: Resources Classification Framework.

The "Range of Uncertainty" reflects a range of estimated quantities potentially recoverable from an accumulation by a project, while the vertical axis represents the "Chance of Commerciality", that is, the chance that the project that will be developed and reach commercial producing status. The following definitions apply to the major subdivisions within the resources classification:

TOTAL PETROLEUM INITIALLY-IN-PLACE is that quantity of petroleum that is estimated to exist originally in naturally occurring accumulations. It includes that quantity of petroleum that is estimated, as of a given date, to be contained in known accumulations prior to production plus those estimated quantities in accumulations yet to be discovered (equivalent to "total resources").

DISCOVERED PETROLEUM INITIALLY-IN-PLACE is that quantity of petroleum that is estimated, as of a given date, to be contained in known accumulations prior to production.

PRODUCTION is the cumulative quantity of petroleum that has been recovered at a given date. While all recoverable resources are estimated and production is measured in terms of the sales product specifications, raw production (sales plus non-sales) quantities are also measured and required to support engineering analyses based on reservoir voidage (see Production Measurement, section 3.2).

Multiple development projects may be applied to each known accumulation, and each project will recover an estimated portion of the initially-in-place quantities. The projects shall be subdivided into Commercial and Sub-Commercial, with the estimated recoverable quantities being classified as Reserves and Contingent Resources respectively, as defined below.

RESERVES are those quantities of petroleum anticipated to be commercially recoverable by application of development projects to known accumulations from a given date forward under defined conditions. Reserves must further satisfy four criteria: they must be discovered, recoverable, commercial, and remaining (as of the evaluation date) based on the development project(s) applied. Reserves are further categorized in accordance with the level of certainty associated with the estimates and may be sub-classified based on project maturity and/or characterized by development and production status.

CONTINGENT RESOURCES are those quantities of petroleum estimated, as of a given date, to be potentially recoverable from known accumulations, but the applied project(s) are not yet considered mature enough for commercial development due to one or more contingencies. Contingent Resources may include, for example, projects for which there are currently no viable markets, or where commercial recovery is dependent on technology under development, or where evaluation of the accumulation is insufficient to clearly assess commerciality. Contingent Resources are further categorized in accordance with the level of certainty associated with the estimates and may be subclassified based on project maturity and/or characterized by their economic status.

UNDISCOVERED PETROLEUM INITIALLY-IN-PLACE is that quantity of petroleum estimated, as of a given date, to be contained within accumulations yet to be discovered.

PROSPECTIVE RESOURCES are those quantities of petroleum estimated, as of a given date, to be potentially recoverable from undiscovered accumulations by application of future development projects. Prospective Resources have both an associated chance of discovery and a chance of development. Prospective Resources are further subdivided in accordance with the level of certainty associated with recoverable estimates assuming their discovery and development and may be sub-classified based on project maturity.

UNRECOVERABLE is that portion of Discovered or Undiscovered Petroleum Initially-in-Place quantities which is estimated, as of a given date, not to be recoverable by future development projects. A portion of these quantities may become recoverable in the future as commercial circumstances change or technological developments occur; the remaining portion may never be recovered due to physical/chemical constraints represented by subsurface interaction of fluids and reservoir rocks.

Estimated Ultimate Recovery (EUR) is not a resources category, but a term that may be applied to any accumulation or group of accumulations (discovered or undiscovered) to define those quantities of petroleum estimated, as of a given date, to be potentially recoverable under defined technical and commercial conditions plus those quantities already produced (total of recoverable resources).

1.2 Project-Based Resources Evaluations

The resources evaluation process consists of identifying a recovery project, or projects, associated with a petroleum accumulation(s), estimating the quantities of Petroleum Initially-in-Place, estimating that portion of those in-place quantities that can be recovered by each project, and classifying the project(s) based on its maturity status or chance of commerciality.

This concept of a project-based classification system is further clarified by examining the primary data sources contributing to an evaluation of net recoverable resources (see Figure 1-2) that may be described as follows:

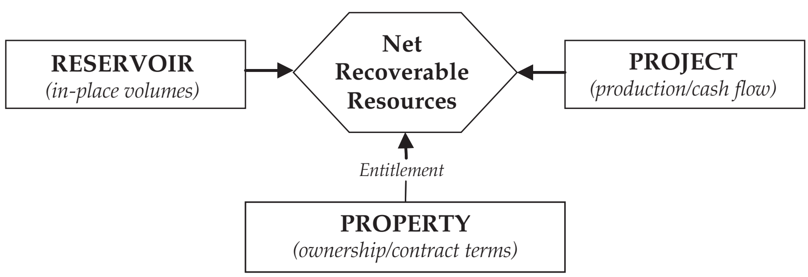

Figure 1-2: Resources Evaluation Data Sources.

- The Reservoir (accumulation): Key attributes include the types and quantities of Petroleum Initially-in-Place and the fluid and rock properties that affect petroleum recovery.

- The Project: Each project applied to a specific reservoir development generates a unique production and cash flow schedule. The time integration of these schedules taken to the project's technical, economic, or contractual limit defines the estimated recoverable resources and associated future net cash flow projections for each project. The ratio of EUR to Total Initially-in-Place quantities defines the ultimate recovery efficiency for the development project(s). A project may be defined at various levels and stages of maturity; it may include one or many wells and associated production and processing facilities. One project may develop many reservoirs, or many projects may be applied to one reservoir.

- The Property (lease or license area): Each property may have unique associated contractual rights and obligations including the fiscal terms. Such information allows definition of each participant's share of produced quantities (entitlement) and share of investments, expenses, and revenues for each recovery project and the reservoir to which it is applied. One property may encompass many reservoirs, or one reservoir may span several different properties. A property may contain both discovered and undiscovered accumulations.

In context of this data relationship, "project" is the primary element considered in this resources classification, and net recoverable resources are the incremental quantities derived from each project. Project represents the link between the petroleum accumulation and the decision-making process. A project may, for example, constitute the development of a single reservoir or field, or an incremental development for a producing field, or the integrated development of several fields and associated facilities with a common ownership. In general, an individual project will represent the level at which a decision is made whether or not to proceed (i.e., spend more money) and there should be an associated range of estimated recoverable quantities for that project.

An accumulation or potential accumulation of petroleum may be subject to several separate and distinct projects that are at different stages of exploration or development. Thus, an accumulation may have recoverable quantities in several resource classes simultaneously.

In order to assign recoverable resources of any class, a development plan needs to be defined consisting of one or more projects. Even for Prospective Resources, the estimates of recoverable quantities must be stated in terms of the sales products derived from a development program assuming successful discovery and commercial development. Given the major uncertainties involved at this early stage, the development program will not be of the detail expected in later stages of maturity. In most cases, recovery efficiency may be largely based on analogous projects. In-place quantities for which a feasible project cannot be defined using current, or reasonably forecast improvements in, technology are classified as Unrecoverable.

Not all technically feasible development plans will be commercial. The commercial viability of a development project is dependent on a forecast of the conditions that will exist during the time period encompassed by the project's activities (see Commercial Evaluations, section 3.1). "Conditions" include technological, economic, legal, environmental, social, and governmental factors. While economic factors can be summarized as forecast costs and product prices, the underlying influences include, but are not limited to, market conditions, transportation and processing infrastructure, fiscal terms, and taxes.

The resource quantities being estimated are those volumes producible from a project as measured according to delivery specifications at the point of sale or custody transfer (see Reference Point, section 3.2.1). The cumulative production from the evaluation date forward to cessation of production is the remaining recoverable quantity. The sum of the associated annual net cash flows yields the estimated future net revenue. When the cash flows are discounted according to a defined discount rate and time period, the summation of the discounted cash flows is termed net present value (NPV) of the project (see Evaluation and Reporting Guidelines, section 3.0).

The supporting data, analytical processes, and assumptions used in an evaluation should be documented in sufficient detail to allow an independent evaluator or auditor to clearly understand the basis for estimation and categorization of recoverable quantities and their classification.

2.0 Classification and Categorization Guidelines

2.1 Resources Classification

The basic classification requires establishment of criteria for a petroleum discovery and thereafter the distinction between commercial and sub-commercial projects in known accumulations (and hence between Reserves and Contingent Resources).

2.1.1 Determination of Discovery Status

A discovery is one petroleum accumulation, or several petroleum accumulations collectively, for which one or several exploratory wells have established through testing, sampling, and/or logging the existence of a significant quantity of potentially moveable hydrocarbons.

In this context, "significant" implies that there is evidence of a sufficient quantity of petroleum to justify estimating the in-place volume demonstrated by the well(s) and for evaluating the potential for economic recovery. Estimated recoverable quantities within such a discovered (known) accumulation(s) shall initially be classified as Contingent Resources pending definition of projects with sufficient chance of commercial development to reclassify all, or a portion, as Reserves. Where in-place hydrocarbons are identified but are not considered currently recoverable, such quantities may be classified as Discovered Unrecoverable, if considered appropriate for resource management purposes; a portion of these quantities may become recoverable resources in the future as commercial circumstances change or technological developments occur.

2.1.2 Determination of Commerciality

Discovered recoverable volumes (Contingent Resources) may be considered commercially producible, and thus Reserves, if the entity claiming commerciality has demonstrated firm intention to proceed with development and such intention is based upon all of the following criteria:

- Evidence to support a reasonable timetable for development.
- A reasonable assessment of the future economics of such development projects meeting defined investment and operating criteria.
- A reasonable expectation that there will be a market for all or at least the expected sales quantities of production required to justify development.
- Evidence that the necessary production and transportation facilities are available or can be made available.
- Evidence that legal, contractual, environmental and other social and economic concerns will allow for the actual implementation of the recovery project being evaluated.

To be included in the Reserves class, a project must be sufficiently defined to establish its commercial viability. There must be a reasonable expectation that all required internal and external approvals will be forthcoming, and there is evidence of firm intention to proceed with development within a reasonable time frame. A reasonable time frame for the initiation of development depends on the specific circumstances and varies according to the scope of the project. While 5 years is recommended as a benchmark, a longer time frame could be applied where, for example, development of economic projects are deferred at the option of the producer for, among other things, market-related reasons, or to meet contractual or strategic objectives. In all cases, the justification for classification as Reserves should be clearly documented.

To be included in the Reserves class, there must be a high confidence in the commercial producibility of the reservoir as supported by actual production or formation tests. In certain cases, Reserves may be assigned on the basis of well logs and/or core analysis that indicate that the subject reservoir is hydrocarbon-bearing and is analogous to reservoirs in the same area that are producing or have demonstrated the ability to produce on formation tests.

2.2 *Resources Categorization*

The horizontal axis in the Resources Classification (Figure 1.1) defines the range of uncertainty in estimates of the quantities of recoverable, or potentially recoverable, petroleum associated with a project. These estimates include both technical and commercial uncertainty components as follows:

- The total petroleum remaining within the accumulation (in-place resources).
- That portion of the in-place petroleum that can be recovered by applying a defined development project or projects.
- Variations in the commercial conditions that may impact the quantities recovered and sold (e.g., market availability, contractual changes).

Where commercial uncertainties are such that there is significant risk that the complete project (as initially defined) will not proceed, it is advised to create a separate project classified as Contingent Resources with an appropriate chance of commerciality.

2.2.1 Range of Uncertainty

The range of uncertainty of the recoverable and/or potentially recoverable volumes may be represented by either deterministic scenarios or by a probability distribution (see Deterministic and Probabilistic Methods, section 4.2).

When the range of uncertainty is represented by a probability distribution, a low, best, and high estimate shall be provided such that:

- There should be at least a 90% probability (P90) that the quantities actually recovered will equal or exceed the low estimate.
- There should be at least a 50% probability (P50) that the quantities actually recovered will equal or exceed the best estimate.
- There should be at least a 10% probability (P10) that the quantities actually recovered will equal or exceed the high estimate.

When using the deterministic scenario method, typically there should also be low, best, and high estimates, where such estimates are based on qualitative assessments of relative uncertainty using consistent interpretation guidelines. Under the deterministic incremental (risk-based) approach, quantities at each level of uncertainty are estimated discretely and separately (see Category Definitions and Guidelines, section 2.2.2).

These same approaches to describing uncertainty may be applied to Reserves, Contingent Resources, and Prospective Resources. While there may be significant risk that sub-commercial and undiscovered accumulations will not achieve commercial production, it is useful to consider the range of potentially recoverable quantities independently of such a risk or consideration of the resource class to which the quantities will be assigned.

2.2.2 Category Definitions and Guidelines

Evaluators may assess recoverable quantities and categorize results by uncertainty using the deterministic incremental (risk- based) approach, the deterministic scenario (cumulative) approach, or probabilistic methods (see "2001 Supplemental Guidelines", Chapter 2.5). In many cases, a combination of approaches is used.

Use of consistent terminology (Figure 1.1) promotes clarity in communication of evaluation results. For Reserves, the general cumulative terms low/best/high estimates are denoted as 1P/2P/3P, respectively. The associated incremental quantities are termed Proved, Probable and Possible. Reserves are a subset of, and must be viewed within context of, the complete resources classification system. While the categorization criteria are proposed specifically for Reserves, in most cases, they can be equally applied to Contingent and Prospective Resources conditional upon their satisfying the criteria for discovery and/or development.

For Contingent Resources, the general cumulative terms low/best/high estimates are denoted as 1C/2C/3C respectively. For Prospective Resources, the general cumulative terms low/best/high estimates still apply. No specific terms are defined for incremental quantities within Contingent and Prospective Resources.

Without new technical information, there should be no change in the distribution of technically recoverable volumes and their categorization boundaries when conditions are satisfied sufficiently to reclassify a project from Contingent Resources to Reserves. All evaluations require application of a consistent set of forecast conditions, including assumed future costs and prices, for both classification of projects and categorization of estimated quantities recovered by each project (see Commercial Evaluations, section 3.1).

Based on additional data and updated interpretations that indicate increased certainty, portions of Possible and Probable Reserves may be re-categorized as Probable and Proved Reserves.

Uncertainty in resource estimates is best communicated by reporting a range of potential results. However, if it is required to report a single representative result, the "best estimate" is considered the most realistic assessment of recoverable quantities. It is generally considered to represent the sum of Proved and Probable estimates (2P) when using the deterministic scenario or the probabilistic assessment methods. It should be noted that under the deterministic incremental (risk-based) approach, discrete estimates are made for each category, and they should not be aggregated without due consideration of their associated risk (see "2001 Supplemental Guidelines", Chapter 2.5).

Table 1: Recoverable Resources Classes and Sub-Classes

Class/Sub-Class	Definition	Guidelines
Reserves	Reserves are those quantities of petroleum anticipated to be commercially recoverable by application of development projects to known accumulations from a given date forward under defined conditions.	Reserves must satisfy four criteria: they must be discovered, recoverable, commercial, and remaining based on the development project(s) applied. Reserves are further subdivided in accordance with the level of certainty associated with the estimates and may be sub-classified based on project maturity and/or characterized by their development and production status. To be included in the Reserves class, a project must be sufficiently defined to establish its commercial viability. There must be a reasonable expectation that all required internal and external approvals will be forthcoming, and there is evidence of firm intention to proceed with development within a reasonable time frame.

Class/Sub-Class	Definition	Guidelines
		A reasonable time frame for the initiation of development depends on the specific circumstances and varies according to the scope of the project. While 5 years is recommended as a benchmark, a longer time frame could be applied where, for example, development of economic projects are deferred at the option of the producer for, among other things, market-related reasons, or to meet contractual or strategic objectives. In all cases, the justification for classification as Reserves should be clearly documented. To be included in the Reserves class, there must be a high confidence in the commercial producibility of the reservoir as supported by actual production or formation tests. In certain cases, Reserves may be assigned on the basis of well logs and/or core analysis that indicate that the subject reservoir is hydrocarbon-bearing and is analogous to reservoirs in the same area that are producing or have demonstrated the ability to produce on formation tests.
On Production	The development project is currently producing and selling petroleum to market.	The key criterion is that the project is receiving income from sales, rather than the approved development project necessarily being complete. This is the point at which the project "chance of commerciality" can be said to be 100%. The project "decision gate" is the decision to initiate commercial production from the project.

Class/Sub-Class	Definition	Guidelines
Approved for Development	All necessary approvals have been obtained, capital funds have been committed, and implementation of the development project is under way.	At this point, it must be certain that the development project is going ahead. The project must not be subject to any contingencies such as outstanding regulatory approvals or sales contracts. Forecast capital expenditures should be included in the reporting entity's current or following year's approved budget. The project "decision gate" is the decision to start investing capital in the construction of production facilities and/or drilling development wells.
Justified for Development	Implementation of the development project is justified on the basis of reasonable forecast commercial conditions at the time of reporting, and there are reasonable expectations that all necessary approvals/contracts will be obtained.	In order to move to this level of project maturity, and hence have reserves associated with it, the development project must be commercially viable at the time of reporting, based on the reporting entity's assumptions of future prices, costs, etc. ("forecast case") and the specific circumstances of the project. Evidence of a firm intention to proceed with development within a reasonable time frame will be sufficient to demonstrate commerciality. There should be a development plan in sufficient detail to support the assessment of commerciality and a reasonable expectation that any regulatory approvals or sales contracts required prior to project implementation will be forthcoming. Other than such approvals/contracts, there should be no known contingencies that could preclude the development from proceeding within a reasonable timeframe (see Reserves class).

Class/Sub-Class	Definition	Guidelines
		The project "decision gate" is the decision by the reporting entity and its partners, if any, that the project has reached a level of technical and commercial maturity sufficient to justify proceeding with development at that point in time.
Contingent Resources	Those quantities of petroleum estimated, as of a given date, to be potentially recoverable from known accumulations by application of development projects, but which are not currently considered to be commercially recoverable due to one or more contingencies.	Contingent Resources may include, for example, projects for which there are currently no viable markets, or where commercial recovery is dependent on technology under development, or where evaluation of the accumulation is insufficient to clearly assess commerciality. Contingent Resources are further categorized in accordance with the level of certainty associated with the estimates and may be sub-classified based on project maturity and/or characterized by their economic status.
Development Pending	A discovered accumulation where project activities are ongoing to justify commercial development in the foreseeable future.	The project is seen to have reasonable potential for eventual commercial development, to the extent that further data acquisition (e.g. drilling, seismic data) and/or evaluations are currently ongoing with a view to confirming that the project is commercially viable and providing the basis for selection of an appropriate development plan. The critical contingencies have been identified and are reasonably expected to be resolved within a reasonable time frame. Note that disappointing appraisal/evaluation results could lead to a re-classification of the project to "On Hold" or "Not Viable" status.

Class/Sub-Class	Definition	Guidelines
		The project "decision gate" is the decision to undertake further data acquisition and/or studies designed to move the project to a level of technical and commercial maturity at which a decision can be made to proceed with development and production.
Development Unclarified or on Hold	A discovered accumulation where project activities are on hold and/or where justification as a commercial development may be subject to significant delay.	The project is seen to have potential for eventual commercial development, but further appraisal/evaluation activities are on hold pending the removal of significant contingencies external to the project, or substantial further appraisal/evaluation activities are required to clarify the potential for eventual commercial development. Development may be subject to a significant time delay. Note that a change in circumstances, such that there is no longer a reasonable expectation that a critical contingency can be removed in the foreseeable future, for example, could lead to a reclassification of the project to "Not Viable" status. The project "decision gate" is the decision to either proceed with additional evaluation designed to clarify the potential for eventual commercial development or to temporarily suspend or delay further activities pending resolution of external contingencies.

Class/Sub-Class	Definition	Guidelines
Development Not Viable	A discovered accumulation for which there are no current plans to develop or to acquire additional data at the time due to limited production potential.	The project is not seen to have potential for eventual commercial development at the time of reporting, but the theoretically recoverable quantities are recorded so that the potential opportunity will be recognized in the event of a major change in technology or commercial conditions. The project "decision gate" is the decision not to undertake any further data acquisition or studies on the project for the foreseeable future.
Prospective Resources	Those quantities of petroleum which are estimated, as of a given date, to be potentially recoverable from undiscovered accumulations.	Potential accumulations are evaluated according to their chance of discovery and, assuming a discovery, the estimated quantities that would be recoverable under defined development projects. It is recognized that the development programs will be of significantly less detail and depend more heavily on analog developments in the earlier phases of exploration.
Prospect	A project associated with a potential accumulation that is sufficiently well defined to represent a viable drilling target.	Project activities are focused on assessing the chance of discovery and, assuming discovery, the range of potential recoverable quantities under a commercial development program.
Lead	A project associated with a potential accumulation that is currently poorly defined and requires more data acquisition and/or evaluation in order to be classified as a prospect.	Project activities are focused on acquiring additional data and/or undertaking further evaluation designed to confirm whether or not the lead can be matured into a prospect. Such evaluation includes the assessment of the chance of discovery and, assuming discovery, the range of potential recovery under feasible development scenarios.

Class/Sub-Class	Definition	Guidelines
Play	A project associated with a prospective trend of potential prospects, but which requires more data acquisition and/or evaluation in order to define specific leads or prospects.	Project activities are focused on acquiring additional data and/or undertaking further evaluation designed to define specific leads or prospects for more detailed analysis of their chance of discovery and, assuming discovery, the range of potential recovery under hypothetical development scenarios.

Table 2: Reserves Status Definitions and Guidelines

Status	Definition	Guidelines
Developed Reserves	Developed Reserves are expected quantities to be recovered from existing wells and facilities.	Reserves are considered developed only after the necessary equipment has been installed, or when the costs to do so are relatively minor compared to the cost of a well. Where required facilities become unavailable, it may be necessary to reclassify Developed Reserves as Undeveloped. Developed Reserves may be further sub-classified as Producing or Non-Producing.
Developed Producing Reserves	Developed Producing Reserves are expected to be recovered from completion intervals that are open and producing at the time of the estimate.	Improved recovery reserves are considered producing only after the improved recovery project is in operation.

Status	Definition	Guidelines
Developed Non-Producing Reserves	Developed Non-Producing Reserves include shut-in and behind-pipe Reserves.	Shut-in Reserves are expected to be recovered from (1) completion intervals which are open at the time of the estimate but which have not yet started producing, (2) wells which were shut-in for market conditions or pipeline connections, or (3) wells not capable of production for mechanical reasons. Behind-pipe Reserves are expected to be recovered from zones in existing wells which will require additional completion work or future re- completion prior to start of production. In all cases, production can be initiated or restored with relatively low expenditure compared to the cost of drilling a new well.
Undeveloped Reserves	Undeveloped Reserves are quantities expected to be recovered through future investments:	(1) from new wells on undrilled acreage in known accumulations, (2) from deepening existing wells to a different (but known) reservoir, (3) from infill wells that will increase recovery, or (4) where a relatively large expenditure (e.g. when compared to the cost of drilling a new well) is required to (a) recomplete an existing well or (b) install production or transportation facilities for primary or improved recovery projects.

Table 3: Reserves Category Definitions and Guidelines

Category	Definition	Guidelines
Proved Reserves	Proved Reserves are those quantities of petroleum, which by analysis of geoscience and engineering data, can be estimated with reasonable certainty to be commercially recoverable, from a given date forward, from known reservoirs and under defined economic conditions, operating methods, and government regulations.	If deterministic methods are used, the term reasonable certainty is intended to express a high degree of confidence that the quantities will be recovered. If probabilistic methods are used, there should be at least a 90% probability that the quantities actually recovered will equal or exceed the estimate. The area of the reservoir considered as Proved includes (1) the area delineated by drilling and defined by fluid contacts, if any, and (2) adjacent undrilled portions of the reservoir that can reasonably be judged as continuous with it and commercially productive on the basis of available geoscience and engineering data. In the absence of data on fluid contacts, Proved quantities in a reservoir are limited by the lowest known hydrocarbon (LKH) as seen in a well penetration unless otherwise indicated by definitive geoscience, engineering, or performance data. Such definitive information may include pressure gradient analysis and seismic indicators. Seismic data alone may not be sufficient to define fluid contacts for Proved reserves (see "2001 Supplemental Guidelines", Chapter 8).

Category	Definition	Guidelines
		Reserves in undeveloped locations may be classified as Proved provided that: • The locations are in undrilled areas of the reservoir that can be judged with reasonable certainty to be commercially productive. • Interpretations of available geoscience and engineering data indicate with reasonable certainty that the objective formation is laterally continuous with drilled Proved locations. For Proved Reserves, the recovery efficiency applied to these reservoirs should be defined based on a range of possibilities supported by analogs and sound engineering judgment considering the characteristics of the Proved area and the applied development program.

Category	Definition	Guidelines
Probable Reserves	Probable Reserves are those additional Reserves which analysis of geoscience and engineering data indicate are less likely to be recovered than Proved Reserves but more certain to be recovered than Possible Reserves.	It is equally likely that actual remaining quantities recovered will be greater than or less than the sum of the estimated Proved plus Probable Reserves (2P). In this context, when probabilistic methods are used, there should be at least a 50% probability that the actual quantities recovered will equal or exceed the 2P estimate. Probable Reserves may be assigned to areas of a reservoir adjacent to Proved where data control or interpretations of available data are less certain. The interpreted reservoir continuity may not meet the reasonable certainty criteria. Probable estimates also include incremental recoveries associated with project recovery efficiencies beyond that assumed for Proved.
Possible Reserves	Possible Reserves are those additional reserves which analysis of geoscience and engineering data indicate are less likely to be recoverable than Probable Reserves.	The total quantities ultimately recovered from the project have a low probability to exceed the sum of Proved plus Probable plus Possible (3P), which is equivalent to the high estimate scenario. When probabilistic methods are used, there should be at least a 10% probability that the actual quantities recovered will equal or exceed the 3P estimate.

Category	Definition	Guidelines
		Possible Reserves may be assigned to areas of a reservoir adjacent to Probable where data control and interpretations of available data are progressively less certain. Frequently, this may be in areas where geoscience and engineering data are unable to clearly define the area and vertical reservoir limits of commercial production from the reservoir by a defined project. Possible estimates also include incremental quantities associated with project recovery efficiencies beyond that assumed for Probable.
Probable and Possible Reserves	(See above for separate criteria for Probable Reserves and Possible Reserves.)	The 2P and 3P estimates may be based on reasonable alternative technical and commercial interpretations within the reservoir and/or subject project that are clearly documented, including comparisons to results in successful similar projects. In conventional accumulations, Probable and/or Possible Reserves may be assigned where geoscience and engineering data identify directly adjacent portions of a reservoir within the same accumulation that may be separated from Proved areas by minor faulting or other geological discontinuities and have not been penetrated by a wellbore but are interpreted to be in communication with the known (Proved) reservoir. Probable or Possible Reserves may be assigned to areas that are structurally higher than the Proved area. Possible (and in some cases, Probable) Reserves may be assigned to areas that are structurally lower than the adjacent Proved or 2P area.

Category	Definition	Guidelines
		Caution should be exercised in assigning Reserves to adjacent reservoirs isolated by major, potentially sealing, faults until this reservoir is penetrated and evaluated as commercially productive. Justification for assigning Reserves in such cases should be clearly documented. Reserves should not be assigned to areas that are clearly separated from a known accumulation by non-productive reservoir (i.e., absence of reservoir, structurally low reservoir, or negative test results); such areas may contain Prospective Resources. In conventional accumulations, where drilling has defined a highest known oil (HKO) elevation and there exists the potential for an associated gas cap, Proved oil Reserves should only be assigned in the structurally higher portions of the reservoir if there is reasonable certainty that such portions are initially above bubble point pressure based on documented engineering analyses. Reservoir portions that do not meet this certainty may be assigned as Probable and Possible oil and/or gas based on reservoir fluid properties and pressure gradient interpretations.

The 2007 Petroleum Resources Management System can be viewed in its entirety at http://www.spe.org/spe-app/spe/industry/reserves/prms.htm.

ABBREVIATIONS

$1\text{-}S_w$	hydrocarbon saturation
AAPG	American Association of Petroleum Geologists
BBL/MMCF	barrels per million cubic feet
BGP	BGP Inc.
CNPC	China National Petroleum Corporation
EM Deep 1	El Madrejon Deep 1
EM Deep 2	El Madrejon Deep 2
EM Deep 3	El Madrejon Deep 3
EM Deep 4	El Madrejon Deep 4
EO East	El Obraje East
FVF	formation volume factor
IPO	initial public offering
JHP	JHP International Petroleum Engineering Ltd.
km	kilometers
km^2	square kilometers
m	meters
md	millidarcies
MMBBL	millions of barrels
MMBOE	millions of barrels of oil equivalent
MMCF	millions of cubic feet
MMCF/BBL	millions of cubic feet per barrel
New Times	New Times Group Holdings Limited
NRV	net rock volume
NSAI	Netherland, Sewell & Associates, Inc.
OGIP	original gas-in-place
OOIP	original oil-in-place
OxiPetrol	Petroleros de Occidente S.A.
PET North	Puesto el Tigre North
P_g	probability of geologic success
Pluspetrol	Pluspetrol Exploración y Producción S.A.
PRMS	Petroleum Resources Management System
RB/STB	reservoir barrels per stock tank barrel
SEG	Society of Exploration Geophysicists
sm^3/rm^3	standard cubic meters per reservoir cubic meter
SPE	Society of Petroleum Engineers
SPEE	Society of Petroleum Evaluation Engineers
US$	United States dollars
WPC	World Petroleum Council
YPF	Yacimientos Petroliferos Fiscales
ZH South	Zanja Honda South

**SUMMARY REPORT OF THE TECHNICAL ADVISOR
NETHERLAND, SEWELL & ASSOCIATES, INC.
TO NEW TIMES GROUP HOLDINGS LIMITED
FOR SUBMISSION TO THE STOCK EXCHANGE OF HONG KONG LIMITED
AS OF OCTOBER 10, 2007
PREPARED FEBRUARY 9, 2009**

This summary report has been prepared by Netherland, Sewell & Associates, Inc. (NSAI) for New Times Group Holdings Limited (New Times) in accordance with Chapter 18, Section 18.09(6), of the Listing Rules of The Stock Exchange of Hong Kong Limited and constitutes the "Summary Report of the Technical Advisor" regarding the unrisked potential original hydrocarbons-in-place and gross (100 percent) prospective resources, as of October 10, 2007, for the Tartagal and Morillo License Areas located in the Chaco-Paraná and Chaco-Tarija Basins, Salta Province, Argentina, as shown on the regional location map in Figure 1. We understand that New Times entered into a conditional agreement to purchase a portion of the ownership interest in these blocks on October 10, 2007, and further entered into a revised conditional agreement to purchase a larger ownership interest in these blocks on November 12, 2007. If these agreements should become final, New Times would own a 60 percent interest in each block, subject to their existing license terms. This summary report sets forth a technical assessment of those assets and is organized based on Section 18.09(6) of the Hong Kong Listing Rules. After each subject heading is a number corresponding to the subsection of the Listing Rules being addressed, along with excerpted text from the various requirements.

October 10, 2007, was chosen as the as-of date of this report because it coincides with the date of New Times' conditional agreement to purchase a portion of the ownership interest in the Tartagal and Morillo License Areas. Between October 10, 2007, and the date this report was prepared, no material information has been gained from field activities that would change our estimates presented herein.

Our assessment consisted of (1) several technical meetings in Salta, Argentina, and in our Dallas office to review the geology and petroleum system model for the Tartagal area; (2) data analysis and review of published reports on northwestern Argentina and basins in southern Bolivia and southwestern Paraguay; (3) a hydrocarbon system assessment and uncertainty/risk analysis; (4) 2-D seismic interpretation and mapping of prospects; and (5) probabilistic resources assessment of seven identified prospects in the Tartagal and Morillo License Areas. Our estimates of prospective resources are presented as unrisked gross (100 percent) resources volumes only; however, we have included our assessment of geologic risk in this report.

We have estimated prospective resources for the Tartagal and Morillo License Areas in Argentina in accordance with the definitions and guidelines set forth in the 2007 Petroleum Resources Management System (PRMS) approved by the Society of Petroleum Engineers. Prospective resources are those quantities of petroleum estimated, as of a given date, to be potentially recoverable from undiscovered accumulations by application of future development projects. The unrisked prospective resources included in this report indicate exploration opportunities and development potential in the event a petroleum discovery is made and should not be construed as reserves or contingent resources. There is a substantial risk that no economic discovery will be made. If a successful discovery is made, the further probability that the quantities of oil and gas actually recovered will equal or exceed the estimated amounts is at least 90 percent for the low estimate, at least 50 percent for the best estimate, and at least 10 percent for the high estimate. All seven of the entities for which prospective resources have been estimated in this report have been subclassified as prospects. The 2007 PRMS defines a prospect as a project associated with a potential accumulation that is sufficiently well defined to represent a viable drilling target.

In addition to the seven identified prospects, we have identified a number of plays or play concepts that could ultimately lead to drillable prospects following the acquisition of additional seismic data in the license areas. Plays are conceptual ideas of hydrocarbon potential that cannot be specifically located based on available data but instead are thought to exist based on favorable geological indications and similarities with successful developments on offsetting acreage. If these play concepts are verified through acquisition of additional data, they can then be evaluated as prospects with quantifiable prospective resources.

In setting forth the unrisked gross (100 percent) prospective resources volumes, we have not made any adjustment for the partial ownership interest of New Times, nor have we subtracted any volumes that may be distributed to the government of Argentina, either because of explicit license terms for the blocks or based on the laws of Argentina. As requested, we have not attempted to estimate exploration and development costs for these license blocks, nor have we made any attempt to estimate potential cash flows that could exist in the event that a successful discovery is made.

Collectively, the seven prospects quantified herein range from moderate risk to very high risk, such that the chance of each prospect being dry is significantly greater than the chance of each prospect yielding a hydrocarbon discovery. It is important to recognize and consider the estimated geologic risk factor along with the unrisked prospective resources volumes for each prospect. By multiplying each prospect's unrisked prospective resources volumes by its respective geologic chance of success, risked prospective resources volumes are obtained. Risking of prospective resources in this way can provide a statistical estimate of volumes that might ultimately be recovered from the total prospect portfolio, assuming each prospect is drilled; however, the accuracy of such a calculation requires both a large sample size of prospects and a total lack of dependency among the prospects, neither of which are valid conditions in this case. In any event, prospective resources volumes should not be construed as reserves or contingent resources. Likewise, prospective resources volumes should not be valued as if they were reserves or contingent resources.

The estimates of in-place and prospective resources volumes in this report are based on limited available data, and they have been based on volumetric assessments only. For the seven prospects, we considered uncertainty ranges of net rock volume (NRV), porosity, hydrocarbon saturation (1-S_w), and recovery factor in making our low, best, and high estimates of original potential hydrocarbons-in-place and prospective resources. An independent geologic risk assessment was carried out for each prospect and resulted in the geologic risk factors expressed herein.

New Times did not ask us to perform cash flow calculations for any of the identified prospects. Furthermore, insufficient information was provided by New Times to fully prepare cash flow calculations. Nevertheless, it is critical for New Times to understand some of the significant issues with regard to license terms, purchase agreement terms, Argentine royalty and taxation laws, and product pricing controls in effect in Argentina that would impact the per-unit value of potential resources volumes relative to what might be expected in other countries with other fiscal regimes. Because of the complexity of these issues, we highly recommend that New Times carefully investigate oil and gas pricing issues and then create a detailed cash flow model that accounts for all exploration costs, development costs, operating expenses, royalties, and taxes. It is important to recognize that there is a significant statistical chance that drilling of existing prospects will not yield an economic discovery, even given that seven prospects have been identified herein.

PROFESSIONAL QUALIFICATIONS OF TECHNICAL ADVISOR(S) – 18.09(6)

Name, address, professional qualifications, and relevant experience of the Technical Advisor(s).

NSAI is a firm of international independent reserves consultants. NSAI has conducted reserves certifications, technical studies and economic evaluations, and advisory work for both onshore and offshore fields throughout the world. We perform a complete range of integrated geophysical, geological, petrophysical, and engineering services for clients that include major and independent oil and gas companies, national oil and gas companies, financial institutions, government agencies, investors, and law firms. We maintain a staff of highly competent technical personnel to ensure excellence in the quality of our work and in the service to our clients.

Our company was established in 1961 and has offices in Dallas and Houston, Texas. Our present organization consists of 60 reservoir engineers, geoscientists, and petrophysicists; 70 engineering, geologic, and petrophysical analysts; 15 associate engineers, geoscientists, and petrophysicists as needed for special expertise; and additional support staff. Our staff members work as a team to provide the integrated expertise required for reserves evaluations, complex field studies, and exploration resources assessments. Our professional staff is carefully recruited from the industry's most qualified candidates. The average experience level of our professional staff exceeds 20 years, including 5 to 15 years with a major oil company. Most of our engineers, geoscientists, and petrophysicists obtained their initial training and experience with ARCO, BP, British Gas, Chevron, ConocoPhillips, or ExxonMobil.

Our engineering, geologic, and petrophysical analysts generally have degrees in mathematics, computer science, geology, and business. They have diverse skills in data loading, database management, economic modeling, spreadsheet manipulation, computer mapping, well log processing, and report preparation. Analyst support staff complement our geoscience and engineering capabilities by increasing the efficiency of our work processes and providing a direct cost benefit to our clients.

A substantial part of our work involves the evaluation of oil and gas reserves and resources and the economic evaluation related thereto for various clients. Our reserves and resources evaluation reports are used by these clients for (1) corporate financing; (2) joint ventures, investments, mergers, acquisitions, and property sales; (3) establishing depletion, depreciation, and abandonment rates for accounting and auditing purposes and use in annual reports; (4) filings with regulatory agencies such as the United States Securities and Exchange Commission and Department of Energy; and (5) equity offerings on the New York, London, Toronto, Hong Kong, Singapore, and other stock exchanges.

We have prepared numerous technical reports for inclusion in public documents of listed companies. With respect to initial public offerings (IPOs), NSAI has prepared reports known in various countries as Independent Reserves/Resources Reports, Competent Persons Reports, and Independent Technical Advisor Reports related to numerous successful flotations. The vast majority of NSAI's independent reports for past IPO flotations have contained all of the information specified in Section 18.09(6) of the Hong Kong Listing Rules and have been prepared using widely accepted classification and reporting standards.

The staff at NSAI that have been directly involved as Technical Advisors for this summary report include the following:

Richard F. Krenek, II, P.E.   Philip R. Hodgson, P.G.

Richard Krenek has a B.S. in Chemical Engineering with over 22 years of industry experience. Philip Hodgson has a B.S. in Geology and a M.S. in Geophysics with nearly 24 years of industry experience. Richard Krenek is a Registered Professional Engineer while Philip Hodgson is a Licensed Professional Geoscientist. Their professional licenses are maintained in the State of Texas, USA. Being licensed as a Professional Engineer or Professional Geoscientist is generally associated with the professional experience and ability required to perform quality independent petroleum reserves and resources assessments.

Richard Krenek is a member of the Society of Petroleum Engineers (SPE) and an elected Director of the Society of Petroleum Evaluation Engineers (SPEE). The SPEE is an international group of about 600 professionals directly involved in reserves and resources evaluations. Richard previously was Chairman of the local Dallas Chapter of the SPEE. Furthermore, Richard lectured to SPEE members in late 2006 on the 1997 Petroleum Reserves Definitions approved by the SPE and World Petroleum Council (WPC); the 2000 Petroleum Resources Classification System and Definitions approved by the SPE, WPC, and American Association of Petroleum Geologists (AAPG); and the then-proposed (now approved) combined reserves and resources definitions known as the 2007 Petroleum Resources Management System sponsored by the SPE, WPC, AAPG, and SPEE.

Richard has previously acted as Technical Advisor in connection with listings on The Stock Exchange of Hong Kong Limited.

Philip Hodgson is a Certified Petroleum Geophysicist and a member of both the AAPG and the Society of Exploration Geophysicists (SEG). Philip has experience evaluating reserves and resources in diverse geologic provinces throughout the world and has hands-on experience gained from several major and independent exploration and production companies.

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STAGE OF DEVELOPMENT AND SUMMARY OF PAST OPERATIONS – 18.09(6)(a)

The number of holes drilled and their distribution.

The Tartagal License Area is the largest of the two licenses at 7,063 square kilometers (km^2), followed by the Morillo License Area at 3,534 km^2. As shown on Figure 2, 21 exploration wells have been drilled in the Tartagal License Area, and one exploration well has been drilled in the Morillo License Area. Exploration in the Tartagal License Area began in 1953 when Yacimientos Petroliferos Fiscales (YPF), then the national oil company of Argentina, drilled the Michicola-1 well, and ended in 1996 when Pluspetrol Exploración Producción S.A. (Pluspetrol) drilled the Campo Alcoba x-1002 well. In the Morillo License Area, the Tordillo x-1 well was drilled in 1968, and no further exploration has been conducted since that time.

Despite the relatively low density of drilling in the Tartagal License Area (approximately one well per 340 km^2), we consider Tartagal to be in a mature stage of exploration given the existing data (Figure 2). A total of 355 2-D seismic lines have been acquired in the Tartagal License Area, with an additional 135 2-D seismic lines acquired in the Morillo License Area for a line density of approximately 4 kilometers (km) by 4 km. This density of data, coupled with multiple rounds of data reprocessing by YPF and Pluspetrol, has produced a data set capable of imaging a series of potential fault-block traps associated with rift extension of the Cretaceous Lomas de Olmedo Subbasin and several low-relief, low-angle thrust anticlines at the outer reaches of the sub-Andean compressional belt (Figure 3). Therefore, drilling in the Tartagal License Area has been focused in these areas, with seven wells (El Madrejon x-1, El Madrejon x-2, El Madrejon x-3, Balbuena Este 1001, Moron x-1, Alta de la Sierra x-1, and Bajada Alta x-1) testing three-way fault closures in the Cretaceous Yacoraite carbonate reservoir in the southeastern portion of the Tartagal License Area and seven wells (Vespucio x-1, Zanja Honda x-1, Campo Cuervo x-1, Campo Alcoba x-1, Campo Alcoba x-2, Campo Alcoba 1001, and Campo Alcoba 1002) testing four-way anticlines and three-way fault closures of Carboniferous Tupambi and Tarija sandstones in the sub-Andean thrust belt in the northwestern portion of the Tartagal License Area. The remaining exploration wells in the Tartagal License Area appear to be testing either erosion-truncation plays of the Devonian to Permian reservoirs below the Paleozoic angular unconformity or onlap truncation plays of the Paleocene to Eocene Santa Barbara Subgroup on the northern flank of the Lomas de Olmedo Subbasin.

Exploration success in the Tartagal and Morillo License Areas has been limited to date. In the northwest, only Tartagal Oeste Field (currently excluded from the Tartagal License Area) has produced oil commercially from Tupambi and Tarija reservoirs in a low-angle, low-relief thrust anticline. Likewise in the south, only Balbuena Este Field (currently excluded from the Tartagal License Area) has been a commercial success with the Yacoraite reservoirs producing oil at relatively high rates from an anticline on the downthrown side of a fault. All other wells in the Tartagal and Morillo License Areas, such as Campo Alcoba x-1, Fortin Alegre x-1, Vespucio x-1, and Alto de la Sierra x-1, have been commercially unsuccessful despite occasional very good shows of oil and gas. These wells also have indications of good reservoir quality in Devonian through Tertiary reservoirs.

We understand, based on discussions with various representatives of New Times, that the initial exploration plan in the Tartagal and Morillo License Areas will be to upgrade and enhance the seismic database through the acquisition and processing of 2-D and 3-D seismic data across both license areas. New seismic data employing current acquisition and processing technology will allow for better definition of the seven prospects already identified and described herein. These new data will be more dense and will likely have higher resolution than the current data set, thus improving estimates of the size and shape of each prospect and potentially reducing the geologic risk associated with them. In addition, the 3-D seismic data will greatly improve detection of subtle prospects not yet identified with the current data set, such as stratigraphic traps involving Tupambi channel sandstones across low-relief structures and structural noses and structural-stratigraphic traps involving Yacoraite carbonate reservoirs. These exploration opportunities cannot be accurately imaged using the current, relatively sparse, multivintage 2-D data set.

SUMMARY OF THE TARGET RESERVOIRS AND THEIR RESERVOIR PARAMETERS – 18.09(6)(b)

Statement describing the geological characteristics of the occurrence, the type of deposit, its dimensions and the grade of the mineral; for fluid and/or gaseous deposits, the porosity and permeability characteristics of the reservoirs, the thickness of the net pay, the pressure of the fluid or gas within it and the recovery mechanism planned.

The Tartagal and Morillo License Areas are onshore northwest Argentina in Salta Province (Figure 1). The area is geologically and structurally complex because of the superposition of four main basins and tectonic influences, including a Late Jurassic-to Early Cretaceous-aged rift extension and Tertiary-aged Andean compression. Figure 4 is a map showing the generalized location of three of the four main basins in the Tartagal and Morillo License Areas. From oldest to youngest, these four basins are the (1) Late Ordovician to Late Devonian (Chaco-Paraná), (2) Carboniferous to Early Permian (Chaco-Tarija), (3) Cretaceous (Lomas de Olmedo), and (4) Tertiary (Chaco Plain). The Tertiary basin overlies all of the area on Figure 4.

Tectonic History

An understanding of the tectonic history of northwest Argentina and the Tartagal and Morillo License Areas is important to our overall assessment of prospective resources and prospect risk. Generalized stratigraphic columns showing the key geologic formations are shown in Figure 5.

Cambrian-Ordovician

During the Cambrian-Ordovician period, the Tartagal and Morillo License Areas were in a passive, back-arc basin open to the west that received the deposition of more than 3,000 meters (m) of clastic, shallow marine shelf deposits (Starck, 1995). Deposition ceased and the basin was inverted at the end of the Ordovician age when the Arequipa-Antofalla craton collided with the Pampean terrane in a tectonic event referred to as the Ocloyic orogeny.

Silurian-Devonian

In the Tartagal and Morillo License Areas, shallow marine clastic sediments were deposited in a subsiding, intracratonic basin during the Silurian-Devonian period. This basin formation and sediment deposition was halted by folding and structural inversion during the Chanic orogeny of Late Devonian to Early Carboniferous age (Starck, 1995).

Early Carboniferous-Jurassic

In the Early Carboniferous-Jurassic period, continuing intracratonic basin formation dominated by continental sedimentation called "Gondwana succession" (Starck, 1995) was taking place in the Tartagal and Morillo License Areas. This period ended with Late Jurassic-to Early Cretaceous-aged rifting and extension along the triple junction formed by the suture of the Amazonia, Arequipa, and Pampia cratons (Cominguez and Ramos, 1995).

Cretaceous-Early Tertiary

During this period, the Tartagal and Morillo License Areas experienced the development and filling of rift-extensional basins that began opening during the Late Jurassic to Early Cretaceous. Synrift, continental clastic facies dominated the early stages and gave way to dominantly continental, shallow-water to hypersaline lacustrine sediments deposited during the postrift sag phase (Starck, 1995; Cominguez and Ramos, 1995). The beginning of the Andean orogeny and eastward-verging compression marked the end of this period.

Early Tertiary-Recent

From the Early Tertiary to Recent period, the Tartagal and Morillo License Areas have been a dominantly continental clastic foreland basin associated with growth of the Andes Mountains and foothills to the west.

Hydrocarbon Systems

There are two proven hydrocarbon systems in the Tartagal region. The first and most important hydrocarbon system involves the Devonian Los Monos source rock with several potential reservoirs in the Devonian Huamampampa and Santa Rosa Formations, Carboniferous Tupambi and Tarija Formations, and Tertiary Tranquitas Formation. Typically, traps are in complex compressional structures formed during the Tertiary Period by the east-verging Andean orogeny. The second proven hydrocarbon system involves Cretaceous Yacoraite source rock with reservoirs in the Yacoraite Formation in subtle structural-stratigraphic traps. Figure 1 shows the location of the Tartagal area licenses and the surrounding oil, condensate, and gas fields. To the west and northwest of the Tartagal and Morillo License Areas are the fields of the first and most prolific hydrocarbon system: Aguarague, Ramos, San Pedro, Macueta, Tartagal Oeste, Campo Duran, and Madrejones, all in northwest Argentina. Fields with this type of hydrocarbon system also extend northward for hundreds of kilometers into southeastern Bolivia. Fields of the second hydrocarbon system generally occur south of the Tartagal and Morillo License Areas. Balbuena Este Field is the nearest oil field that produces from the Yacoraite Formation.

Source Rock

The Devonian-aged Los Monos Formation (and its equivalent formations in Bolivia) is the principal source rock in the sub-Andean area of Bolivia and northwest Argentina, and it is in the wet gas-to oil-generative window north of the Tartagal area. There are believed to be two main, organic-rich, hydrocarbon-generating zones in the Los Monos Formation: a deeper zone that is in the gas and condensate maturity window and believed to be sourcing predominantly Huamampampa reservoirs and a shallower zone that is in the oil to gas and condensate maturity window and is sourcing predominantly Carboniferous and Tertiary reservoirs (Belotti et al., 1995). Although total organic carbon in the Los Monos Formation is generally low at around 1 percent, the approximately 1,000-m thickness allows for the generation of large volumes of hydrocarbons (Starck, 1995). The Los Monos Formation subcrop or erosion edge crosses through the Tartagal License Area near the Michicola Arch (Figure 4). South of this line, no fields appear to be sourced from the Los Monos shales because of lack of migration pathways.

In the southeastern portion of the Tartagal License Area and the Morillo License Area, the main source rocks are the organic-rich lacustrine shales and carbonates of the Yacoraite Formation, which is also the main reservoir in the region. These source rocks reach thermal maturity and the oil-generation window in the deeper portions of the Lomas de Olmedo Subbasin.

Reservoir Rock

Reservoir rocks encountered in the producing fields and exploration wells in and around the Tartagal area range in age from Devonian (Santa Rosa and Huamampampa Formations) to Carboniferous (Tupambi and Tarija Formations) to Cretaceous (Yacoraite Formation) to Paleocene-Eocene (Santa Barbara Subgroup) to Miocene (Tranquitas Formation), as shown on the stratigraphic columns on Figure 5.

The Huamampampa Formation is the most prolific hydrocarbon producer in the region, producing from silica-cemented, fractured quartz arenites in the cores of thrust anticlines in the sub-Andean fields northwest of the Tartagal License Area in northwest Argentina and Bolivia (Figure 1). The Huamampampa Formation was deposited in a shallow marine environment in a series of transgressive-regressive cycles. Primary porosity in the Huamampampa is low at 5 percent with very low permeability, in the range of 0.1 to 1.0 millidarcies (md). Gas and condensate are typically produced from the Huamampampa from fracture-enhanced permeability at fold crests. Where the Huamampampa is not tightly folded and fractured, it tends to be a poor hydrocarbon producer. Santa Rosa sandstone reservoirs are also Devonian-aged and are stratigraphically deeper and older but genetically similar to the much more common Huamampampa reservoirs.

The Carboniferous-aged Tupambi and Tarija reservoirs are also productive in the structural thrust anticlines in the belt of sub-Andean fields of northwest Argentina and southern Bolivia. The Tupambi Formation is a series of stacked, coarsening-upward sequences of fluvial (braided stream) to delta mouth bar sandstones deposited in a system of paleovalleys (Starck, 1995). Primary porosity in the Tupambi sandstones is 13 percent with permeability in the tens of md (Starck, 1995). As with the older Huamampampa and Santa Rosa reservoirs, productivity in the Tupambi is likely to have been enhanced by natural fracturing in the tight folds of thrust-formed anticlines. The Tarija Formation is a secondary, Carboniferous-aged reservoir in northwest Argentina that is usually the seal for the underlying Tupambi reservoirs. While mainly composed of nonreservoir diamictites (coarse-grained rocks and rock fragments suspended in a very fine-grained, argillaceous matrix believed to be of glacial origin in northwest Argentina), occasional sandstones and conglomerate beds can be productive near the top of the Tarija Formation.

The Upper Cretaceous-aged Yacoraite Formation is the most common hydrocarbon-producing reservoir in the Lomas de Olmedo Subbasin. The Yacoraite Formation is a shallowing-upward sequence of organic-rich, shallow marine carbonates grading upward to shallow marine and subaerial clastics (Cominguez and Ramos, 1995). Reservoir intervals in the Yacoraite consist of algal boundstones interlayered with sandstones. Reservoir quality is fair to good in the Yacoraite.

The Paleocene- to Eocene-aged Santa Barbara Subgroup contains potential reservoirs of minor interest in the Tartagal area. The Mealla, Maiz Gordo, and Lumbrera Formations are typically composed of shales, marls, and shallow lacustrine carbonates, though occasional fluvial sandstone deposits could be considered reservoir targets (Cominguez and Ramos, 1995).

Hydrocarbon Traps

Northwest and west of the Tartagal area, the trapping of hydrocarbons is primarily in structural traps formed through compressional tectonics related to the Miocene to present-day uplift of the Andean and sub-Andean ranges. Hydrocarbon trapping in these fields is focused in the crest of anticlines or faulted anticlines and in fault traps, with a limited component of structural-stratigraphic trapping because of the interaction of north-south trending fluvial channels with predominantly north-south trending structures (Belotti et al., 1995). In the northwestern portion of the Tartagal License Area, the last remnants of the thin-skinned, compressive tectonics are expressed by a series of relatively low-relief anticlines tested by drilling at Tartagal Oeste and Campo Alcoba Fields. Trapping of oil in Tartagal Oeste Field is dominantly structural.

South of the Tartagal area in the Cretaceous Lomas de Olmedo Subbasin, the trapping style is also dominantly structural in low-relief anticlines and fault-trap three-way closures on the faulted flanks of the rift-sag basin. In the southeastern portion of the Tartagal License Area, low-relief anticlines/three-way fault closures and fault closures were tested by the drilling of Balbuena Este Field and the El Madrejon and Alto de la Sierra areas.

The potential for stratigraphic traps and structural-stratigraphic traps exists across the Tartagal area below the angular unconformity separating the generally northwest-dipping Ordovician to Carboniferous intervals from the overlying and generally south-southeast dipping Cretaceous to Recent sediments. This could be either as direct subcrop traps below the unconformity or as traps enhanced by lateral truncations of fluvial channel sandstones on the monoclinal surface.

Hydrocarbon Play Concepts

Based on the previous work of BGP Inc. (BGP), China National Petroleum Corporation (CNPC), independent research in the available public-domain literature, and discussions with Mr. Julio Arias, a senior geologist familiar with the Tartagal area licenses and the Salta region, we identified a number of hydrocarbon play concepts associated with the Tartagal and Morillo License Areas, as shown in Figure 6. Several of these play concepts were readily identifiable on our working 2-D seismic and well database, and these prospects, with quantified prospective resources, are documented in the Prospects section of this report. For many of these play concepts, however, prospects were not able to be identified using our working database, and these opportunities remain to be pursued during future exploration of the Tartagal and Morillo License Areas. This future exploration may include the acquisition of additional 2-D seismic data, acquisition of prospect-focused and regional 3-D seismic data, and reentry and retesting of high-potential zones in old wells or redrilling of old prospects.

The main play concept identified by BGP and CNPC (collectively referred to herein as BGP/CNPC) was for the exploration of stratigraphic traps at the erosion-truncation edges of the Carboniferous and Devonian reservoirs below the Paleozoic unconformity (solid green area on Figure 6). In this play area, we were able to identify three prospects (two targeting the Carboniferous Tupambi reservoir and one targeting the Devonian Huamampampa reservoir) using our working seismic database. Structural elevation continues to rise past the end of the 2-D seismic data to the southeast (Figure 7). Thus, structural closure size is limited by our ability to define closure.

A second play concept follows the Devonian reservoirs over the Michicola Arch where they become involved in the rift extension and down-faulting associated with the opening of the Lomas de Olmedo Subbasin to the south (solid blue area on Figure 6). In this play area, we identified four prospects in combination three-way, upthrown fault closures with elements of erosion-truncation below the southeast-dipping Paleozoic unconformity.

A third play concept involves the Cretaceous Yacoraite reservoirs on the northern (Tartagal License Area) and southern (Morillo License Area) flanks of the Lomas de Olmedo Subbasin (solid pink areas on Figure 6). In several wells in the Tartagal area, reservoir quality in the Yacoraite was encouraging and was accompanied by good shows of oil and gas. While the exploration targets in these wells (downthrown three-way fault closures) were largely unsuccessful, areas updip of these wells to the north could be prospective because the Yacoraite Formation onlaps the edge of the basin. However, identifying the exact pinchout point on the relatively sparse, multivintage, variable-quality 2-D seismic data proved difficult, and no prospects were identified or quantified. One area of promise at the far eastern edge of this play area could not be closed because of lack of data to the east of the Tartagal License Area. We believe that opportunities in the Yacoraite play will increase with acquisition of 3-D seismic data and/or infill with 2-D seismic data, as planned by New Times. The Yacoraite Formation has been a significant producer of oil in the Lomas de Olmedo Subbasin (Figure 1), with field sizes ranging up to 60 million barrels of oil equivalent (MMBOE) (Caimancito Field – Yacoraite and Maiz Gordo production), with an average field size of over 5 MMBOE and a median field size of over 1 MMBOE.

In the Morillo License Area, a fourth, but arguably very weak, play area was identified in a region of small, Tertiary-aged, four-way dip closures (solid light purple area on Figure 6). Seismic coverage was relatively good here, but a lack of faulting down to source rocks in the deeper Yacoraite Formation makes migration of oil a major risk. No prospects were identified in this play area.

In general, the potential for the discovery of small accumulations of oil associated with previously drilled and tested structures exists in the Carboniferous in the northwest portion of the Tartagal License Area (orange dashed area on Figure 6) and in the Cretaceous Yacoraite in the southeast portion of the Tartagal License Area (green dashed area on Figure 6). We have not quantified this potential as we recognize that our working 2-D seismic database in these areas is less extensive than that used by previous operators to drill exploration wells such as those at Campo Alcoba, Vespucio, El Madrejon, Balbuena Este, Alta de la Sierra, etc. To identify small Carboniferous oil accumulations in low-relief, faulted anticlines or small Cretaceous accumulations in three-way fault traps will require, at a minimum, the procurement of all the existing seismic data over these areas; the reprocessing of some, if not all, of the data; and probably the acquisition of additional, modern 2-D seismic data to supplement and infill the existing grids. In some cases, such as the Campo Alcoba area, 3-D seismic data might be needed to unravel the complex overthrust faulting and trapping in the field.

Prospects

Using Landmark SeisWorks2D interpretation software, we have interpreted approximately 150 of the 355 2-D seismic lines available over the Tartagal License Area for nine key horizons and have identified seven prospects (Figure 3). Over the Morillo License Area, we have mapped four key horizons on approximately 33 of the 135 2-D seismic lines available (Figure 3). Data issues precluded incorporating the remaining seismic lines into our analysis at this time. Figure 7 shows our interpreted time horizons that include the Precambrian, Silurian, Santa Rosa (Devonian), Huamampampa

(Devonian), Los Monos (Devonian), Tupambi (Carboniferous, not shown), Paleozoic unconformity, Yacoraite (Cretaceous), and Mealla (Paleocene). Well-to-seismic calibration was difficult in the Tartagal License Area because no time-depth data were provided for any well. To achieve calibration, we first interpreted the Paleozoic angular unconformity, the most obvious seismic event across the Tartagal and Morillo License Areas, and then matched the unconformity event in the wells to the seismic event by using a pseudo time-depth point, thereby "hanging" each well on the unconformity. Further calibration could then be achieved by using velocity information contained in the sonic logs to tie above and below this unconformity.

Figures 8 through 13 show, respectively, time structure maps of the Santa Rosa, Huamampampa, Tupambi, Paleozoic unconformity, Yacoraite, and Mealla Formations representing the main results of this independent 2-D seismic interpretation and mapping exercise for the Tartagal License Area. 2-D seismic lines were from multiple different vintages and different stages of reprocessing, so bulk time shifts were required on a line-by-line basis to account for the use of different seismic datums (generally 200 to 400 m above sea level).

Once prospects were identified, we conducted time-to-depth conversion of key maps for the Santa Rosa, Huamampampa, and Tupambi Formations (Figures 14 through 16, respectively) to fully understand the potential size and depth of each prospective area. Time-to-depth conversion was achieved using a simple time-depth polynomial function based on key pseudo time-depth points. On the Santa Rosa depth structure map (Figure 14), the identified prospects are El Madrejon Deep 1 (EM Deep 1), El Madrejon Deep 2 (EM Deep 2), El Madrejon Deep 3 (EM Deep 3), and El Madrejon Deep 4 (EM Deep 4). On the Huamampampa depth structure map (Figure 15), the identified prospect is Puesto el Tigre North (PET North). On the Tupambi depth structure map (Figure 16), the identified prospects are Zanja Honda South (ZH South) and El Obraje East (EO East).

Areas for each prospect were estimated in Landmark SeisWorks2D software using three-way fault closure (EM Deep 1, EM Deep 2, EM Deep 3, and ZH South) as a low case and combined fault/erosion-truncation closure as the high case. For pure stratigraphic pinchout prospects (EM Deep 4, PET North, and EO East), low-side area was taken as closure elements with a strong three-way component, and high-side area was taken as closure areas less well-defined seismically. Low and high case areas of closure were combined with low case and high case potential net pay thicknesses to yield a range of NRV for input into our Crystal Ball probabilistic spreadsheet. NRV inputs were combined with estimated ranges of porosity, hydrocarbon saturation, and recovery factor along with an estimate of pressure and formation volume factor (FVF) derived from the inspection of the log data and well reports in the Tartagal and Morillo License Areas and based on field and exploration analogs described in public-domain literature. Probabilistic spreadsheet input parameters for each prospect are listed in the following sections on a prospect-by-prospect basis.

Figure 17 shows the time structure maps for the Mealla and Paleozoic unconformity across the Morillo License Area. In general, the Morillo License Area straddles the Loma de Olmedo Subbasin, extending from the southern limit of the Tartagal License Area to the Tordillo x-1 well at the southern end of the Morillo License Area. We were not able to load seismic lines directly through this well because of the condition of the seismic data set provided to us, nor were we able to load a sufficient number of lines with which to identify leads or prospects in the block, as seen when comparing Figures 4 and 5. Therefore, no prospective resources have been estimated for the Morillo License Area. Figure 6 shows the potential exploration plays that we believe may exist across the Morillo License Area.

El Madrejon Deep 1 Prospect

Basic Data

Basin/License Area:	Chaco-Paraná/Tartagal
Exploration methods:	Multivintage 2-D seismic data
Surface elevation:	260 m
Potential reservoir:	Devonian sandstones (Santa Rosa Formation)
Reservoir depth:	4,000 m drill depth
Area of closure:	6 to 49 km^2
Trap style:	Combined three-way fault closure and erosion-truncation
Source:	Devonian Los Monos (shallow marine to marine) shales, Devonian Icla shales, Silurian Kirusillas shales
Main uncertainties:	Migration pathways, reservoir quality, trap size and integrity
License terms:	Unknown

Summary

EM Deep 1 is a prospective combination structural-stratigraphic trap of gas and condensate in the Santa Rosa Formation sandstones of Devonian age (Figure 14). This fault block was formed during the Cretaceous rift extension and partial opening of the Lomas de Olmedo Subbasin as large Precambrian through Devonian-aged blocks were detached and rotated to the southeast. Prior to rifting, the combined Chaco-Paraná and Chaco-Tarija Basin sediments were uplifted and eroded on the Michicola Arch (Figure 4), forming angular truncation surfaces below the Paleozoic unconformity. The combined effects of this uplift and erosion and the block faulting form the trap for EM Deep 1.

As seen in Figure 18, the prospective reservoir interval appears on 2-D seismic data as continuous, strong reflections that can be correlated seismically back to the Vespucio x-1 and Tonono x-1 wells where the prospective Santa Rosa Formation sandstone reservoir was penetrated. In the Vespucio x-1 well (Figure 19), this interval indicated hydrocarbon saturation based on log analysis in low-porosity, low-permeability sandstones. A strong gas show was also indicated during drilling of this deep interval. Because of the low porosity and permeability in the Devonian Santa Rosa and Huamampampa Formations, natural fracturing because of tight folding in compressional anticlines has typically been necessary for commercial production from these formations. The mechanism for natural fracturing at EM Deep 1 will be extensional fault movement.

Parameters

Volumetric parameters for EM Deep 1 Prospect are listed in the following table:

		Area (km^2)			Net Thickness (m)		
Objective Interval	**Type**	**Low**	**Best**	**High**	**Low**	**Best**	**High**
Devonian sandstone	Gas, condensate	6	19	49	30	90	150

Reservoir parameters for EM Deep 1 Prospect are listed in the following table:

	Porosity (decimal)			$1\text{-}S_w$ (decimal)			FVF	Recovery Factor (decimal)			Condensate Yield (BBL/MMCF)		
Objective Interval	Low	Best	High	Low	Best	High	(sm^3/rm^3)	Low	Best	High	Low	Best	High
Devonian sandstone	0.03	0.05	0.08	0.50	0.60	0.75	243	0.40	0.60	0.70	15	20	25

El Madrejon Deep 2 Prospect

Basic Data

Basin/License Area:	Chaco-Paraná/Tartagal
Exploration methods:	Multivintage 2-D seismic data
Surface elevation:	270 m
Potential reservoir:	Devonian sandstones (Santa Rosa Formation)
Reservoir depth:	3,900 m drill depth
Area of closure:	25 to 133 km^2
Trap style:	Combined three-way fault closure and erosion-truncation eastward
Source:	Devonian Los Monos (shallow marine to marine) shales, Devonian Icla shales, Silurian Kirusillas shales
Main uncertainties:	Migration pathways, reservoir quality, trap size and integrity
License terms:	Unknown

Summary

EM Deep 2 is a prospective combination structural-stratigraphic trap of gas and condensate in the Santa Rosa Formation sandstones of Devonian age (Figure 14). This fault block was formed during the Cretaceous rift extension and partial opening of the Lomas de Olmedo Subbasin as large Precambrian through Devonian-aged blocks were detached and rotated to the southeast. Prior to rifting, the combined Chaco-Paraná and Chaco-Tarija Basin sediments were uplifted and eroded on the Michicola Arch (Figure 4), forming angular truncation surfaces below the Paleozoic unconformity. The combined effects of this uplift and erosion and the block faulting form the trap for EM Deep 2.

As seen in Figure 18, the prospective reservoir interval appears on 2-D seismic data as continuous, strong reflections that can be correlated seismically back to the Vespucio x-1 and Tonono x-1 wells where the prospective Santa Rosa Formation sandstone reservoir was penetrated. In the Vespucio x-1 well (Figure 19), this interval indicated hydrocarbon saturation based on log analysis in low-porosity, low-permeability sandstones. A strong gas show was also indicated during drilling of this deep interval. Because of the low porosity and permeability in the Devonian Santa Rosa and Huamampampa Formations, natural fracturing because of tight folding in compressional anticlines has typically been necessary for commercial production from these formations. The mechanism for natural fracturing at EM Deep 2 will be extensional fault movement.

Parameters

Volumetric parameters for EM Deep 2 Prospect are listed in the following table:

		Area (km^2)			Net Thickness (m)		
Objective Interval	**Type**	**Low**	**Best**	**High**	**Low**	**Best**	**High**
Devonian sandstone	Gas, condensate	25	61	133	30	90	150

Reservoir parameters for EM Deep 2 Prospect are listed in the following table:

	Porosity (decimal)			$1\text{-}S_w$ (decimal)			FVF	Recovery Factor (decimal)			Condensate Yield (BBL/MMCF)		
Objective Interval	Low	Best	High	Low	Best	High	(sm^3/rm^3)	Low	Best	High	Low	Best	High
Devonian sandstone	0.03	0.05	0.08	0.50	0.60	0.75	243	0.40	0.60	0.70	15	20	25

El Madrejon Deep 3 Prospect

Basic Data

Basin/License Area:	Chaco-Paraná/Tartagal
Exploration methods:	Multivintage 2-D seismic data
Surface elevation:	270 m
Potential reservoir:	Devonian sandstones (Santa Rosa Formation)
Reservoir depth:	3,500 m drill depth
Area of closure:	27 to 60 km^2
Trap style:	Combined three-way fault closure and erosion-truncation eastward
Source:	Devonian Los Monos (shallow marine to marine) shales, Devonian Icla shales, Silurian Kirusillas shales
Main uncertainties:	Migration pathways, reservoir quality, trap size and integrity
License terms:	Unknown

Summary

EM Deep 3 is a prospective combination structural-stratigraphic trap of gas and condensate in the Santa Rosa Formation sandstones of Devonian age (Figure 14). This fault block was formed during the Cretaceous rift extension and partial opening of the Lomas de Olmedo Subbasin as large Precambrian through Devonian-aged blocks were detached and rotated to the southeast. Prior to rifting, the combined Chaco-Paraná and Chaco-Tarija Basin sediments were uplifted and eroded on the Michicola Arch (Figure 4), forming angular truncation surfaces below the Paleozoic unconformity. The combined effects of this uplift and erosion and the block faulting form the trap for EM Deep 3.

As seen in Figure 18, the prospective reservoir interval appears on 2-D seismic data as continuous, strong reflections that can be correlated seismically back to the Vespucio x-1 and Tonono x-1 wells where the prospective Santa Rosa Formation sandstone reservoir was penetrated. In the Vespucio x-1 well (Figure 19), this interval indicated hydrocarbon saturation based on log analysis in low-porosity, low-permeability sandstones. A strong gas show was also indicated during drilling of this deep interval. Because of the low porosity and permeability in the Devonian Santa Rosa and Huamampampa Formations, natural fracturing because of tight folding in compressional anticlines has typically been necessary for commercial production from these formations. The mechanism for natural fracturing at EM Deep 3 will be extensional fault movement.

Parameters

Volumetric parameters for EM Deep 3 Prospect are listed in the following table:

		Area (km^2)			**Net Thickness (m)**		
Objective Interval	**Type**	**Low**	**Best**	**High**	**Low**	**Best**	**High**
Devonian sandstone	Gas, condensate	27	40	60	30	90	150

Reservoir parameters for EM Deep 3 Prospect are listed in the following table:

	Porosity (decimal)			$1\text{-}S_w$ (decimal)			FVF	Recovery Factor (decimal)			Condensate Yield (BBL/MMCF)		
Objective Interval	Low	Best	High	Low	Best	High	(sm^3/rm^3)	Low	Best	High	Low	Best	High
Devonian sandstone	0.03	0.05	0.08	0.50	0.60	0.75	243	0.40	0.60	0.70	15	20	25

El Madrejon Deep 4 Prospect

Basic Data

Basin/License Area:	Chaco-Paraná/Tartagal
Exploration methods:	Multivintage 2-D seismic data
Surface elevation:	270 m
Potential reservoir:	Devonian sandstones (Santa Rosa Formation)
Reservoir depth:	3,400 m drill depth
Area of closure:	24 to 62 km^2
Trap style:	Combined fault closure and erosion-truncation
Source:	Devonian Los Monos (shallow marine to marine) shales, Devonian Icla shales, Silurian Kirusillas shales
Main uncertainties:	Migration pathways, reservoir quality, trap size and integrity
License terms:	Unknown

Summary

EM Deep 4 is a prospective combination structural-stratigraphic trap of gas and condensate in the Santa Rosa Formation sandstones of Devonian age (Figure 14). This trap was in part formed during the Cretaceous rift extension and partial opening of the Lomas de Olmedo Subbasin as large Precambrian through Devonian-aged blocks were detached and rotated to the southeast. Prior to rifting, the combined Chaco-Paraná and Chaco-Tarija Basin sediments were uplifted and eroded on the Michicola Arch (Figure 4), forming angular truncation surfaces below the Paleozoic unconformity. EM Deep 4 Prospect is dominantly an erosion-truncation trap at the subcrop of the Santa Rosa Formation below the Paleozoic unconformity with a minor element of fault trapping to the west.

As seen in Figure 20, the prospective reservoir interval appears on 2-D seismic data as continuous, strong reflections that can be correlated seismically back to the Vespucio x-1 and Tonono x-1 wells where the prospective Santa Rosa Formation sandstone reservoir was penetrated. In the Vespucio x-1 well (Figure 19), this interval indicated hydrocarbon saturation based on log analysis in low-porosity, low-permeability sandstones. A strong gas show was also indicated during drilling of this deep interval. Because of the low porosity and permeability in the Devonian Santa Rosa and Huamampampa Formations, natural fracturing because of tight folding in compressional anticlines has typically been necessary for commercial production from these formations. The mechanism for natural fracturing at EM Deep 4 will be extensional fault movement.

Parameters

Volumetric parameters for EM Deep 4 Prospect are listed in the following table:

		Area (km^2)			Net Thickness (m)		
Objective Interval	**Type**	**Low**	**Best**	**High**	**Low**	**Best**	**High**
Devonian sandstone	Gas, condensate	24	38	62	30	90	150

Reservoir parameters for EM Deep 4 Prospect are listed in the following table:

	Porosity (decimal)			$1\text{-}S_w$ (decimal)				Recovery Factor (decimal)			Condensate Yield (BBL/MMCF)		
Objective Interval	Low	Best	High	Low	Best	High	FVF (sm^3/rm^3)	Low	Best	High	Low	Best	High
Devonian sandstone	0.03	0.05	0.08	0.50	0.60	0.75	243	0.40	0.60	0.70	15	20	25

Puesto el Tigre North Prospect

Basic Data

Basin/License Area:	Chaco-Paraná/Tartagal
Exploration methods:	Multivintage 2-D seismic data
Surface elevation:	400 m
Potential reservoir:	Devonian sandstones (Huamampampa Formation)
Reservoir depth:	3,400 m drill depth
Area of closure:	10 to 44 km^2
Trap style:	Pure stratigraphic because of erosion-truncation
Source:	Devonian Los Monos (shallow marine to marine) shales, Devonian Icla shales, Silurian Kirusillas shales
Main uncertainties:	Trap presence and integrity, reservoir quality, migration pathways
License terms:	Unknown

Summary

PET North is a prospective stratigraphic trap of gas and condensate in the Huamampampa Formation sandstones of Devonian age (Figure 15). This trap was formed by the uplift and erosion of Chaco-Paraná and Chaco-Tarija Basin sediments on the Michicola Arch (Figure 4) prior to rift opening and extension in the Lomas de Olmedo Subbasin. This potential truncation trap is formed by the angular intersection of Huamampampa Formation sandstone layers with this regional unconformity surface with slight structural dip to the northeast.

As seen in Figure 20, the prospective reservoir interval appears on 2-D seismic data as continuous, strong reflections that can be correlated seismically back to the western edge of the Tartagal License Area and close to Aguarague Field, where fractured Huamampampa Formation sandstone reservoirs are the primary producer of condensate and gas. Because of the low porosity and permeability in the Devonian Santa Rosa and Huamampampa Formations, natural fracturing because of tight folding in compressional anticlines has typically been necessary for commercial production from these formations. The mechanism for natural fracturing at PET North is unclear, but permeability may be enhanced because of subaerial exposure of the Huamampampa Formation during erosion.

Parameters

Volumetric parameters for PET North Prospect are listed in the following table:

		Area (km^2)			Net Thickness (m)		
Objective Interval	**Type**	**Low**	**Best**	**High**	**Low**	**Best**	**High**
Devonian sandstone	Gas, condensate	10	22	44	30	90	150

Reservoir parameters for PET North Prospect are listed in the following table:

	Porosity (decimal)			$1\text{-}S_w$ (decimal)			FVF	Recovery Factor (decimal)			Condensate Yield (BBL/MMCF)		
Objective Interval	Low	Best	High	Low	Best	High	(sm^3/rm^3)	Low	Best	High	Low	Best	High
Devonian sandstone	0.03	0.05	0.08	0.50	0.60	0.75	243	0.40	0.60	0.70	15	20	25

Zanja Honda South Prospect

Basic Data

Basin/License Area:	Chaco-Tarija/Tartagal
Exploration methods:	Multivintage 2-D seismic data
Surface elevation:	350 m
Potential reservoir:	Carboniferous sandstones (Tupambi Formation)
Reservoir depth:	3,700 m drill depth
Area of closure:	25 to 66 km^2
Trap style:	Combined fault closure and erosion-truncation
Source:	Devonian Los Monos (shallow marine to marine) shales, Devonian Icla shales, Silurian Kirusillas shales
Main uncertainties:	Trap presence, reservoir presence and quality, migration pathways
License terms:	Unknown

Summary

ZH South is a prospective combination structural-stratigraphic trap of oil in the Tupambi Formation sandstones of Carboniferous age (Figure 16). This trap was formed by the uplift and erosion of Chaco-Paraná and Chaco-Tarija Basin sediments on the Michicola Arch (Figure 4) and extensional faulting during rift opening of the Lomas de Olmedo Subbasin. This potential combination fault-truncation trap is at the angular intersection of Tupambi Formation sandstone layers with the Paleozoic unconformity surface.

As seen in Figure 21, the prospective reservoir interval appears on 2-D seismic data as discontinuous, strong reflections that may be related to north-to-south oriented channel formation during Tupambi Formation deposition. The potential Tupambi Formation reservoir section is shown on the Campo Cuervo x-1 well log in Figure 19. Because of the relatively low porosity and permeability in the Carboniferous Tupambi Formation, natural fracturing because of tight folding in compressional anticlines has typically been necessary for permeability enhancement and commercial production from this formation. The mechanism for natural fracturing at ZH South will be extensional faulting.

Parameters

Volumetric parameters for ZH South Prospect are listed in the following table:

		Area (km^2)			Net Thickness (m)		
Objective Interval	**Type**	**Low**	**Best**	**High**	**Low**	**Best**	**High**
Carboniferous sandstone	Oil	25	40	66	10	17	30

Reservoir parameters for ZH South Prospect are listed in the following table:

	Porosity (decimal)			$1\text{-}S_w$ (decimal)			FVF	Recovery Factor (decimal)			Gas-Oil Ratio (MMCF/BBL)		
Objective Interval	Low	Best	High	Low	Best	High	(RB/STB)	Low	Best	High	Low	Best	High
Carboniferous sandstone	0.13	0.17	0.20	0.55	0.65	0.75	1.50	0.10	0.15	0.20	0.0006	0.0008	0.0012

El Obraje East Prospect

Basic Data

Basin/License Area:	Chaco-Tarija/Tartagal
Exploration methods:	Multivintage 2-D seismic data
Surface elevation:	350 m
Potential reservoir:	Carboniferous sandstones (Tupambi Formation)
Reservoir depth:	3,200 m drill depth
Area of closure:	30 to 58 km^2
Trap style:	Pure stratigraphic because of erosion-truncation
Source:	Devonian Los Monos (shallow marine to marine) shales, Devonian Icla shales, Silurian Kirusillas shales
Main uncertainties:	Trap presence, reservoir presence and quality, migration pathways
License terms:	Unknown

Summary

EO East is a prospective stratigraphic trap of oil in the Tupambi Formation sandstones of Carboniferous age (Figure 16). This trap was formed by the uplift and erosion of Chaco-Paraná and Chaco-Tarija Basin sediments on the Michicola Arch (Figure 4). This potential stratigraphic pinchout trap is at the angular intersection of Tupambi Formation sandstone layers with the Paleozoic unconformity surface.

As seen in Figure 22, the prospective reservoir interval appears on 2-D seismic data as discontinuous, strong reflections that may be related to north-to-south oriented channel formation during Tupambi Formation deposition. The potential Tupambi Formation reservoir section is shown on the Campo Cuervo x-1 well log in Figure 19. Because of the relatively low porosity and permeability in the Carboniferous Tupambi Formation, natural fracturing because of tight folding in compressional anticlines has typically been necessary for permeability enhancement and commercial production from this formation. A mechanism for natural fracturing at EO East is not understood, though permeability could be enhanced close to the erosion surface because of subaerial exposure.

Parameters

Volumetric parameters for EO East Prospect are listed in the following table:

		Area (km^2)			**Net Thickness (m)**		
Objective Interval	**Type**	**Low**	**Best**	**High**	**Low**	**Best**	**High**
Carboniferous sandstone	Oil	30	41	58	10	17	30

Reservoir parameters for EO East Prospect are listed in the following table:

	Porosity (decimal)			$1\text{-}S_w$ (decimal)			FVF	Recovery Factor (decimal)			Gas-Oil Ratio (MMCF/BBL)		
Objective Interval	Low	Best	High	Low	Best	High	(RB/STB)	Low	Best	High	Low	Best	High
Carboniferous sandstone	0.13	0.17	0.20	0.55	0.65	0.75	1.50	0.10	0.15	0.20	0.0006	0.0008	0.0012

ESTIMATE OF PROVED RESERVES – 18.09(6)(c)

An estimate of the proven reserves and the anticipated mining recovery and dilution factors or recovery factors with respect to oil and gas factors in place on a field by field basis together with the expected period of working.

The Tartagal and Morillo License Areas are in the exploration stage and do not contain proved reserves at this time.

ESTIMATE OF PROBABLE RESERVES, POSSIBLE RESERVES, AND RESOURCES VOLUMES – 18.09(6)(d)

When the concession includes probable or possible reserves [or resources] relevant to the long term future of the issuer this should be stated with a note on the type of evidence available. In isolated areas where no factual geological data has yet been obtained, possible reserves [or resources] should be described by adjectives, not figures.

The Tartagal and Morillo License Areas are in the exploration phase. Based on internationally recognized reserves and resources definitions (the 2007 PRMS) used in this assessment, the potentially recoverable volumes located in the Tartagal and Morillo License Areas are classified as prospective resources. It should be understood that prospective resources are those undiscovered, speculative resources estimated beyond reserves or contingent resources where geological and geophysical data suggest the potential for discovery of petroleum but where the level of proof is insufficient for classification as reserves or contingent resources. The range of unrisked resources can be considered the reasonable range of volumes to be obtained if exploration wells are successful in discovering productive hydrocarbons and development is pursued.

We have conducted an assessment of the unrisked potential original hydrocarbons-in-place and gross (100 percent) prospective resources, as of October 10, 2007, for the Tartagal and Morillo License Areas located in the Chaco-Paraná and Chaco-Tarija Basins, Salta Province, Argentina. We estimate the unrisked potential original oil-in-place (OOIP) and unrisked potential original gas-in-place (OGIP) for the Tartagal and Morillo License Areas, as of October 10, 2007, to be:

	Unrisked Potential Original Hydrocarbons-in-Place					
	Low Estimate		Best Estimate		High Estimate	
Prospect[(1)]	OOIP (MMBBL)	OGIP (MMCF)	OOIP (MMBBL)	OGIP (MMCF)	OOIP (MMBBL)	OGIP (MMCF)
EM Deep 1	(2)	41,003	(2)	252,798	(2)	1,450,178
EM Deep 2	(2)	172,738	(2)	847,620	(2)	4,127,044
EM Deep 3	(2)	171,325	(2)	654,333	(2)	2,261,603
EM Deep 4	(2)	157,767	(2)	599,013	(2)	2,190,472
PET North	(2)	73,329	(2)	330,709	(2)	1,466,843
ZH South	100.8	(2)	271.4	(2)	706.2	(2)
EO East	125.1	(2)	281.8	(2)	633.6	(2)
Probabilistic Total[(3)]	319.0	1,907,839	620.5	4,086,933	1,185.3	9,018,810

(1) The 2007 PRMS defines a prospect as a project associated with a potential accumulation that is sufficiently well defined to represent a viable drilling target. The chance of geologic success for the seven identified prospects ranges from 5 to 16 percent, which equals 84 to 95 percent chance of failure and therefore represents moderate risk to very high risk exploration.

(2) Secondary products are calculated separately.

(3) The probabilistic total is based on combined portfolio sampling for all prospects and is not equal to the sum of the individual prospects.

We estimate the unrisked gross (100 percent) prospective oil and gas resources for the Tartagal and Morillo License Areas, as of October 10, 2007, to be:

	Unrisked Gross (100 Percent) Prospective Resources					
	Low Estimate		Best Estimate		High Estimate	
Prospect[1]	Oil (MMBBL)	Gas (MMCF)	Oil (MMBBL)	Gas (MMCF)	Oil (MMBBL)	Gas (MMCF)
EM Deep 1	0.4	22,162	2.6	135,654	16.2	820,614
EM Deep 2	1.8	91,755	8.9	459,065	44.3	2,281,286
EM Deep 3	1.7	88,461	6.8	351,294	24.4	1,214,154
EM Deep 4	1.6	81,431	6.3	322,479	24.8	1,222,638
PET North	0.7	38,527	3.5	175,296	16.1	817,560
ZH South	13.7	11,246	39.2	34,281	107.3	101,999
EO East	16.6	13,190	41.1	35,470	100.7	90,762
Probabilistic Total[2]	83.6	1,115,954	144.5	2,342,209	256.5	5,089,858

(1) The 2007 PRMS defines a prospect as a project associated with a potential accumulation that is sufficiently well defined to represent a viable drilling target. The chance of geologic success for the seven identified prospects ranges from 5 to 16 percent, which equals 84 to 95 percent chance of failure and therefore represents moderate risk to very high risk exploration.

(2) The probabilistic total is based on combined portfolio sampling for all prospects and is not equal to the sum of the individual prospects.

Exploration for prospective hydrocarbon resources is conducted under conditions of uncertainty. Prospect risk assessment addresses the probability of geologic success (P_g) for discovery of reservoirs that flow hydrocarbons at a measurable rate without regard to commerciality and is applied independently of the Monte Carlo simulation.

The primary risk elements include (1) trap integrity, including seal and trap definition; (2) reservoir presence and quality; (3) source, including capacity of charge and maturity of source rock; and (4) timing of hydrocarbon migration relative to trap presence and migration pathways. The product of the values assessed for each of these four components is the P_g.

We have conducted a prospect risk assessment for each prospect using a four-component methodology after standard industry practices (Robert M. Otis and Nahum Schneidermann, "A Process for Evaluating Exploration Prospects", *AAPG Bulletin*, Vol. 81, No. 7, July 1997, pp. 1,087-1,109), as described below:

- A P_g value between 0.500 and 1.000 represents a very low risk prospect, where all elements of the petroleum system are well-documented with encouraging to favorable parameters. This category is associated with infill or delineation drilling of proved discoveries or prospects with well-calibrated seismic data directly adjacent to proved discoveries.

- Prospects with P_g values between 0.250 and 0.500 are considered low risk, where all risk factors are encouraging to favorable. This category is associated with prospects targeting nearby proved play types near existing production.

- A P_g value between 0.125 and 0.250 represents a moderate risk prospect and contains 2 or 3 encouraging to favorable risk factors and 1 or 2 encouraging to neutral risk factors. This category is associated with prospects targeting new plays in established producing basins or proved plays far from existing production.

- Prospects with P_g values between 0.0625 and 0.125 are considered high risk and have 1 or 2 encouraging factors and 2 or 3 neutral to encouraging factors. This category is often associated with prospects testing new plays in producing basins far from existing production or proved plays in an unproved area.

- Very high risk prospects have P_g values between 0.010 and 0.0625 and contain 2 to 3 risk factors that are no better than neutral along with 1 or 2 questionable or unfavorable factors. This category is usually associated with prospects targeting new play types or analogous play types in an unproved area far from existing production.

The range of P_g values estimated for the prospects are subject to change with the acquisition and interpretation of additional well and seismic data. With the addition of modern 2-D seismic infill data and 3-D seismic data, the probability of geologic success for trap definition and reservoir presence will likely increase with the ability to image subtle structural and stratigraphic traps and the individual sandstone and carbonate reservoirs.

The subjective nature of prospect risk assessment is highly dependent on the experience of the evaluators; the available data to define each prospect; the available local, regional, or analog data describing reservoir and production characteristics; and the historical local and regional hydrocarbon discovery success rates. Because of this inherent subjectivity, we have included a range of risk factors for some components and a range of P_g.

As requested, we have estimated unrisked gross (100 percent) prospective oil and gas resources for the Tartagal and Morillo License Areas, as of October 10, 2007, and published them herein. However, we have performed a prospect risk assessment and the geologic risk factors are summarized in the following table:

Prospect	Trap (decimal)	Reservoir (decimal)	Source (decimal)	Timing/ Migration (decimal)	P_g (decimal)
EM Deep 1	0.45	0.25-0.40	0.90	0.60-0.75	0.06-0.12
EM Deep 2	0.45	0.25-0.40	0.90	0.60-0.75	0.06-0.12
EM Deep 3	0.45	0.25-0.40	0.90	0.70-0.75	0.07-0.12
EM Deep 4	0.40	0.20-0.40	0.90	0.70-0.75	0.05-0.11
PET North	0.40	0.20-0.40	0.90	0.70-0.75	0.05-0.11
ZH South	0.40	0.50	0.90	0.55-0.90	0.10-0.16
EO East	0.35-0.40	0.50	0.90	0.55-0.90	0.09-0.16

The main uncertainties for EM Deep 1 Prospect are presence of local source rocks; local source rock maturity; migration pathway access to known, mature source rocks (Los Monos); reservoir quality (presence of natural fracturing); and trap integrity. The range of estimated P_g for EM Deep 1 Prospect is 0.06 to 0.12. Based on the risking technique of Otis and Schneidermann (1997), this prospect would be categorized as high risk.

The main uncertainties for EM Deep 2 Prospect are presence of local source rocks; local source rock maturity; migration pathway access to known, mature source rocks (Los Monos); reservoir quality (presence of natural fracturing); and trap integrity. The range of estimated P_g for EM Deep 2 Prospect is 0.06 to 0.12. Based on the risking technique of Otis and Schneidermann (1997), this prospect would be categorized as high risk.

The main uncertainties for EM Deep 3 Prospect are presence of local source rocks; local source rock maturity; migration pathway access to known, mature source rocks (Los Monos); reservoir quality (presence of natural fracturing); and trap integrity. The range of estimated P_g for EM Deep 3 Prospect is 0.07 to 0.12. Based on the risking technique of Otis and Schneidermann (1997), this prospect would be categorized as high risk.

The main uncertainties for EM Deep 4 Prospect are presence of local source rocks; local source rock maturity; migration pathway access to known, mature source rocks (Los Monos); reservoir quality (presence of natural fracturing); and trap integrity. The range of estimated P_g for EM Deep 4 Prospect is 0.05 to 0.11. Based on the risking technique of Otis and Schneidermann (1997), this prospect would be categorized as high risk to very high risk.

The main uncertainties for PET North Prospect are presence and integrity of a stratigraphic trap (including lateral seal uncertainty), reservoir quality in the absence of a natural fracture mechanism, and the effectiveness of migration pathways from relatively distant mature source rocks. The range of estimated P_g for PET North Prospect is 0.05 to 0.11. Based on the risking technique of Otis and Schneidermann (1997), this prospect would be categorized as high risk to very high risk.

The main uncertainties for ZH South Prospect are presence and effectiveness of the combination structural-stratigraphic trap (including lateral seal risk), presence of reservoir because of intermittent channeling, and the effectiveness of migration pathways from source rocks to reservoir. The range of estimated P_g for ZH South Prospect is 0.10 to 0.16. Based on the risking technique of Otis and Schneidermann (1997), this prospect would be categorized as moderate risk to high risk.

The main uncertainties for EO East Prospect are presence and effectiveness of the combination structural-stratigraphic trap (including lateral seal risk), presence of reservoir because of intermittent channeling, and the effectiveness of migration pathways from source rocks to reservoir. The range of estimated P_g for EO East Prospect is 0.09 to 0.16. Based on the risking technique of Otis and Schneidermann (1997), this prospect would be categorized as moderate risk to high risk.

GEOLOGIC AND GEOPHYSICAL DATA USED IN DEVELOPING RESOURCES ESTIMATES – 18.09(6)(e)

The nature of any geophysical and geological evidence used in making reserve [or resource] estimates and the name of the organization that did the work.

New Times provided the technical database for our assessment. The extensive database included digital well logs in LAS format and PDF-format images of geologic well reports for 22 exploration wells; 2-D seismic line location data, TIF-format seismic line images, and digital seismic data in SEGY format for over 200 2-D seismic lines covering the two Tartagal area blocks; and a technical report describing the potential source rocks, migration pathways, and traps provided by BGP. In addition, BGP/CNPC provided its Tartagal area 2-D seismic project in Landmark SeisWorks2D format and well database in Oracle database format (Landmark OpenWorks).

For our assessment of prospective resources for the Tartagal area exploration licenses, we reviewed the BGP/CNPC report, our public-domain northwest Argentina database, and various publications to supplement our understanding of the regional geology, stratigraphy, and hydrocarbon play types of the region. This information was further supplemented by a discussion with Mr. Julio Arias. Mr. Arias also provided us with several documents outlining his view on the remaining exploration potential in the Tartagal and Morillo License Areas. With all of this information, we focused on the distribution of subbasins and hydrocarbon systems across the Tartagal and Morillo License Areas, the key elements of which include presence, type, richness, and maturity of source rocks; timing of hydrocarbon migration and presence of migration pathways; type, presence, and quality of reservoir rocks; and type, presence, and effectiveness of hydrocarbon traps and seals.

We used the BGP/CNPC 2-D seismic project as a foundation for additional 2-D seismic data loading, creating a more comprehensive 2-D data set for our assessment. We conducted independent 2-D seismic interpretation using nearly 200 2-D seismic lines in the project tied to 22 wells. We first concentrated on recognizing and mapping the potential traps that were targeted by YPF and Pluspetrol during an exploration drilling campaign conducted from 1953 to 1996. From this basis, we then identified the remaining exploration potential in the Tartagal and Morillo License Areas through a process of well log correlation and 2-D seismic mapping. For each identified prospect, we estimated ranges of NRV, or area multiplied by net thickness; porosity; hydrocarbon saturation; and recovery factor along with an estimated FVF and input these into a spreadsheet to probabilistically estimate prospective resources through Monte Carlo simulation.

We conducted a geologic risk assessment independently of our probabilistic prospective resources assessment using a modified version of the Otis and Schneidermann (1997) methodology. This four-component methodology allows for the estimation of a numerical uncertainty for trap (vertical and lateral seal, type of trap, and trap definition), reservoir (presence, architecture, and pore system), source (capacity and maturity), and timing/migration (pathways, timing, and preservation/segregation). The product of values assessed for these four components is the P_g. Geologic risk assessment is an inherently subjective process and one that is prone to reflect the individual bias of the evaluator. To reduce this subjectivity, the geologic risk assessment of the seven prospects on the Tartagal and Morillo License Areas was reviewed by senior geoscientists in our firm.

SUMMARY OF CONTRACTUAL OR LICENSE TERMS AND PRODUCTION RIGHTS – 18.09(6)(f)

A statement on the production policy.

We understand that on October 10, 2007, New Times entered into a conditional agreement to purchase a 51 percent share of a 60 percent ownership interest in these blocks. We understand that on November 12, 2007, New Times entered into a revised conditional agreement with the same parties to purchase the remaining 49 percent share of a 60 percent ownership interest in these blocks. If these agreements should become final, New Times would own a 60 percent interest in each block, with partners Petroleros de Occidente S.A. (OxiPetrol) owning 30 percent and JHP International Petroleum Engineering Ltd. (JHP) owning the remaining 10 percent.

We understand that the Tartagal License Area was granted by Provincial Government Decree No. 3391/2006 dated December 29, 2006, and the Morillo License Area was granted by Provincial Government Decree No. 3388/2006 also dated December 29, 2006. While the agreements to purchase these blocks are contingent upon approval by the government of Argentina for a transfer of partial ownership in each license, New Times believes the approval to be administrative in nature. The licenses currently in force are exploration permits, each valid for an initial period of four years. We understand that license provisions allow for the potential to extend the exploration permits for up to nine years. If successful hydrocarbon discoveries are made, the exploration permits can be converted to exploitation permits, under which oil and gas could be produced from the license blocks for a permitted term of 25 years with a possible extension of 10 years.

Mineral licenses in Argentina are subject to certain taxation and royalty burdens, as set forth by law in Argentina. These include a 12 percent petroleum extraction royalty plus a provincial Gross Revenue Tax of approximately 2 percent due on all gas and oil/condensate sales. There is also a fixed yearly royalty assessed per square kilometer of area of each license block, regardless of whether the block is in the exploration or exploitation phase. In addition, Argentina imposes a significant fee on oil exported from the country, and this fee rises substantially as international oil prices increase. Based on recently revised legislation, the export fee is a minimum of 45 percent for international oil prices of US$60.90 per barrel or lower and rises to 60 percent or more for higher oil prices. This export fee acts as a mechanism to reduce the value of oil sold on the domestic market as well. Oil price controls also exist in Argentina. The net effect of the oil price controls and oil export fees is a wellhead valuation of oil on a per-barrel basis that is significantly below prevailing world oil prices regardless of whether oil is exported or sold to the domestic market. Because regional gas markets remain highly isolated from one another, no world benchmark or standard yet exists. Nonetheless, gas prices in northern Argentina have been highly depressed in the recent past because of supply-demand issues. Gas price controls also exist in Argentina.

We understand that the conditional agreements governing the New Times purchase of the 60 percent interest in the Tartagal and Morillo License Areas stipulate that New Times will be responsible for paying 100 percent of the exploration, exploitation, and operating costs but will be reimbursed by OxiPetrol and JHP for their 30 percent and 10 percent shares of the costs, respectively, out of proceeds from cash flows. In the case of a successful exploration scenario, this means that there will be a present worth effect as New Times advances its partners' share of costs at zero interest. It is unclear whether New Times has recourse to recover the other partners' share of costs in the event that no discoveries are made or if discoveries are marginal.

ANTICIPATED FUTURE EXPLORATION, DEVELOPMENT, AND PRODUCTION ACTIVITY – 18.09(6)(g)

An indication of the progress of actual working.

Both licenses have minimum work program requirements. For the first four-year exploration period of the Tartagal License, these requirements include the reprocessing of 714.29 km of 2-D seismic data, the acquisition of 500.00 km^2 of new 3-D seismic data, and the drilling of three exploration wells, two of which must be at least 4,000 m in depth and one of which must be at least 5,000 m in depth. For the first four-year exploration period of the Morillo License, the minimum work program requirements include the reprocessing of 800.00 km of existing 2-D seismic data, the acquisition of 995.00 km of new 2-D seismic data, and the drilling of one exploration well, which must be at least 4,000 m in depth.

The various items required within each of these minimum work programs are assigned values in terms of Work Units within the respective license documents. The total Work Units required under the Tartagal License are 7,198. The total Work Units required under the Morillo License are 2,600. We understand that the bidding terms and conditions of the licenses assign a monetary value of US$5,000 to each Work Unit. Using this monetary value figure, the total Work Unit value of the minimum work programs is US$35.99 million for the Tartagal License and US$13.00 million for the Morillo License. Neither minimum work program includes costs associated with required installation of gathering and treating facility infrastructure, which would be required if a commercial discovery is made. Furthermore, this minimum work commitment only includes costs to drill four wells, whereas we have identified seven potential oil and gas prospects, necessitating at least seven wells. Because of marketing issues for natural gas in Argentina, the two licenses have clauses that may impact exploration for or development of gas reserves without approval of the government. If New Times elects to exercise second and perhaps even third exploration period options, each extension period would have an associated additional minimum work program commitment.

New Times has indicated a current plan to spend approximately US$140.5 million for exploration of the Tartagal and Morillo license blocks, which is substantially more than the Work Unit value of the minimum work programs as specified in the bidding terms and conditions of the licenses.

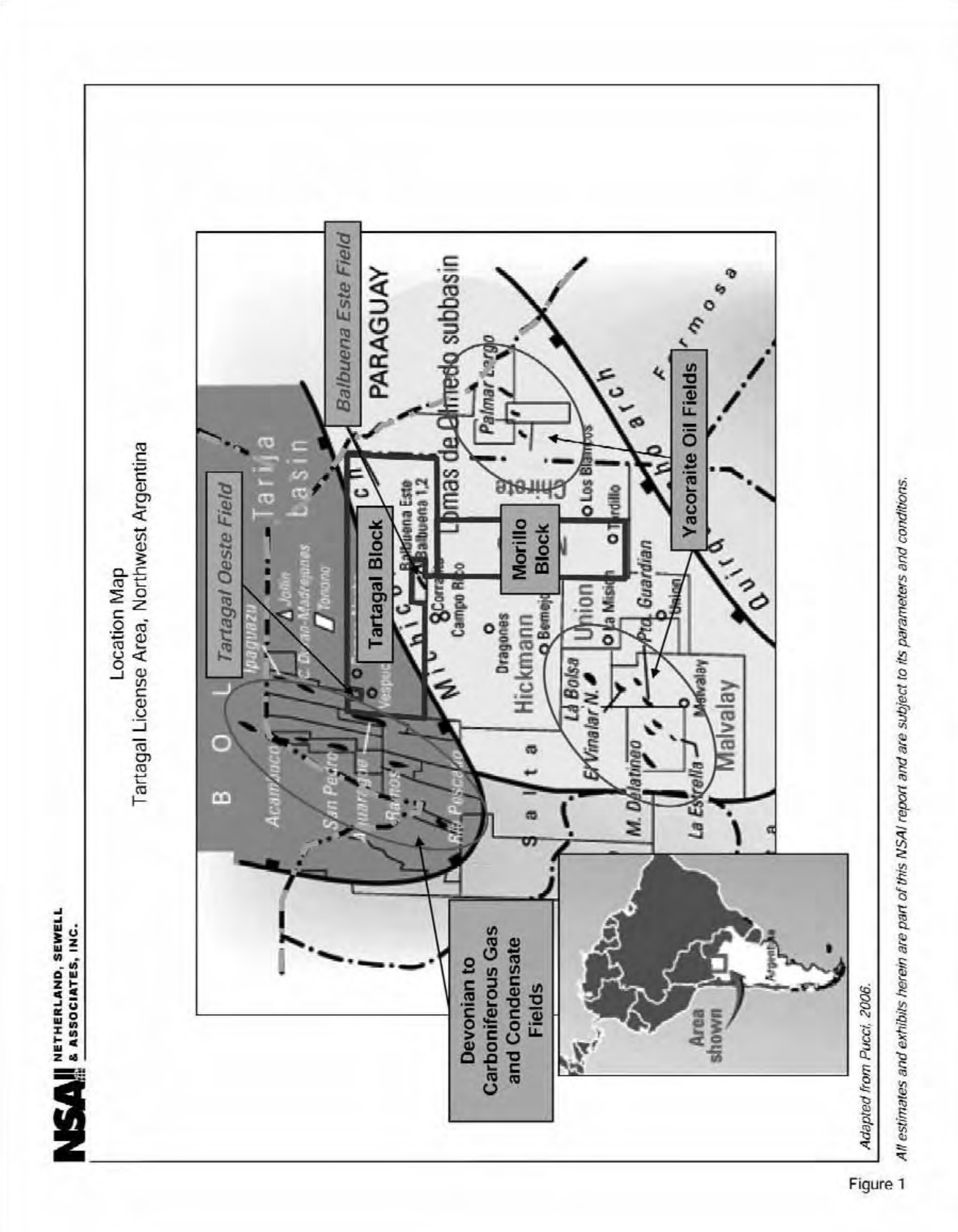
NETHERLAND, SEWELL & ASSOCIATES, INC.
Location Map
Tartagal License Area, Northwest Argentina
Tartagal Oeste Field
Balbuena Este Field
PARAGUAY
Lomas de Olmedo subbasin
Tarija basin
Tartagal Block
Morillo Block
Yacoraite Oil Fields
Devonian to Carboniferous Gas and Condensate Fields
Area shown
Argentina
Adapted from Pucci, 2006.
All estimates and exhibits herein are part of this NSAI report and are subject to its parameters and conditions.

Figure 1

NSAI NETHERLAND, SEWELL & ASSOCIATES, INC.

Complete Seismic and Well Database
Tartagal License Area, Northwest Argentina

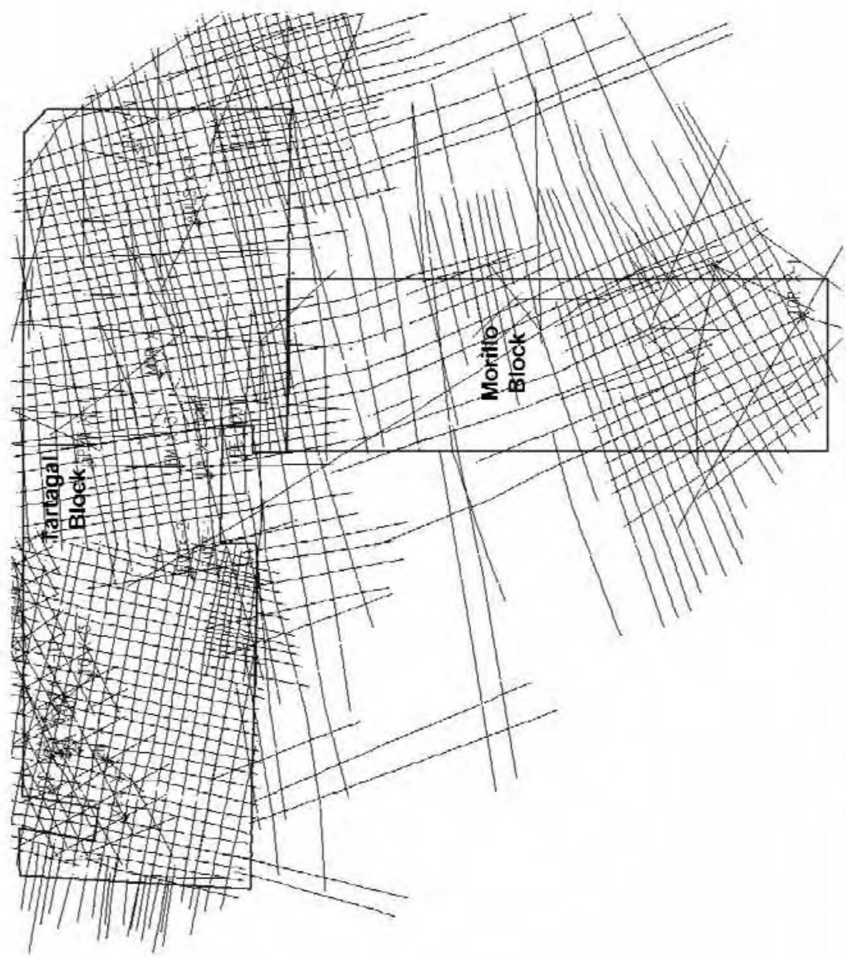

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Figure 2

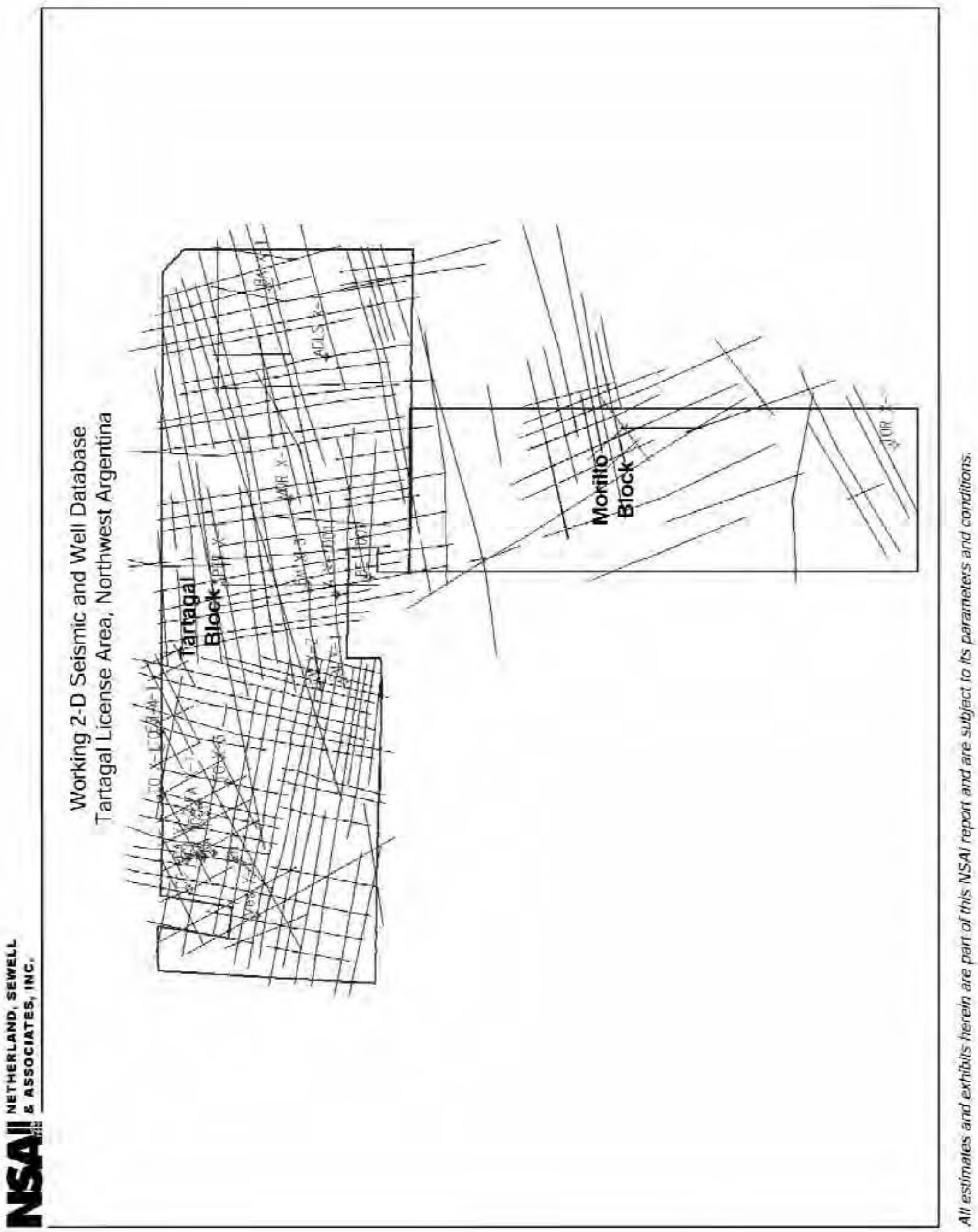
NSAI NETHERLAND, SEWELL & ASSOCIATES, INC.
Working 2-D Seismic and Well Database
Tartagal License Area, Northwest Argentina
Tartagal Block
Morillo Block
All estimates and exhibits herein are part of this NSAI report and are subject to its parameters and conditions.

Figure 3

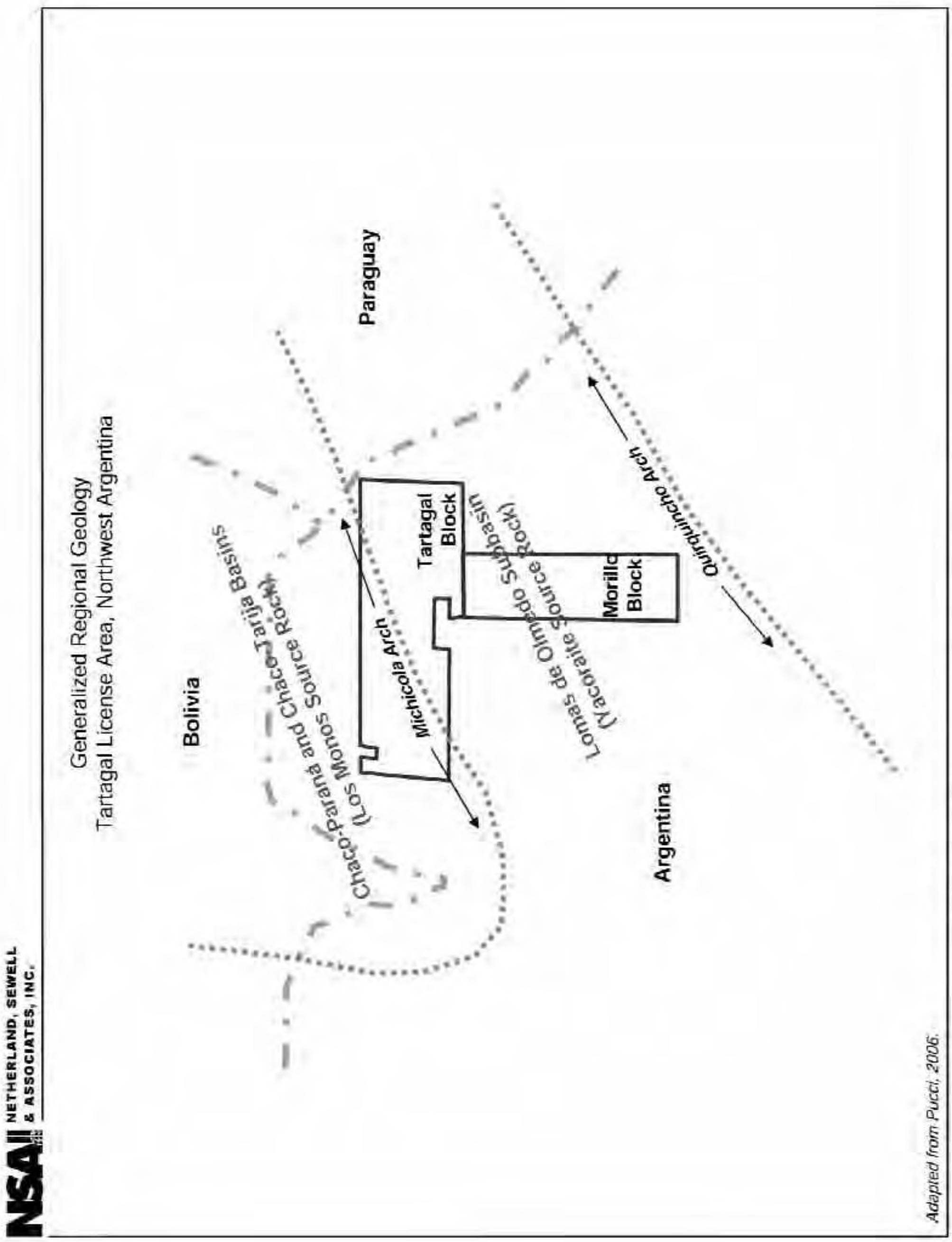

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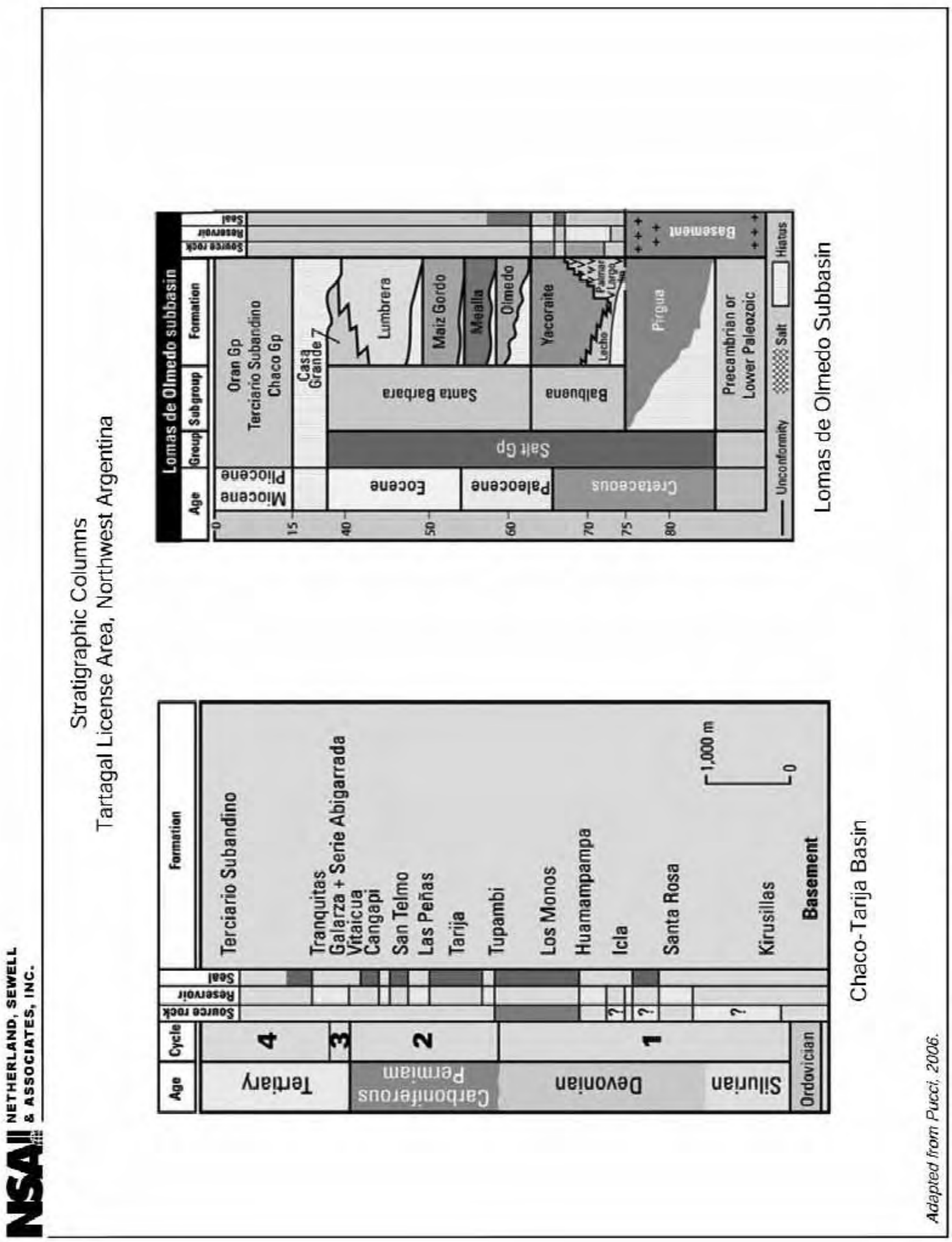
Figure 4



Adapted from Pucci, 2006.

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Figure 5

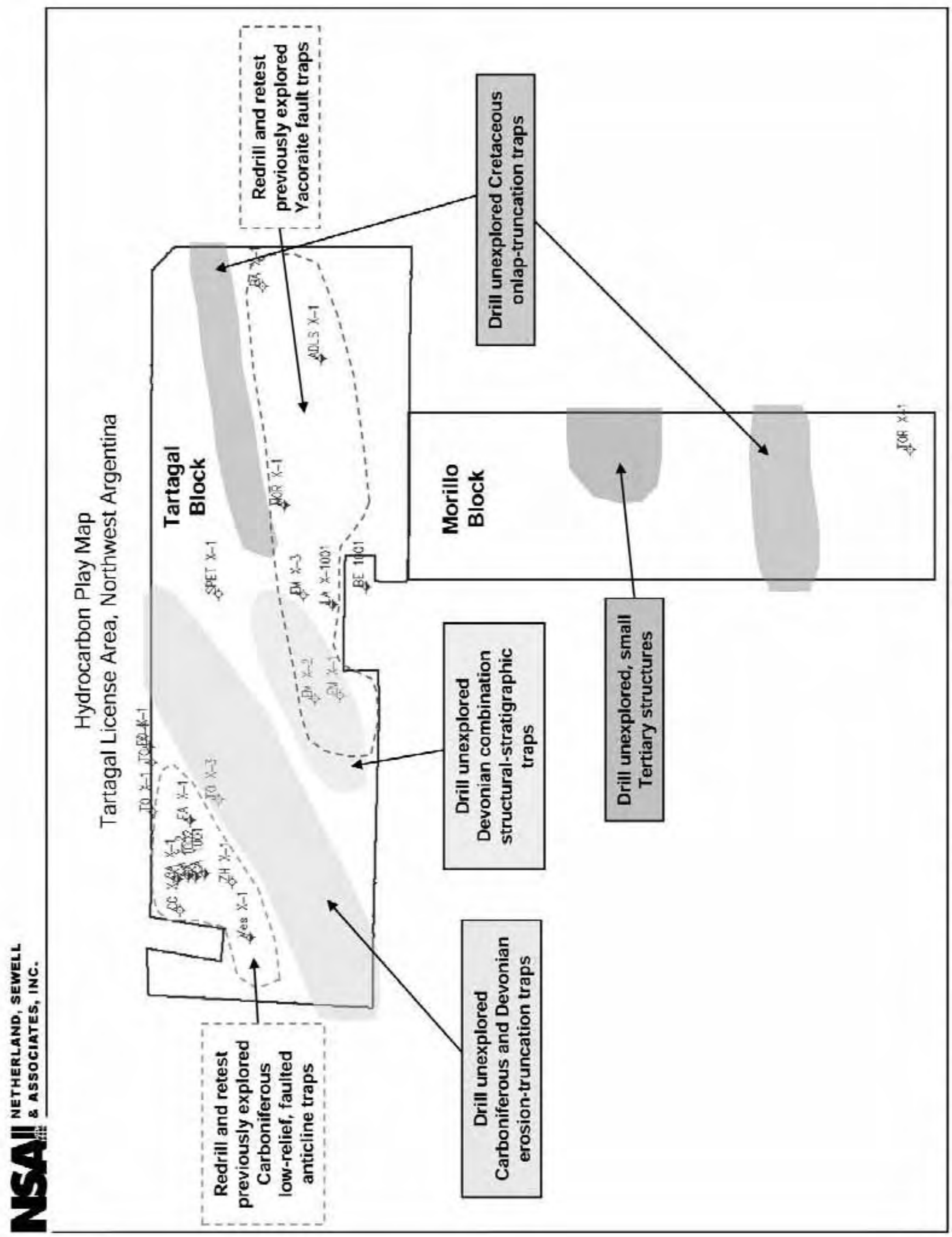

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Figure 6

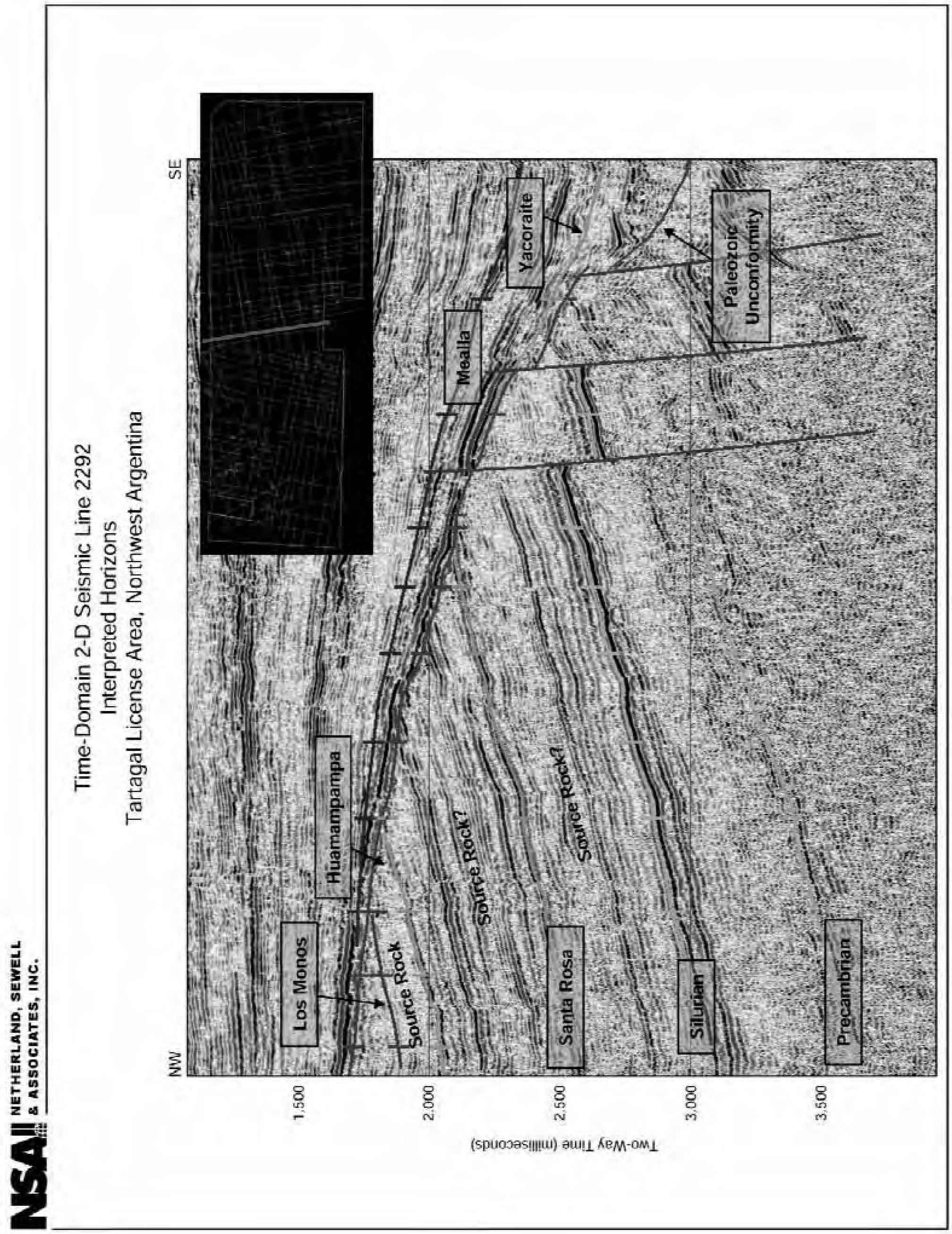

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Figure 7

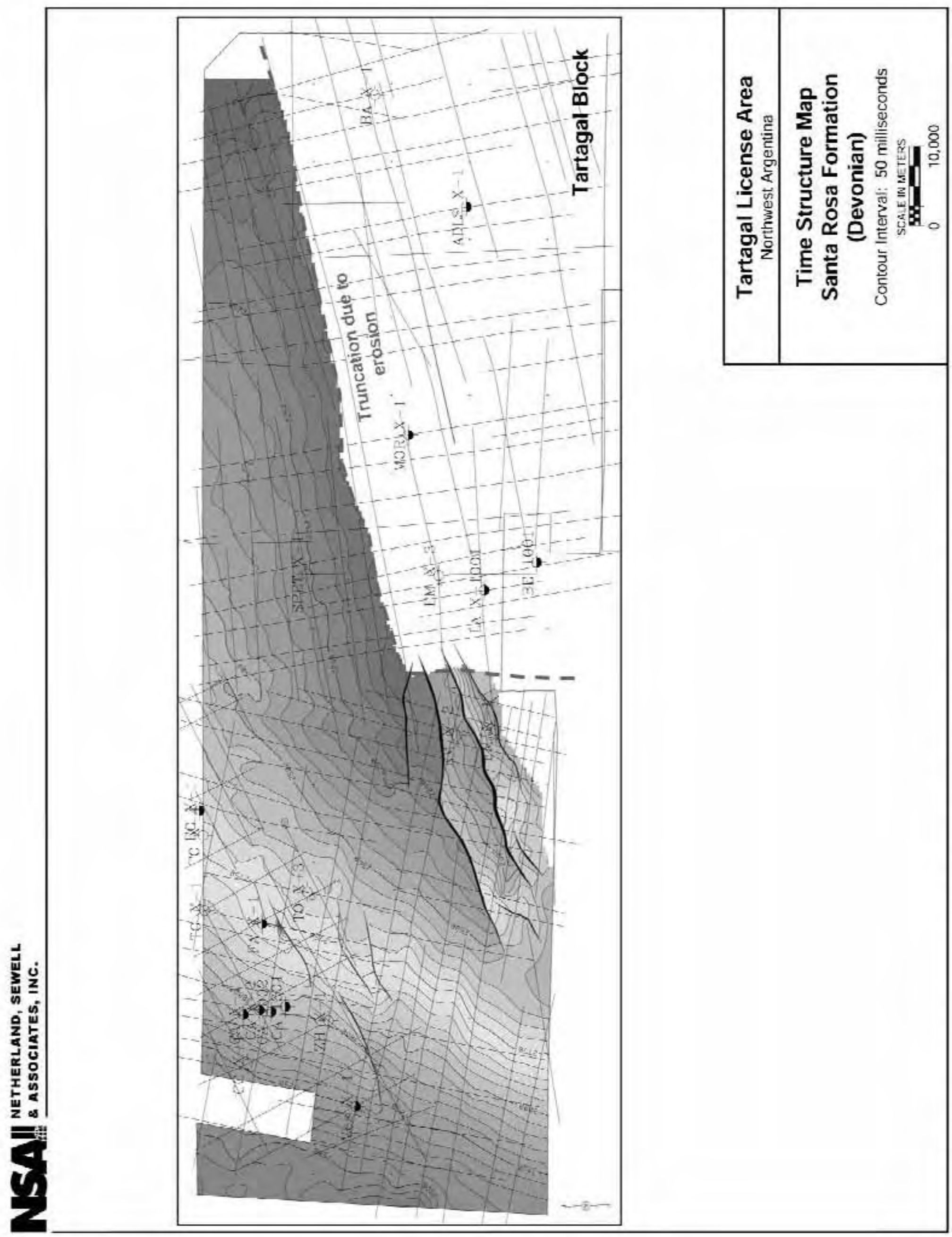

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Figure 8

NETHERLAND, SEWELL & ASSOCIATES, INC.

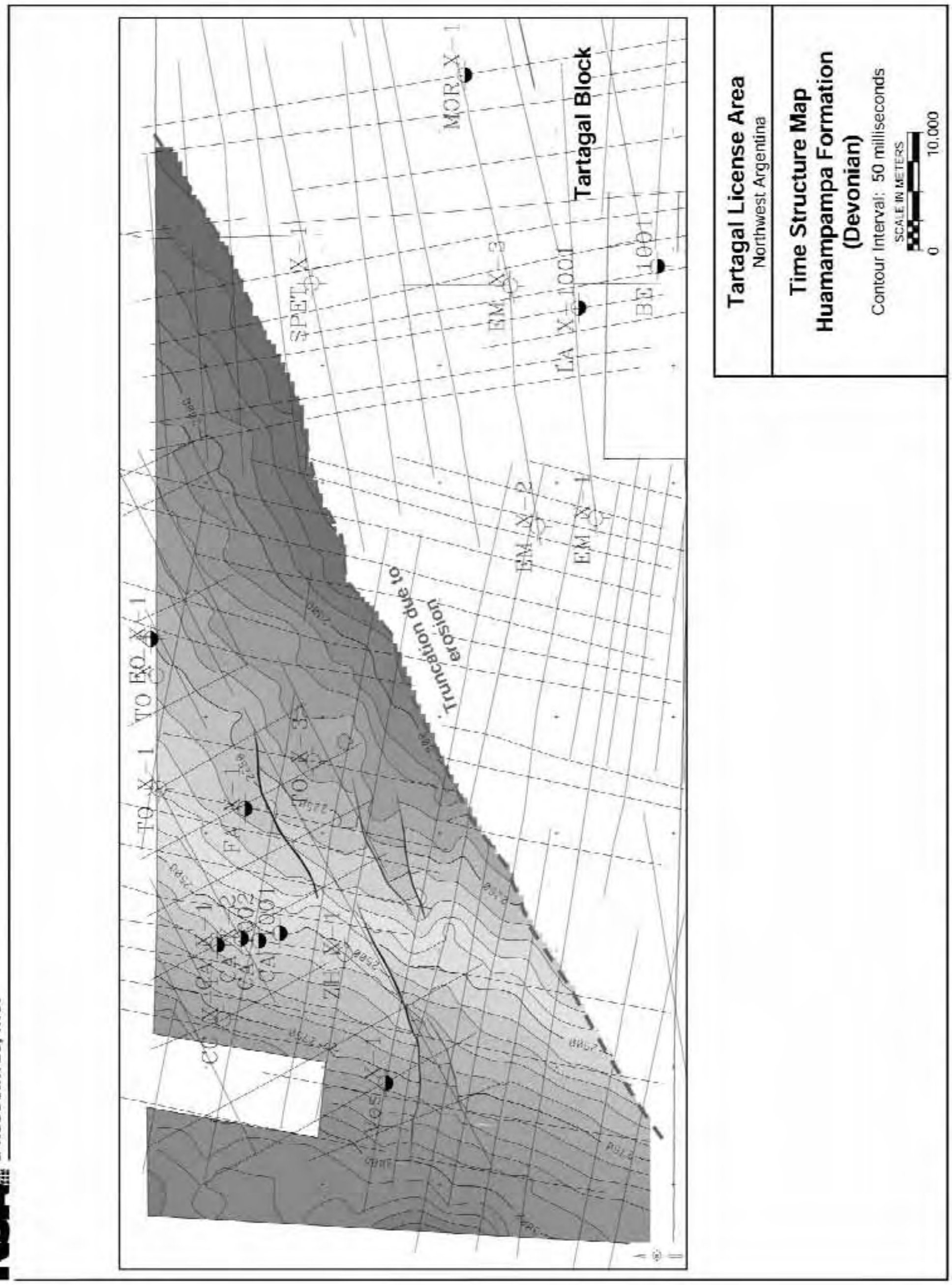

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Figure 9

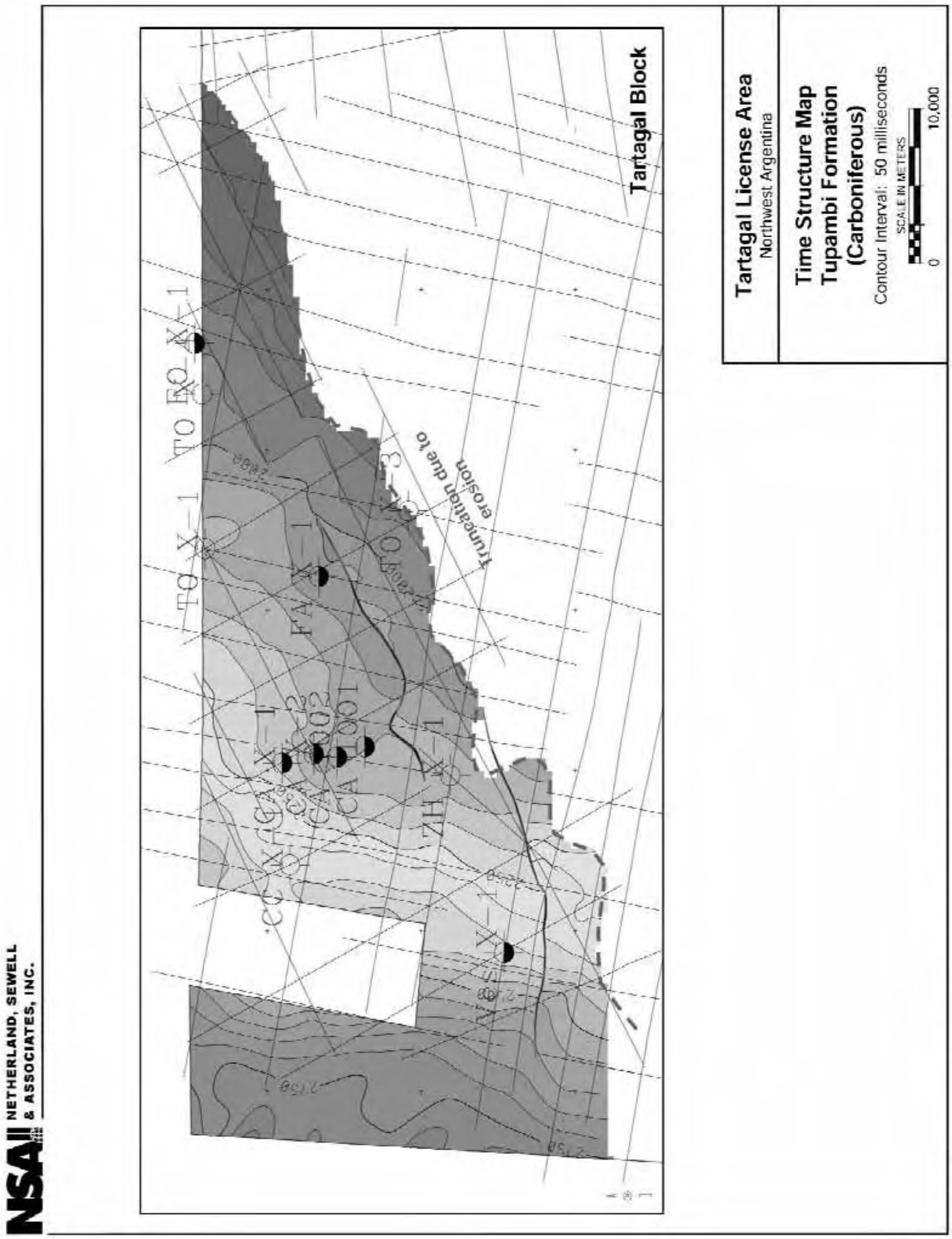

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Figure 10

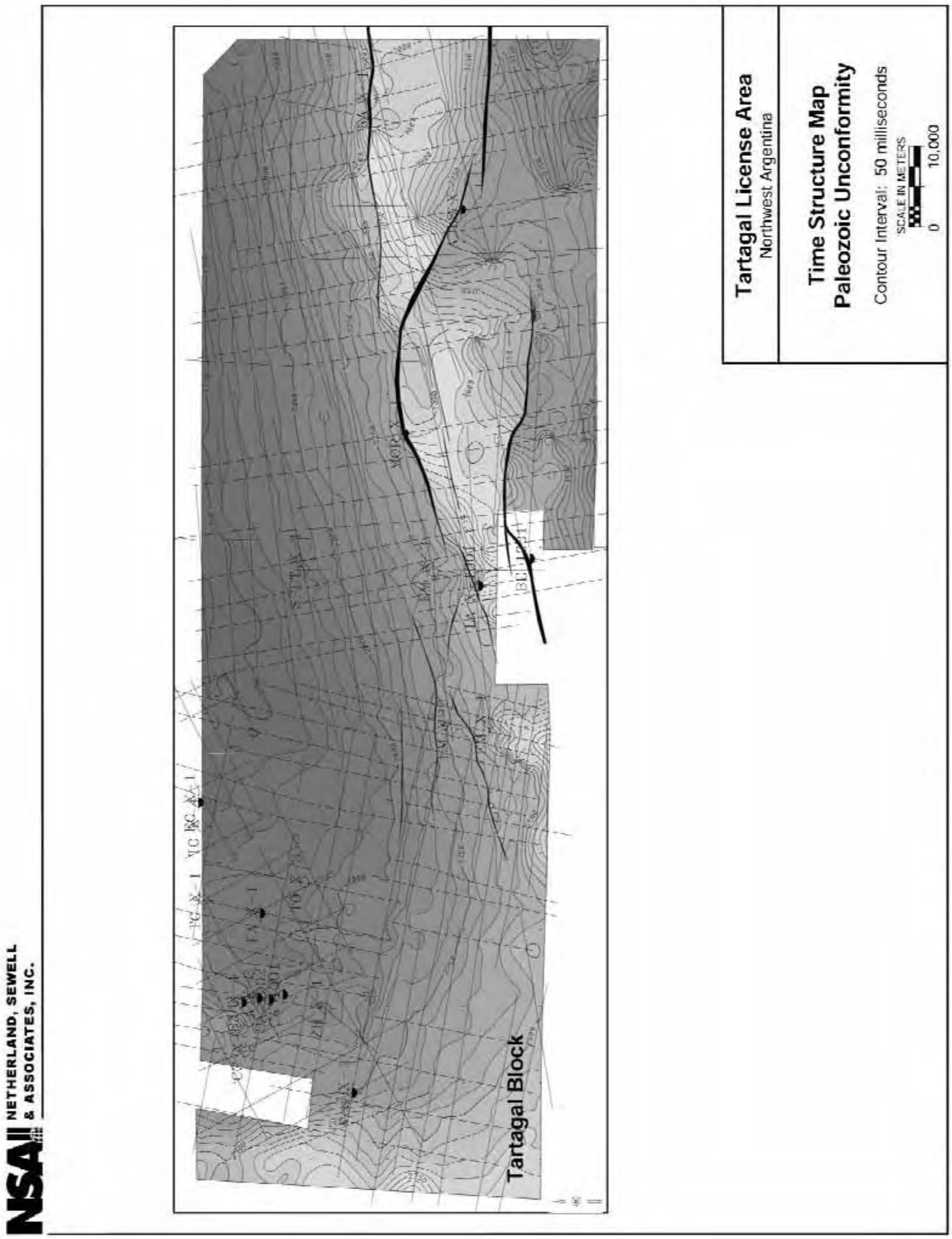

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Figure 11

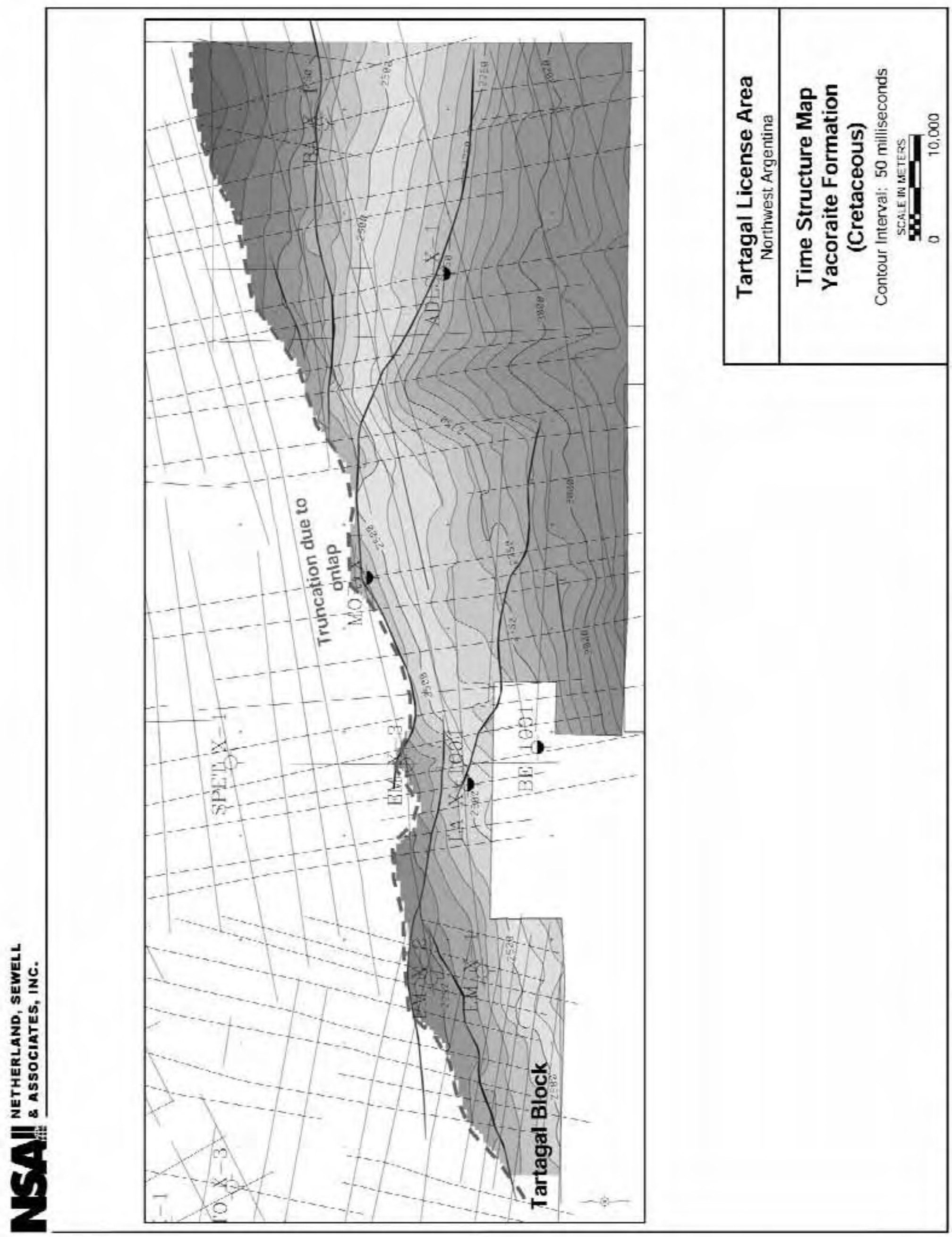

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Figure 12

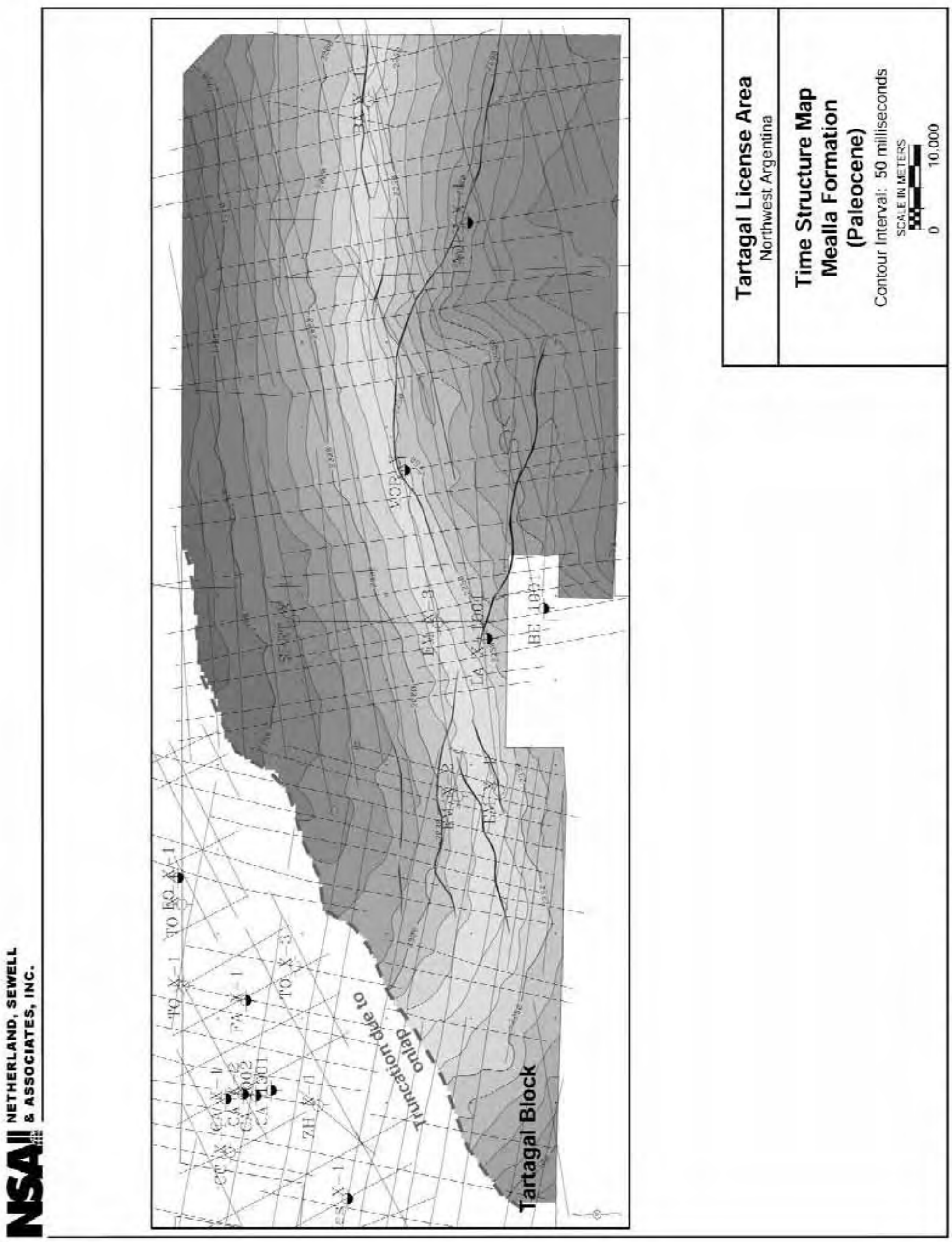

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Figure 13

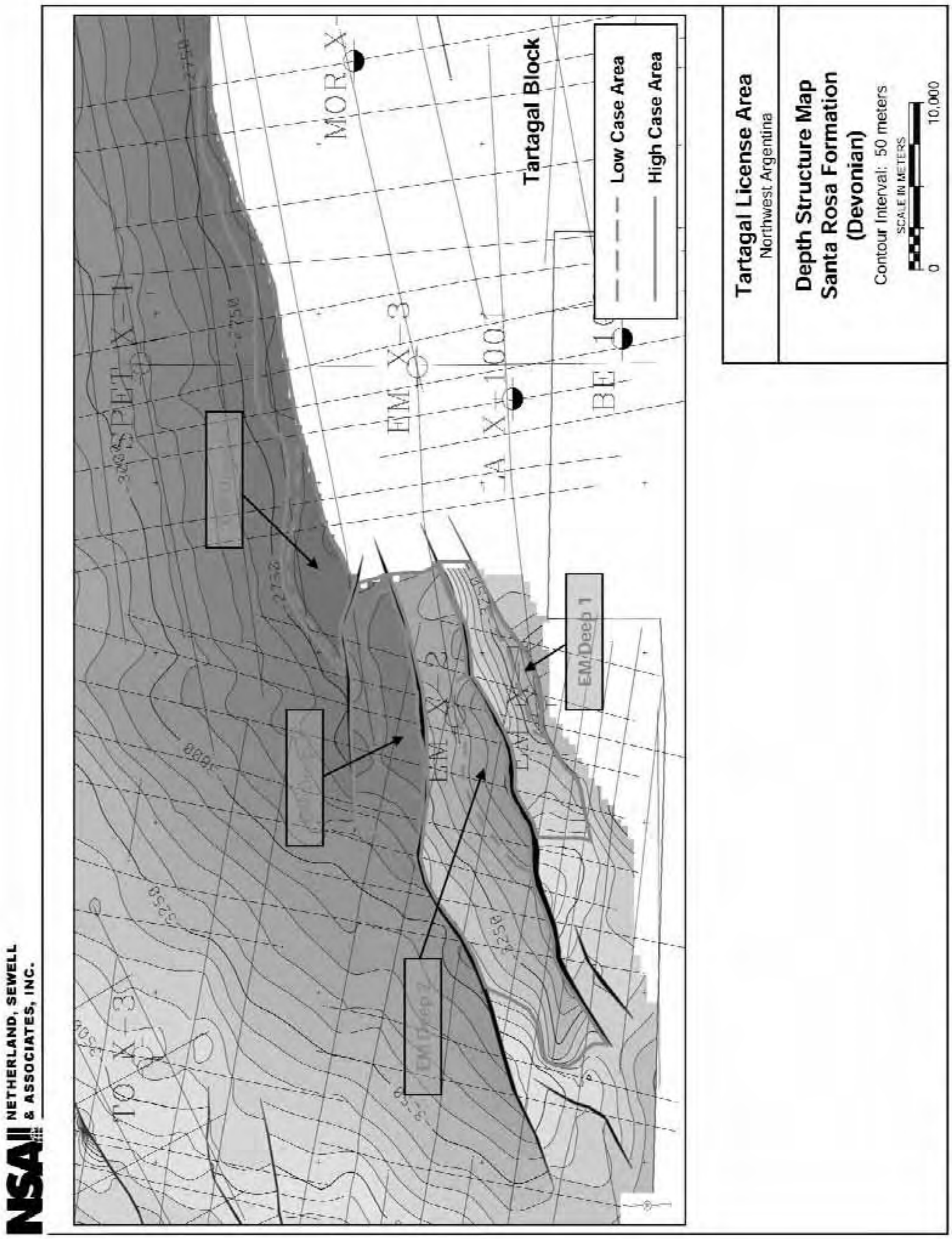

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Figure 14

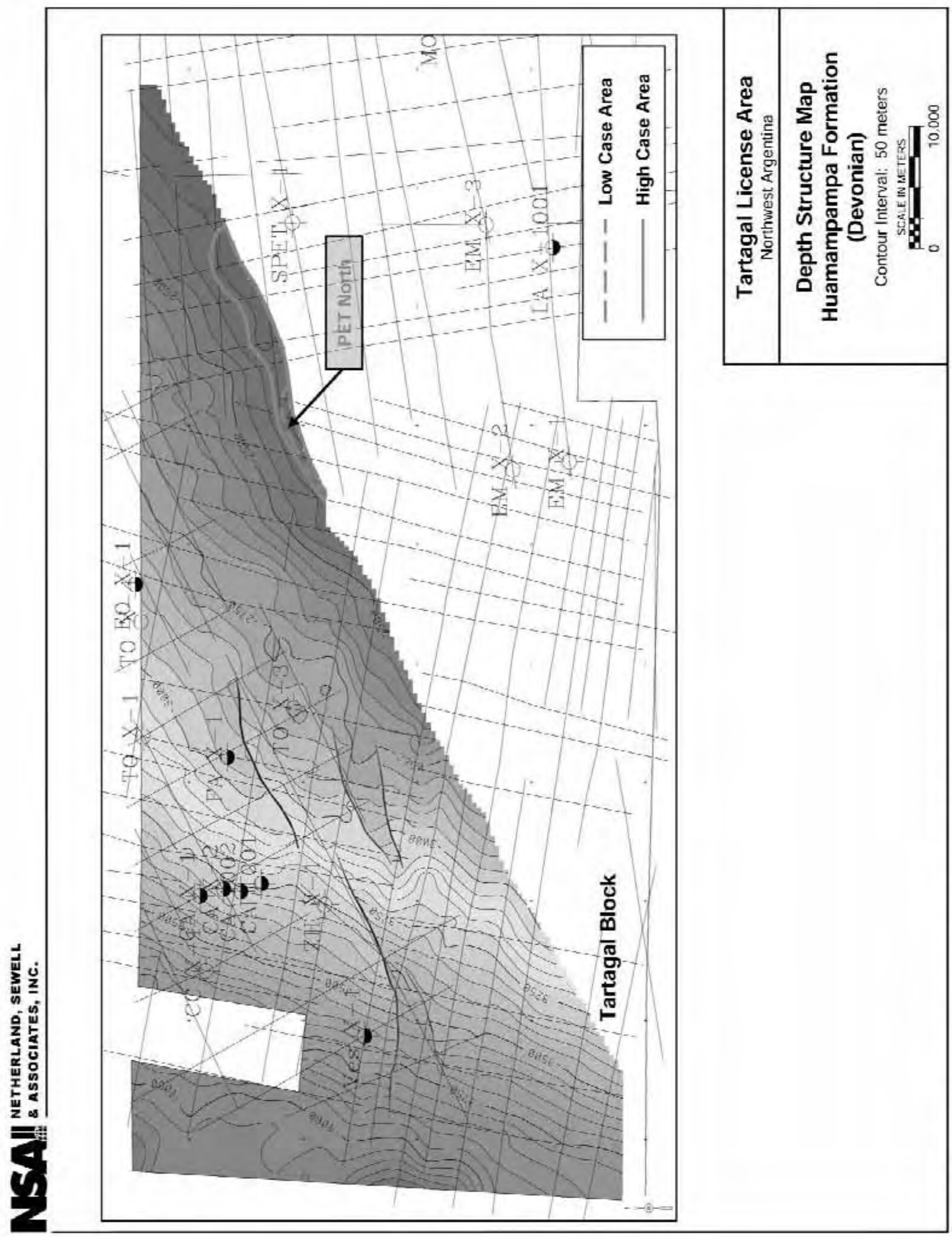

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Figure 15

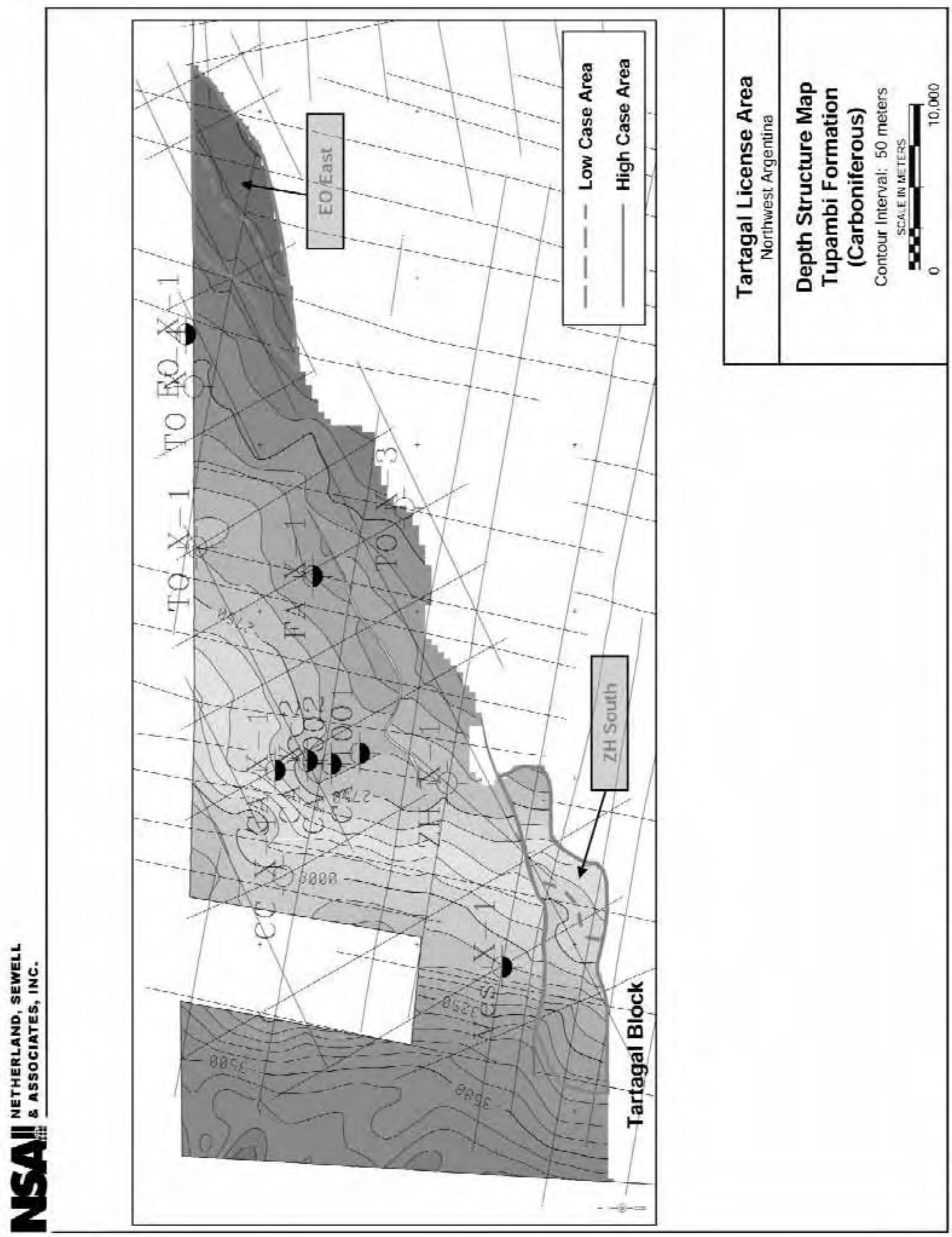

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Figure 16

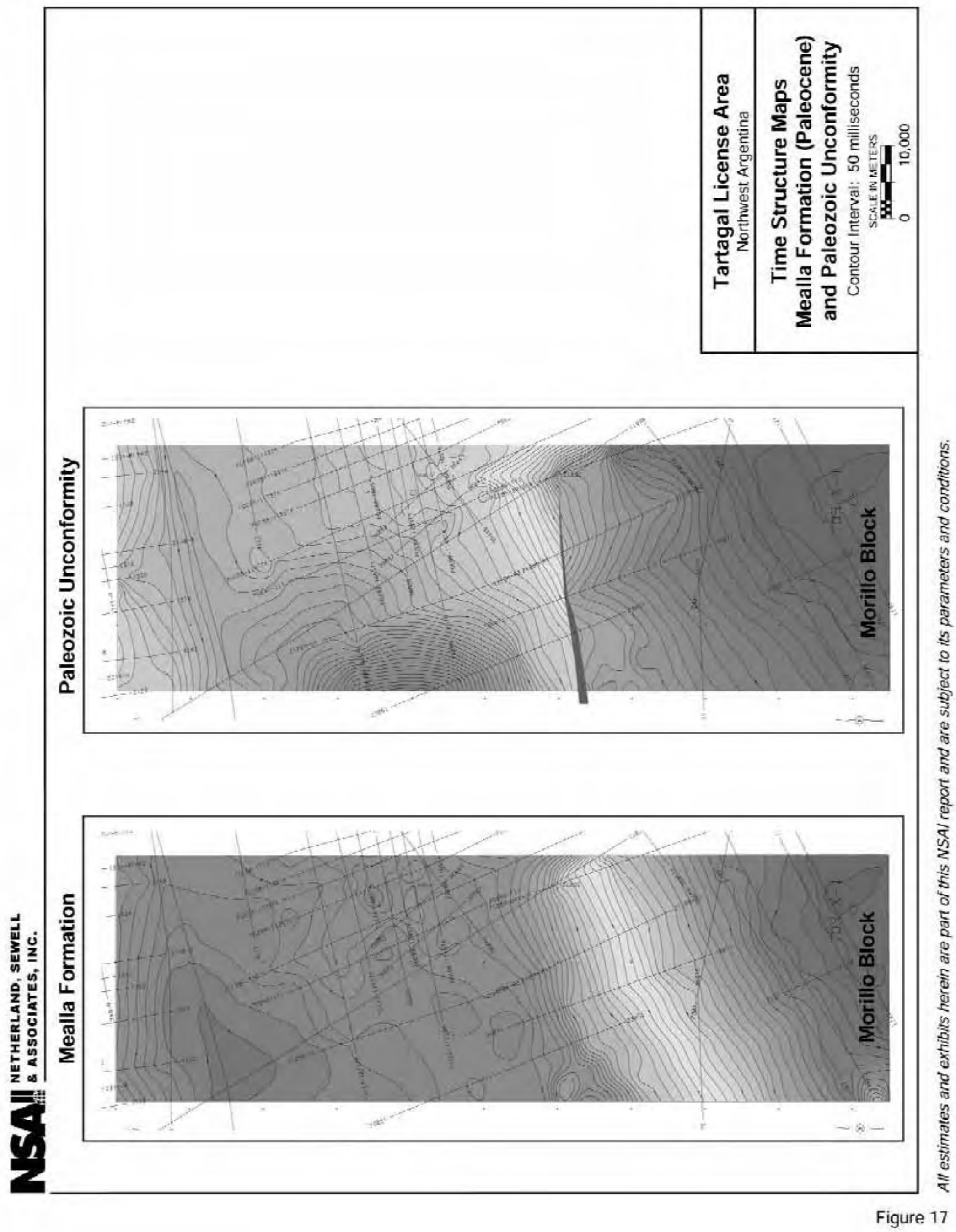
NETHERLAND, SEWELL & ASSOCIATES, INC.
Mealla Formation
Paleozoic Unconformity
Morillo Block
Morillo Block
Tartagal License Area
Northwest Argentina
Time Structure Maps
Mealla Formation (Paleocene)
and Paleozoic Unconformity
Contour Interval: 50 milliseconds
SCALE IN METERS
0
10,000
All estimates and exhibits herein are part of this NSAI report and are subject to its parameters and conditions.

Figure 17

NSAI NETHERLAND, SEWELL & ASSOCIATES, INC.

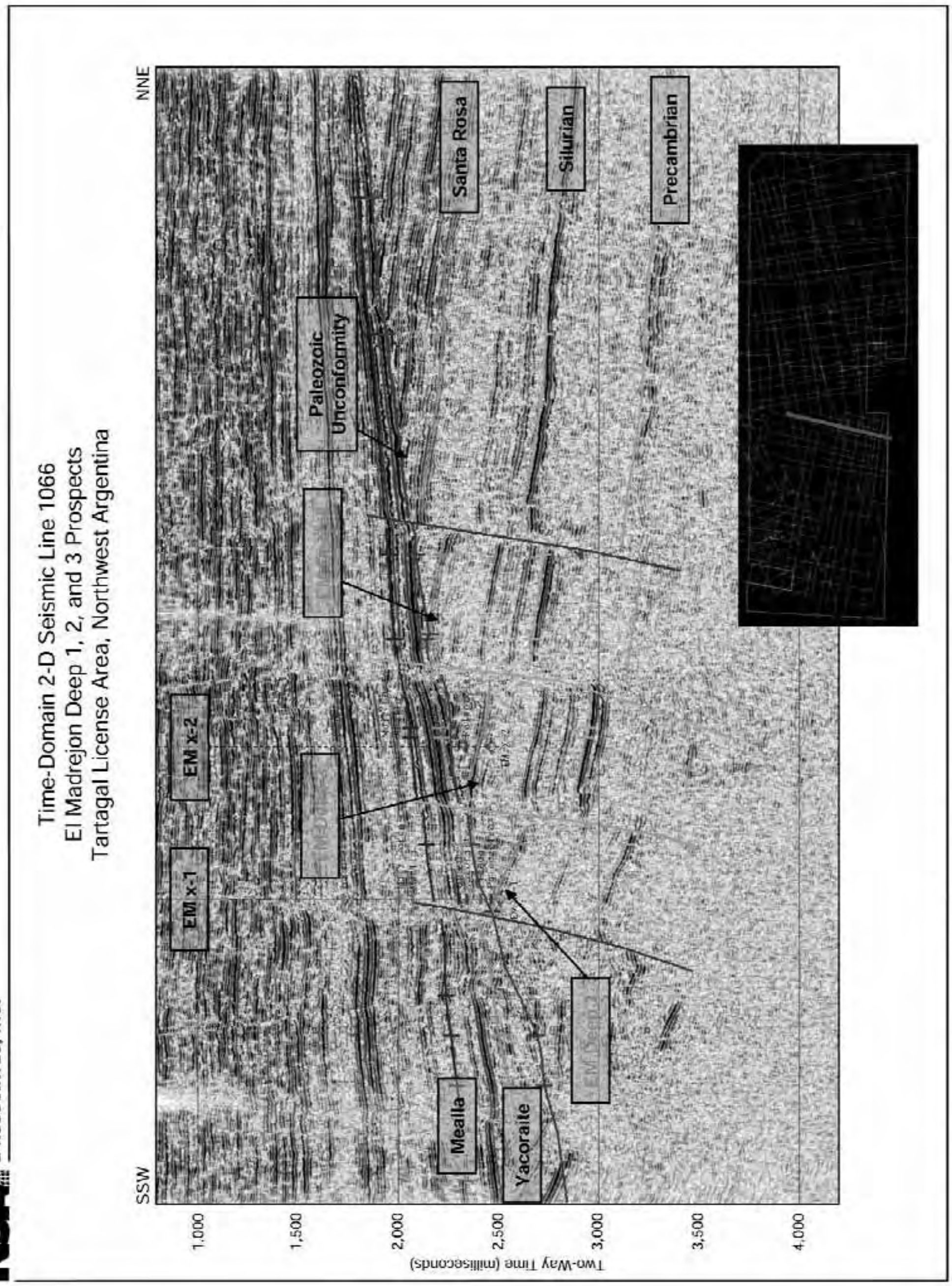

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Figure 18

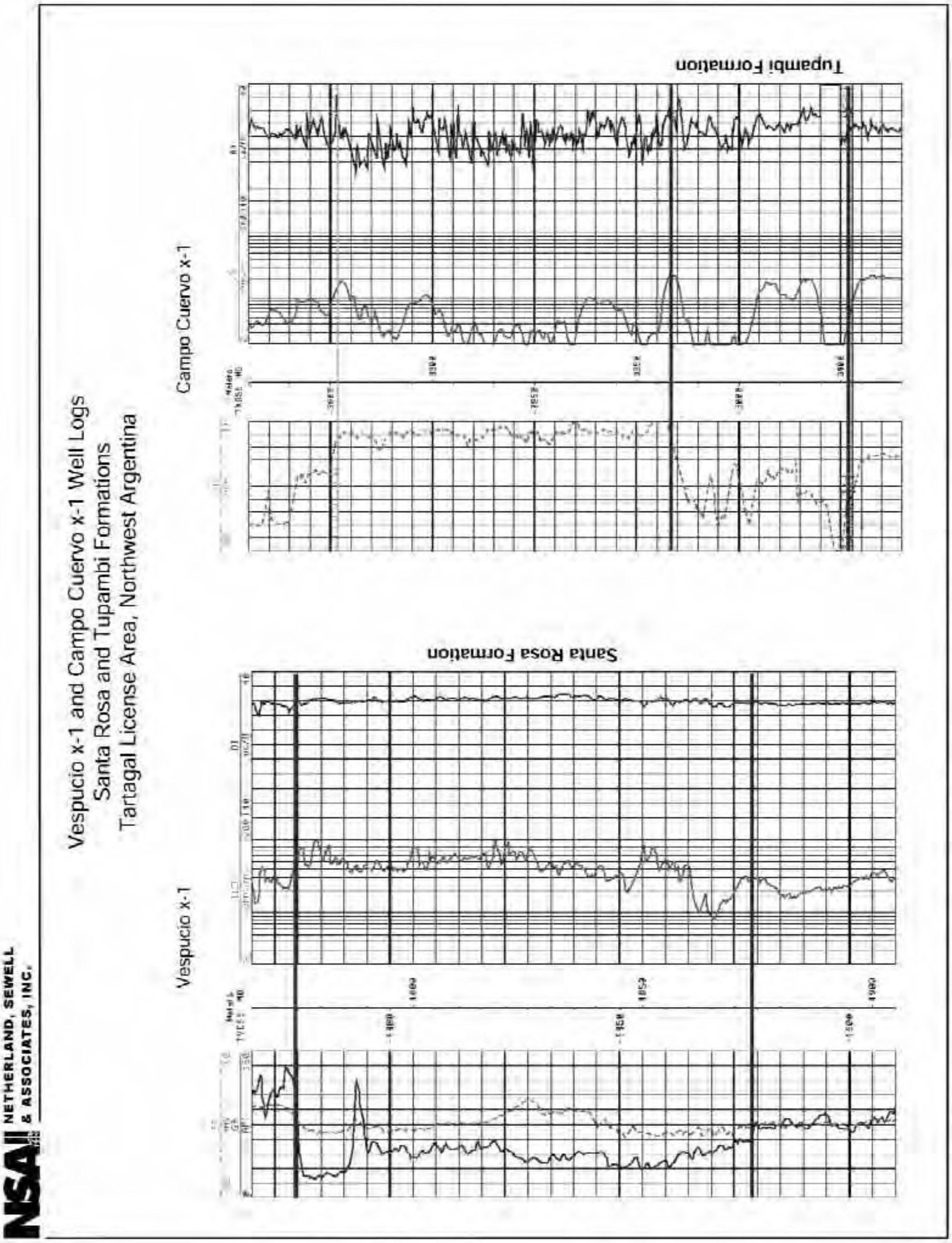

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Figure 19

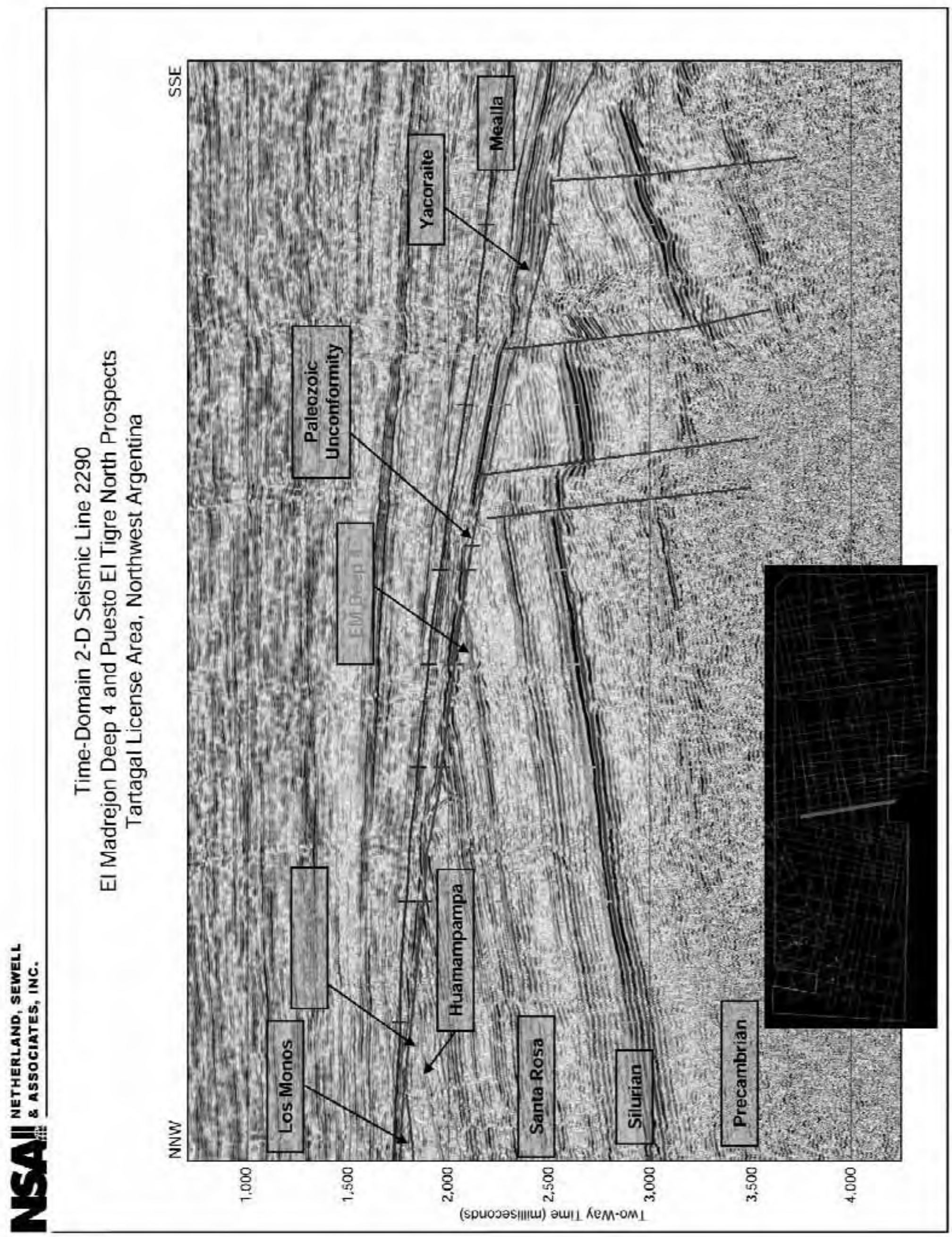

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Figure 20

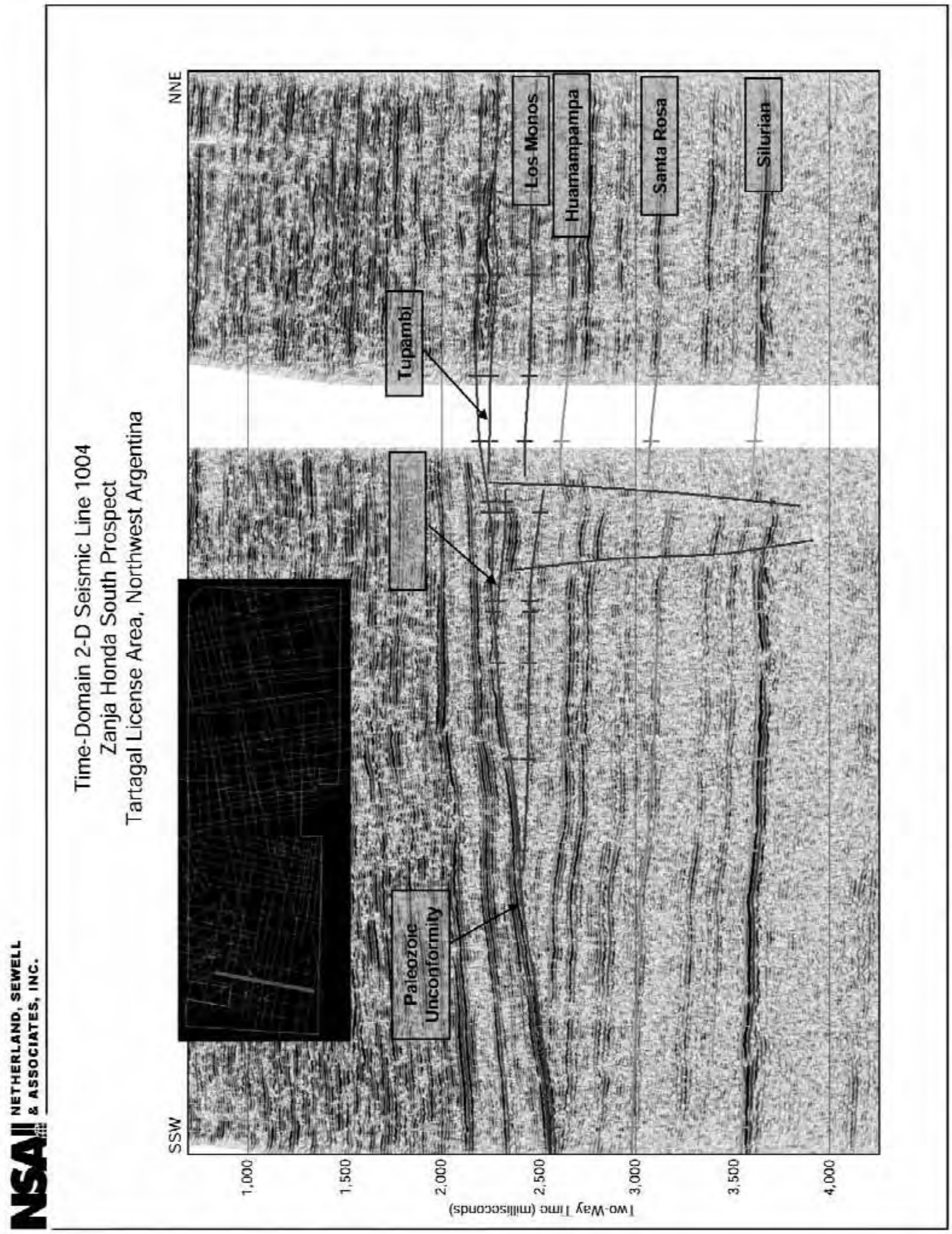

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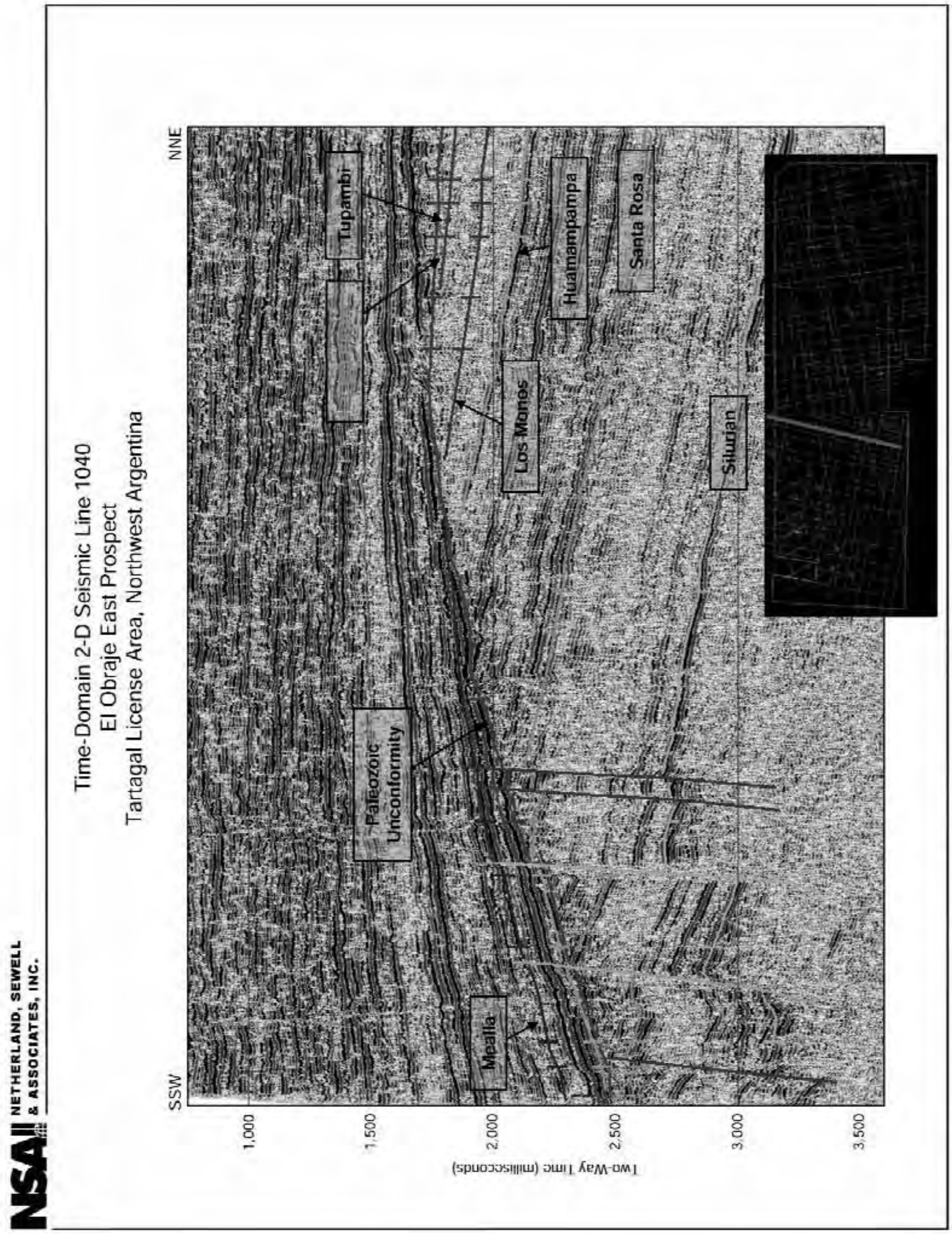
Figure 21



All estimates and exhibits herein are part of this NSAI report and are subject to its parameters and conditions.

Figure 22

DETAILS OF INDEPENDENT NON-EXECUTIVE DIRECTOR PROPOSED TO BE RE-ELECTED

Mr. Fung Siu To, Clement

Mr. Fung, aged 60, has over 25 years of experience in project management and construction. He is a holder of a Bachelor of Applied Science (Civil Engineering) degree and is also a fellow member of the Hong Kong Institution of Engineers. Mr. Fung is currently the chairman and executive director of Asia Orient Holdings Limited and Asia Standard International Group Limited and is an executive director of Asia Standard Hotel Group Limited. Mr. Fung was an executive director of China Bio Cassava Holdings Limited (formerly known as "Q9 Technology Holdings Limited") from November 2000 to September 2006.

Mr. Fung has not entered into any service contract with the Company and has no fixed term of service with the Company save that Mr. Fung's directorship with the Company is subject to the retirement and re-election provision set out in the Bye-laws of the Company. The Director's fee of Mr. Fung as an independent non-executive director of the Company is HK$100,000 per annum. Such fee is subject to review by the Board from time to time pursuant to his duties and responsibilities, the Company's performance, the remuneration benchmark in the industry and the prevailing market conditions.

Save as disclosed above, Mr. Fung is not related to any directors, senior management, or any substantial or controlling shareholders of the Company, and has not held any directorship in other listed companies in the last three years.

As at the Latest Practicable Date, Mr. Fung holds 600,000 shares of the Company which is required to be disclosed under Part XV of the Securities and Futures Ordinance. Save as disclosed above, Mr. Fung is not aware of any other matters that need to be brought to the attention of the holders of securities of the Company nor is there any information to be disclosed by the Company pursuant to any of the requirements under the rule 13.51(2)(h) to 13.51(2)(v) of the Rules Governing the Listing of Securities on the Stock Exchange.

RESPONSIBILITY STATEMENT

This circular includes particulars given in compliance with the Listing Rules for the purpose of giving information with regard to the Group. The Directors collectively and individually accept full responsibility for the accuracy of the information contained in this circular and confirm, having made all reasonable inquiries, that to the best of their knowledge and belief, there are no other facts the omission of which would make any statement in this circular misleading.

SHARE CAPITAL

The authorised and issued and fully paid up share capital of the Company as at the Latest Practicable Date was as follows:

Authorised:		*HKD*
20,000,000,000	Shares	2,000,000,000
Issued and fully paid:		
781,971,030	Share	78,197,103

The authorised and issued and fully paid up share capital of the Company upon issue in full of the Consideration Shares and the Conversion Shares will be as follows:

Authorised:		*HK$*
20,000,000,000	Shares	2,000,000,000
Issued and fully paid:		
781,971,030	Shares	78,197,103
281,250,000	Consideration Shares	28,125,000
5,726,250,000	Conversion Shares to be allotted and issued upon full conversion of the Convertible Notes	572,625,000
6,789,471,030	Shares	678,947,103

DISCLOSURE OF INTERESTS

Directors', Chief Executive's and Substantial Shareholders' Interests in Securities

(a) Directors' and chief executives' interests and short positions in the shares, underlying shares and debentures of the Company or any associated corporation

As at the Latest Practicable Date, the interests and short positions of the Directors and/or their associates in the shares, underlying shares and debentures of the Company and its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance ("SFO")), as recorded in the register maintained by the Company under Section 352 of the SFO or as otherwise notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO and the Model Code for the Securities Transactions by Directors of Listed Companies (the "Model Code") were as follows:

Long positions of Directors' Interests in shares of the Company

		Number of ordinary shares of the Company held		
Name of Directors	**Capacity**	**Interest in underlying shares under derivatives/ share options**	**Total interests**	**Approximate percentage of the total issued share capital**
Mr. Tse On Kin	Beneficial Owner	4,333,000	4,333,000	0.55%
Fung Siu To, Clement	Beneficial Owner	600,000	600,000	0.08%

Save as disclosed above, as at the Latest Practicable Date, none of the Directors nor chief executives of the Company and their associates had any personal, family, corporate or other interests in the shares, underlying shares or debentures of the Company or any of its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance ("SFO")), as recorded in the register maintained by the Company under Section 352 of the SFO or as otherwise notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO and the Model Code.

Directors' right to acquire share or debentures

Save as disclosed above, at no time during the year were rights to acquire benefits by means of the acquisition of shares in or debentures of the Company granted to any Director or their respective spouse or children under 18 years of age, or were any such rights exercised by them; or was the Company, its subsidiaries, its fellow subsidiaries or its holding companies a party to any arrangements to enable the Directors to acquire benefits by means of the acquisition of shares in, or debentures of, the Company or any other body corporate.

Share Option Scheme

The Company operates a share option scheme (the "Scheme") for the purpose of providing incentives and rewards to eligible participants who contribute to the success of the Group's operations.

On 8 May 2007, 43,330,000 share options were granted under the Scheme to certain Directors, employees and persons or entity that provides support or advisory, consultancy, professional or other services to the Group. The exercise price of the share option is HK0.60 per share and the closing price of the Company's shares on the date of grant was HK$0.56.

The following share options were outstanding as at the Latest Practicable Date:

Category of grantees	Date of grant	Exercisable period	Exercise price	Balance as at Latest Practicable Date
Employees in aggregate	8.5.2007	8.5.2007 – 7.5.2012	HK$0.60	8,666,000
Consultants participants in aggregate	8.5.2007	8.5.2007 – 7.5.2012	HK$0.60	25,998,000
				34,664,000

Disclosable interests and short positions of substantial shareholders under the SFO

At the Latest Practicable Date, according to the register kept by the Company pursuant to section 336 of SFO, and so far as is known to any directors or chief executive of the Company, the following persons had, or were deemed or taken to have, an interest or short position 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 will be 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 other members of the Group:

Long position:

Name of shareholder	*Notes*	**Capacity and Nature of Interest**	**Number of ordinary share held**	**Percentage of the Company's issued share capital**
Max Sun Enterprises Limited	*(i)*	Directly beneficially owned	165,259,530	21.13%
Chow Tai Fook Nominee Limited	*(ii)*	Indirectly beneficially owned	165,259,530	21.13%
Dato' Dr. Cheng Yu Tung	*(ii)*	Indirectly beneficially owned	165,259,530	21.13%
Kistefos Investment A.S.	*(iii)*	Directly beneficially owned	62,400,000	7.98%
Mr. Wong Cheung Yiu	*(iv)*	Directly beneficially owned	4,007,002,500	512.42%
Mr. Chan Koon Wa	*(v)*	Directly beneficially owned	2,000,497,500	255.83%

Notes:

(i) 165,259,530 ordinary shares in the Company were held by Max Sun Enterprises Limited, a company which is wholly owned by Chow Tai Fook Nominee Limited.

(ii) So far is known to the Directors, Chow Tai Fook Nominee Limited is in turn controlled by Dató Dr. Cheng Yu Tung.

(iii) So far is known to the Directors, Kistefos Investment A.S. is wholly-owned by A.S. Kistefos Traesliberi, in which Mr. Christen Sveaas has an 85% beneficial interest.

(iv) Being the total number of Consideration Shares and the total number of shares that, subject to certain conversion restrictions, may be converted upon exercise of the conversion rights under the Convertible Note(s) for the amount of HK$1,222,210,800 to be issued as consideration at Completion.

(v) Being the total number of Consideration Shares and the total number of Shares that, subject to certain conversion restriction, may be converted upon exercise of the conversion rights under Convertible Note(s) for the amount of HK$610,189,200 to be issued as consideration at Completion.

Save as disclosed above, the directors are not aware of any person had or were deemed or taken to have, an interest or short position 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 will be 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 other members of the Group.

EXPERTS AND CONSENTS

The following are the experts, and their qualifications, who have given opinion contained in this circular:

Name	Qualification
CCIF CPA Limited	Certified Public Accountants
BMI Appraisals Limited	Independent qualified valuer
Brons & Salas	Argentina legal adviser
Netherland, Sewell & Associates, Inc.	Independent technical adviser

Each of CCIF CPA Limited, BMI Appraisals Limited, Brons & Salas and Netherland, Sewell & Associates, Inc. has given and has not withdrawn its written consent to the inclusion of its report or opinion as set out in this circular and references to its name in the form and context in which they respectively appear and issue of this circular.

As at the Latest Practicable Date, none of CCIF CPA Limited, BMI Appraisals Limited, Brons & Salas and Netherland, Sewell & Associates, Inc. was beneficially interested in the share capital of any member of the Enlarged Group, nor did it have any right (whether legally enforceable or not) to subscribe for or to nominate persons to subscribe for securities in any member of the Enlarged Group, nor did it have any direct or indirect interest in any assets which were, since 31 December 2007 (being the date to which the latest published audited consolidated financial statements of the Group were made up), acquired or disposed of by or leased to any member of the Enlarged Group, or proposed to be acquired or disposed of by or leased to, any member of the Enlarged Group.

Neither the Technical Adviser nor any Directors are interested in the promotion of, or in any assets which have been within the two years immediately preceding the issue of this circular, acquired or disposed of by or leased to any member of the Enlarged Group.

MATERIAL CONTRACTS

The following contracts (not being contracts in the ordinary course of business) were entered into by members of the Enlarged Group within two years preceding the Latest Practicable Date and are or may be material:

(i) a placing agreement dated 14 May 2007 entered into by the Company, Good Power International Limited and Goldbond Securities Limited in relation to the placing of 70,000,000 shares of the Company owned by Good Power International Limited;

(ii) a top-up subscription agreement dated 14 May 2007 entered into by the Company and Good Power International Limited in relation to the top-up subscription of 70,000,000 shares of the Company by Good Power International Limited;

(iii) a subscription agreement dated 16 May 2007 entered into by the Company and Ample Talent Development Group Limited in relation to the subscription of 5,000,000 new shares of the Company by Ample Talent Development;

(iv) a subscription agreement dated 16 May 2007 entered into by the Company and Huang Bang Hua in relation to the subscription of 5,000,000 new shares of the Company by Huang Bang Hua;

(v) a placing agreement dated 16 May 2007 entered into by the Company, Good Power International Limited and Goldbond Securities Limited in relation to the placing of 30,000,000 shares of the Company owned by Good Power International Limited;

(vi) a top-up subscription agreement dated 16 May 2007 entered into by the Company and Good Power International Limited in relation to the top-up subscription of 30,000,000 shares of the Company by Good Power International Limited;

(vii) the Acquisition Agreements;

(viii) a top-up subscription agreement dated 29 October 2007 entered into by the Company and Good Power International Limited in relation to the top-up subscription of 107,000,000 shares of the Company by Good Power International Limited;

(ix) a sale and purchase agreement and a supplemental agreement dated 21 April 2008 and 5 May 2008, respectively, relating to sale and purchase of 100 issued share ordinary shares in Smart Wave Limited and the assignment of a shareholder's loan owned from Smart Wave Limited to the Company in the amount of HK$33,764,402; and

(x) a sale and purchase agreement dated 24 December 2008 relating to the sale and purchase of 100 issued ordinary shares in Elegant Pool Limited and the assignment of a shareholder's loan owed from Elegant Pool Limited to the Company in the amount of HK$54,286,676.00.

LITIGATION

As at the Latest Practicable Date, no member of the Enlarged 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 Enlarged Group.

SERVICE CONTRACT

None of the Directors had entered into any service contract with the Company or any other member of the Enlarged Group (excluding contracts expiring or determinable by the employer within one year without payment of compensation (other than statutory compensation)) as at the Latest Practicable Date.

COMPETING INTERESTS

As at the Latest Practicable Date, so far as the Directors are aware, none of the Directors or their respective associates had any interest in a business which competes or may compete with the business of the Group, or have or may have any other conflicts of interest with the Group pursuant to Rule 8.10 of the Listing Rules.

OTHER INTERESTS OF THE DIRECTORS

As at the Latest Practicable Date:

(i) none of the Directors had any interest, either direct or indirect, in any assets which have, since 31 December 2007 (being the date to which the latest published audited accounts of the Group were made up), been acquired or disposed of by or leased to any member of the Enlarged Group, or are proposed to be acquired or disposed of by or leased to any member of the Enlarged Group; and

(ii) none of the Directors was materially interested in any contract or arrangement entered into by any member of the Enlarged Group which is subsisting as at the Latest Practicable Date and is significant in relation to the business of the Enlarged Group.

MISCELLANEOUS

(i) The company secretary and qualified accountant of the Company is Mr. Yu Wing Cheung, Vincent who is a member of the Hong Kong Institute of Certified Public Accountants.

(ii) The Hong Kong branch share register and transfer office of the Company is Tricor Tengis Limited situated at 26th Floor, Tesbury Centre, 28 Queen's Road East, Wanchai, Hong Kong.

(iii) The English texts of this circular and the accompanying form of proxy shall prevail over the Chinese texts.

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 during normal business hours on any weekdays other than public holidays up to and including the date of the SGM:

(i) the memorandum and articles of association of the Company;

(ii) the annual reports of the Company for the period from 1 April 2006 to 31 December 2006, for the year ended 31 December 2007 and the interim report of the Company for the six months ended 30 June 2008;

(iii) the accountants' report on the Target Group, the texts of which are set out in Appendix II to this circular;

(iv) the unaudited pro forma financial information on the Enlarged Group and the comfort letter thereon from CCIF CPA Limited, the texts of each of which are set out in Appendix III to this circular;

(v) the property valuation reports on the Concessions, the texts of which are set out in Appendix IV to this circular;

(vi) the Technical Report on the Concessions, the texts of which are set out in Appendix V to this circular;

(vii) the Legal Opinion;

(viii) the written consents as referred to in the paragraphs headed "Experts and consents" in this appendix;

(ix) the material contracts as referred to in the paragraphs headed "Material contracts" in this appendix; and

(x) a copy of each circular of the Company issued pursuant to the requirements set out in Chapters 14 and/or 14A of the Listing Rules since 31 December 2007 (being the date to which the latest published audited consolidated financial statements of the Group were made up).

NEW TIMES GROUP HOLDINGS LIMITED
新時代集團控股有限公司*

(incorporated in Bermuda with limited liability)
(Stock Code: 166)

NOTICE IS HEREBY GIVEN that a special general meeting of New Times Group Holdings Limited ("Company") will be held at Board Room, 7/F, Dynasty Club, South West Tower, Convention Plaza, One Harbour Road, Wanchai, Hong Kong on Wednesday, 18 March 2009 at 3:00 p.m. for the purpose of considering and, if thought fit, passing the following resolutions which will be proposed (with or without amendment) as ordinary resolutions:

ORDINARY RESOLUTIONS

1. "**THAT** Mr. Fung Siu To, Clement be and is hereby re-elected as an independent non-executive director of the Company with immediate effect to hold office until conclusion of the next annual general meeting of the Company and the fixing of his remuneration by the board of directors of the Company be and is hereby approved and ratified."

2. "**THAT**:

    2.1. the entry by the Company into the Acquisition Agreements (as defined in the Circular dated 20 February 2009 despatched to the shareholders of the Company (the "Circular", a copy of which has been produced to the meeting and marked "A", and initialled by the chairman of the meeting for the purpose of identification) and a copy of which has been produced to the meeting and marked "B", and initialled by the chairman of the meeting for the purpose of identification) and the terms and conditions thereof and the performance by the Company of the transactions contemplated thereby be and are hereby approved, confirmed and ratified;

    2.2. the acquisition of the Sale Interests (as defined in the Circular) by the Company on the terms set out in the Acquisition Agreements (as defined in the Circular) be and is hereby approved;

    2.3. the allotment and issue of the Consideration Shares (as defined in the Circular) to the Vendors or their respective Nominee(s) (both as defined in the Circular), in each case on the terms set out in the Acquisition Agreements, be and are hereby approved;

* *for identification purpose only*

2.4. the issue of the Convertible Note(s) (as defined in the Circular) to the Vendors or their respective Nominee(s) (both as defined in the Circular), in each case on the terms set out in the Acquisition Agreements (as defined in the Circular) and the terms thereof, be and are hereby approved;

2.5. the allotment and issue by the Company of new Shares (as defined in the Circular) from time to time upon exercise of conversion rights under the Convertible Note(s) (as defined in the Circular) be and are hereby approved;

2.6. the payment and the terms and conditions of the Contingent Consideration (as defined in the Circular) (including the payment in cash in whole or in part of the Contingent Consideration) be and are hereby approved;

2.7. all other transactions contemplated under the Acquisition Agreements (as defined in the Circular) be and are hereby approved; and

2.8. the taking of all steps and doing of all things by the Company and its subsidiaries as the directors of the Company may in their absolute discretion deem necessary, desirable or expedient to implement, give effect to and/or complete the Acquisition Agreements (as defined in the Circular) and the transactions contemplated thereunder, including without limitation the allotment and issue of the Consideration Shares, the issue of the Convertible Notes, the allotment and issue of new Shares (both as defined in the Circular) from time to time upon exercise of the conversion rights under the Convertible Notes, the payment of the Contingent Consideration and, where required, the amendment of the terms of the Acquisition Agreements and the Convertible Notes (both as defined in the Circular) whether or not as required by, or for the purposes of obtaining the approval of, relevant authorities or to comply with all applicable laws, rules and regulations, be and are hereby authorized, approved, confirmed and ratified."

By Order of the Board
New Times Group Holdings Limited
Cheng Kam Chiu, Stewart
Executive Director

Hong Kong, 20 February 2009

Head office and principal place of business in Hong Kong:
Unit 2003–06 Shui On Centre,
6–8 Harbour Road,
Wanchai,
Hong Kong

Registered office:
Clarendon House
2 Church Street
Hamilton HM11
Bermuda

Notes:

1. A shareholder entitled to attend and vote at the above meeting may appoint one or more than one proxy to attend and to vote in his stead. A proxy need not be a shareholder of the Company.

2. Where there are joint registered holders of any Share, any one such person may vote at the meeting, either personally or by proxy, in respect of such Shares as if he was solely entitled thereto; but if more than one of such joint holders be present at the meeting personally or by proxy, that one of the said persons so present whose name stands first on the register of members of the Company in respect of such Shares shall alone be entitled to vote in respect thereof.

3. In order to be valid, the form of proxy duly completed and signed in accordance with the instructions printed thereon together with the power of attorney or other authority, if any, under which it is signed or a certified copy thereof must be delivered to the office of the Company's branch share registrars, Tricor Tengis Limited, at 26/F., Tesbury Centre, 28 Queen's Road East, Wanchai, Hong Kong not less than forty-eight (48) hours before the time appointed for holding the meeting or any adjournment thereof.

4. A form of proxy for use at the meeting is being despatched to the shareholders of the Company together with a copy of this notice.

As at the date of this notice, the Board comprises ten Directors, of which four are executive Directors, namely Mr. Tse On Kin, Mr. Cheng Kam Chiu, Stewart, Mr. Cheng Chi Him and Mr. Li Guoping; three non-executive Directors, namely Mr. Pei Cheng Ming, Michael, Mr. Wong Man Kong, Peter, and Mr. Chan Chi Yuen; and three independent non-executive Directors, namely Mr. Fung Chi Kin, Mr. Fung Siu To, Clement and Mr. Chiu Wai On.